Inkosi Langalibalele

LOCAL MUNICIPALITY · UMKHANDLU WENDAWO

Inkosi Langalibalele Municipality
(Registration number KZN237)

Annual financial statements

for the year ended 30 June 2022

General Information

Nature of business and principal activities	The primary function of Inkosi Langalibalele Local Municipality is to provided basic services i.e. electricity and refuse collection to the municipal jurisdiction. Inkosi Langalibalele Local Municipality is controlled by a Mayor, Deputy Mayor, Speaker, Chief Whip, seven Executive Committee Members, the Accounting Officer and five Senior Managers who contribute to the day to day management
Mayoral committee	
Mayor	Cllr M T Myeza (PR)
Deputy Mayor	Cllr N S Dladla (Ward 22)
Speaker	Cllr S W Khumalo (PR)
Chief Whip	Cllr M C Mkhize (Ward 16)
MPAC Chairperson	Cllr U Chetty (PR)
EXCO Member	Cllr M W Mbatha (PR)
EXCO Member	Cllr G T Mnikathi (PR)
EXCO Member	Cllr M M Nkala (PR)
EXCO Member	Cllr E Lite (Ward 10)
EXCO Member	Cllr Z P Sikhosana (PR)
EXCO Member	Cllr H S Hadebe (Ward 12)
EXCO Member	Cllr S T Mchunu (PR)
Councillors	Cllr S V Mazibuko (Ward 01)
	Cllr S P Sithole (Ward 02)
	Cllr H M Kubheka (Ward 03)
	Cllr X R Sithole (Ward 04)
	Cllr C V Mkhize (Ward 05)
	Cllr B W Mshengu (Ward 06)
	Cllr M T Mvelase (Ward 07)
	Cllr Z S Mdlolo (Ward 08)
	Cllr M Madinane (Ward 09)
	Cllr N M Hlongwane (Ward 11)
	Cllr L M Mlaba (Ward 13)
	Cllr M N Magwaza (Ward 14)
	Cllr S E Ngwenya (Ward 15)
	Cllr S M Mchunu (Ward 17)
	Cllr S E Mchunu (Ward 18)
	Cllr T A Xaba (Ward 19)
	Cllr L Mlele (Ward 20)
	Cllr P M Mkhize (Ward 21)
	Cllr N Mvelase (Ward 23)
	Cllr Z N Nene (Ward 24)
	Cllr Y N Dlamini (PR)
	Cllr L Vilakazi (PR)
	Cllr L P Mnculwane (PR)
	Cllr S S Mzimela (PR)
	Cllr S F Khumalo (PR)
	Cllr V Penningston (PR)
	Cllr S S Nkosi (PR)
	Cllr Z S Radebe (PR)
	Cllr P Kok (PR)
	Cllr P P Mgaga (PR)
	Cllr P T Shelembe (PR)

General Information

	Cllr N E Mazibuko (PR) Cllr S H Khumalo (PR) Cllr N S Sithole (PR) Cllr K R Dladla (PR) Inkosi K M Dlamini (Traditional Leader) Inkosi X S Mazibuko (Traditional Leader)
Grading of local authority	Grade 3
Chief Finance Officer (CFO)	Mr. S.P. Radebe
Accounting Officer	Ms ZM Mnyandu (Act. Municipal Manager)
Registered office	Civic Building 1 Victoria Street Estcourt 3310
Postal address	P.O. Box 15 Estcourt 3310
Bankers	First National Bank
Auditors	Auditor General of South Africa
Attorneys	SM Mbatha Attorneys, Ndwandwe Attorneys, Ngidi & Company Inc, Lalpasard Inc, Xaba Attorneys, PKK Attorneys, Mathew Francis Inc and Venns Attorneys

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The Reports; and statements set out below comprise the Annual Financial Statements presented to the Municipal Council:

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

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 she 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 Municipality 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 has reviewed the Municipality’s cash flow forecast for the year to 30 June 2022 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.My assumption is made based on the municipality receiving continuous grant funding from both National and Provincial Government. The municipality is dependent on revenue received from billing of property rates and services to the community and state for continued funding of operations. The annual financial
statements are prepared on the basis that the municipality is a going concern and that Inkosi Langalibalele Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. (Refer to Note for going concern for the detailed analysis).

The Municipality is currently under discretionary administration in accordance with section 139 of the constitution and section 137 of the MFMA. The discretionary intervention was implemented to assist the municipality deal with it's long term financial sustainability.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the note entitled Remuneration of Councillors of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution,
read with the Remuneration of Public Offive Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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.

The Annual financial statements set out on Pages 77 to 177, which have been prepared on the going concern basis, were approved by the Accounting Officer on the 31 August 2022 and were signed by:

Ms Z N Mnyandu (Acting Municipal Manager)
Accounting Officer

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	101 763 512	59 937 517
Receivables from exchange transactions	3&5	37 035 258	47 726 534
Receivables from non-exchange transactions	4&5	90 716 266	19 646 964
Inventories	6	10 500 109	10 354 599
Prepayments		169 808	-
		240 184 953	**137 665 614**
Non-Current Assets			
Investment property	7	84 016 426	84 104 004
Property, plant and equipment	8	1 130 339 755	1 218 887 241
Intangible assets	9	2 143 829	2 895 314
Heritage assets	10	9 570 170	9 570 170
		1 226 070 180	**1 315 456 729**
Total Assets		**1 466 255 133**	**1 453 122 343**
Liabilities			
Current Liabilities			
Other financial liabilities	16	265 251	133 218
Finance lease obligation	14	141 691	246 234
Payables from exchange transactions	11	120 103 289	108 120 311
VAT payable	13	5 410 443	2 537 389
Consumer deposits	18	5 395 614	5 009 132
Employee benefit obligation	12	2 929 719	2 696 056
Unspent conditional grants and receipts	15	50 136 861	6 062 115
Provisions	17	4 540 333	4 769 325
		188 923 201	**129 573 780**
Non-Current Liabilities			
Other financial liabilities	16	1 123 921	1 905 051
Employee benefit obligation	12	39 876 899	37 988 847
Provisions	17	18 066 102	16 190 977
		59 066 922	**56 084 875**
Total Liabilities		**247 990 123**	**185 658 655**
Net Assets		**1 218 265 010**	**1 267 463 688**
Accumulated surplus		1 218 265 005	1 267 463 688
Total Net Assets		**1 218 265 005**	**1 267 463 688**

* See Note 50

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	244 408 191	232 158 892
Rental of facilities and equipment	21	966 362	1 453 192
Interest received (trading)		20 754 052	-
Agency services	23	5 975 420	3 456 798
Other income		1 355 277	832 720
Interest received - investment & bank accounts	27	2 782 986	1 724 606
Total revenue from exchange transactions		**276 242 288**	**239 626 208**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	109 977 246	101 766 803
Property rates - penalties imposed	28	3 991 812	-
Licences and Permits (Non-exchange)	24	233 243	235 698
Transfer revenue			
Government grants & subsidies	29	248 044 999	288 717 868
Fines, Penalties and Forfeits	22	2 174 653	4 157 320
Total revenue from non-exchange transactions		**364 421 953**	**394 877 689**
Total revenue	19	**640 664 241**	**634 503 897**
Expenditure			
Employee related costs	30	(196 285 881)	(163 568 958)
Remuneration of councillors	31	(13 454 815)	(12 712 854)
Depreciation and amortisation	32	(131 153 592)	(127 206 986)
Finance costs	33	(992 085)	(1 801 987)
Lease rentals on operating lease	25	(1 494 824)	(2 504 313)
Debt Impairment	34	(14 769 315)	(34 129 535)
Bulk purchases	35	(216 790 954)	(186 778 543)
Contracted services	36	(85 275 622)	(85 955 629)
General Expenses	37	(43 550 415)	(34 014 061)
Total expenditure		**(703 767 503)**	**(648 672 866)**
Operating deficit		**(63 103 262)**	**(14 168 969)**
Loss on disposal of assets and liabilities		(2 039 742)	-
Actuarial gains/losses	17&12	582 631	10 509 710
Inventories losses/write-downs		(63 072)	(34 826)
		(1 520 183)	**10 474 884**
Deficit for the year		**(64 623 445)**	**(3 694 085)**

* See Note 50

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	787 658 828	787 658 828
Adjustments		
Correction of errors 50	483 498 949	483 498 949
Balance at 01 July 2020 as restated*	**1 271 157 777**	**1 271 157 777**
Changes in net assets		
Surplus for the year as previously reported	143 086 651	143 086 651
Correction of errors	(146 780 740)	(146 780 740)
Net income (losses) recognised directly in net assets	(3 694 089)	(3 694 089)
Total recognised income and expenses for the year	(3 694 089)	(3 694 089)
Total changes	(3 694 089)	(3 694 089)
Restated* Balance at 01 July 2021	**1 282 888 450**	**1 282 888 450**
Changes in net assets		
Deficit for the year	(64 623 445)	(64 623 445)
Total changes	(64 623 445)	(64 623 445)
Balance at 30 June 2022	**1 218 265 005**	**1 218 265 005**

Note(s)

* See Note 50

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Taxation		42 899 756	52 795 441
Sale of goods and services		247 271 934	262 301 551
Grants		292 119 745	288 737 733
Interest income		2 782 986	2 034 775
Other receipts		24 670 464	5 124 073
		609 744 885	610 993 573
Payments			
Employee costs		(207 265 342)	(161 669 744)
Suppliers		(315 101 039)	(351 593 372)
Finance costs		(992 085)	(1 801 987)
		(523 358 466)	(515 065 103)
Net cash flows from operating activities	39	**86 386 419**	**95 928 470**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(43 938 668)	(55 818 166)
Purchase of other intangible assets	9	(33 362)	(1 052 950)
Proceeds from the sale of assets		165 245	-
Net cash flows from investing activities		**(43 806 785)**	**(56 871 116)**
Cash flows from financing activities			
Repayment of other financial liabilities		(649 097)	(1 651 991)
Finance lease payments		(104 542)	-
Net cash flows from financing activities		**(753 639)**	**(1 651 991)**
Net increase/(decrease) in cash and cash equivalents		**41 825 995**	**37 405 363**
Cash and cash equivalents at the beginning of the year		59 937 517	22 532 154
Cash and cash equivalents at the end of the year	2	**101 763 512**	**59 937 517**

The accounting policies on pages 83 to 113 and the notes on pages 114 to 177 form an integral part of the annual financial statements.

* See Note 50

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	280 718 000	(2 116 000)	**278 602 000**	244 408 191	**(34 193 809)**	47.1
Rental of facilities and equipment	1 026 000	-	**1 026 000**	966 362	**(59 638)**	
Interest received (trading)	50 707 000	(25 354 000)	**25 353 000**	20 754 052	**(4 598 948)**	47.2
Agency services	-	50 000	**50 000**	5 975 420	**5 925 420**	47.3
Other income	746 000	953 000	**1 699 000**	1 355 277	**(343 723)**	47.4
Interest received - investment	2 620 000	(128 000)	**2 492 000**	2 782 986	**290 986**	47.5
Total revenue from exchange transactions	**335 817 000**	**(26 595 000)**	**309 222 000**	**276 242 288**	**(32 979 712)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	104 729 000	1 833 000	**106 562 000**	109 977 246	**3 415 246**	
Property rates - penalties imposed	-	-	**-**	3 991 812	**3 991 812**	47.6
Licences and Permits (Non-exchange)	2 642 000	1 383 000	**4 025 000**	233 243	**(3 791 757)**	47.7
Transfer revenue						
Government grants & subsidies	248 045 000	-	**248 045 000**	248 044 999	**(1)**	
Fines, Penalties and Forfeits	24 251 000	(11 939 000)	**12 312 000**	2 174 653	**(10 137 347)**	47.8
Total revenue from non-exchange transactions	**379 667 000**	**(8 723 000)**	**370 944 000**	**364 421 953**	**(6 522 047)**	
Total revenue	**715 484 000**	**(35 318 000)**	**680 166 000**	**640 664 241**	**(39 501 759)**	
Expenditure						
Personnel	(175 199 000)	(17 423 000)	**(192 622 000)**	(196 285 881)	**(3 663 881)**	47.9
Remuneration of councillors	(15 435 000)	2 637 000	**(12 798 000)**	(13 454 815)	**(656 815)**	47.10
Depreciation and amortisation	(57 500 000)	19 392 000	**(38 108 000)**	(131 153 592)	**(93 045 592)**	47.11
Finance costs	(1 299 000)	-	**(1 299 000)**	(992 085)	**306 915**	47.12
Lease rentals on operating lease	-	-	**-**	(1 494 824)	**(1 494 824)**	47.13
Debt Impairment	(77 618 000)	41 209 000	**(36 409 000)**	(14 769 315)	**21 639 685**	47.14
Bulk purchases	(198 756 000)	(3 882 000)	**(202 638 000)**	(216 790 954)	**(14 152 954)**	47.15
Contracted Services	(66 669 000)	(10 240 000)	**(76 909 000)**	(85 275 622)	**(8 366 622)**	47.16
General Expenses	(33 465 000)	(4 082 000)	**(37 547 000)**	(43 550 415)	**(6 003 415)**	47.17
Total expenditure	**(625 941 000)**	**27 611 000**	**(598 330 000)**	**(703 767 503)**	**(105 437 503)**	
Operating deficit	**89 543 000**	**(7 707 000)**	**81 836 000**	**(63 103 262)**	**(144 939 262)**	
Loss on disposal of assets and liabilities	-	-	**-**	(2 039 742)	**(2 039 742)**	47.18
Actuarial gains/losses	-	-	**-**	582 631	**582 631**	47.19
Inventories losses/write-downs	-	-	**-**	(63 072)	**(63 072)**	47.20
	-	**-**	**-**	**(1 520 183)**	**(1 520 183)**	
Deficit before taxation	**89 543 000**	**(7 707 000)**	**81 836 000**	**(64 623 445)**	**(146 459 445)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**89 543 000**	**(7 707 000)**	**81 836 000**	**(64 623 445)**	**(146 459 445)**	

Material Variances in excess of 10% are explained in Note 47 to the Annual Financial Statements, and such any expenditure that is over the final budge will be diclosed as unauthorised expendture in Note 40.

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.

Accounting Policies

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

STANDARDS APPROVED AND EFFECTIVE FOR 2021/22 FINANCIAL YEAR
The following GRAP standards have been approved and effective to the municipality for the 2021/22 financial year:
GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events After the Reporting Date
GRAP 16 Investment Property
GRAP 17 Property Plant and Equipment
GRAP 18 Segment Reporting
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 20 Related Party Disclosures
GRAP 21 Impairment of Non -Cash Generating Assets
GRAP 23 Revenue from Non- Exchange Transactions (Taxes and Transfers)
GRAP 24 Presentation of Budget Information in Financial Statements
GRAP 25 Employee Benefits
GRAP 26 Impairment of Cash-Generating Assets
GRAP 27 Agriculture
GRAP 31 Intangible Assets
GRAP 32 Service Concession Arrangements: Grantor
GRAP 34 Separate Financial Statements
GRAP 35 Consolidated Financial Statements
GRAP 36 Investments in Associates and Joint Ventures
GRAP 37 Joint Arrangements
GRAP 38 Disclosure of Interests of Other Entities
GRAP 100 Discounted Operations
GRAP 103 Heritage Assets
GRAP 104 Financial Instruments
GRAP 105 Transfer of Functions Between Entities Under Common Control
GRAP 106 Transfer of Functions Between Entities Not Under common Control
GRAP 107 Mergers
GRAP 108 Statutory Receivables
GRAP 109 Accounting by Principals and Agents
GRAP 110 Living and Non-Living resources

INTERPRETATIONS OF STANDARDS OF GRAP APPROVED AND EFFECTIVE FOR 2021/22 FINANCIAL YEAR
IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue
IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3 Determining whether an arrangement contains a lease
IGRAP 4 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
IGRAP 5 Applying the restatement approach under the Standard of GRAP on financial reporting in hyperinflationary economies
IGRAP 6 Loyalty Programmes
IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9 Distributions of Non-cash Assets to Owners
IGRAP 10 Assets Received from Customers
IGRAP 13 Operating Leases – Incentives
IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15 Revenue – Barter Transactions Involving Advertising Services
IGRAP 16 Intangible Assets – Website Costs
IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18 Recognition and Derecognition of Land

Accounting Policies

IGRAP 19 Liabilities to Pay Levies
IGRAP 20 Accounting for Adjustments to Revenue

AUTHORITATIVE GUIDELINES APPROVED AND EFECTIVE FOR 2020/21 FINANCIAL YEAR
Guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. Figures contained in the Annual Financial Statements are rounded off to the nearest whole number.

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 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

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 assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value..

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. 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.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships..

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

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

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

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

1.5 Investment property

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

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

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

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

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

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

Accounting Policies

1.5 Investment property (continued)

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	30-50 years

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

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

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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 are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Buildings	Straight-line	30-50 years
Roads	Straight-line	5-50 years
Plant and machinery	Straight-line	5-15 years
Furniture and fixtures	Straight-line	5-10 years
Motor vehicles	Straight-line	5-7 years
Office equipment	Straight-line	5-7 years
IT equipment	Straight-line	3-5 years
Transformers & related equipment	Straight-line	50 years
Street Lighting	Straight-line	50 years
Recreational Facilities	Straight-line	5-50 years
Fresh produce and other markets	Straight-line	5-50 years
Landfill Site	Straight-line	5-50 years
Transport facilities	Straight-line	5-50 years
Fencing	Straight-line	10 years
Emergency equipment	Straight-line	5-15 years
Electricity	Straight-line	5-50 years
Security	Straight-line	5-10 years

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

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

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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.

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

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

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.

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.

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

Internally generated goodwill is not recognised as an intangible asset.

Accounting Policies

1.7 Intangible assets (continued)

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,	Straight-line	3-5 years

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

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.

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

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

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.

1.8 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Subsequent measurement

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

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.

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

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

1.9 Financial instruments (continued)

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash & Cash equivalents	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

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.

Accounting Policies

1.10 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

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 interest rate implicit in the lease.

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 - 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.

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

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

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

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

Accounting Policies

1.12 Inventories (continued)

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 Cash and cash equivalents

Cash includes cash-on-hand and cash with banks.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Accounting Policies

1.14 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.

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.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

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 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.

A cash-generating unit is the smallest identifiable group of assets managed 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.

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

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.

Designation

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

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

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

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

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.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service 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.

Accounting Policies

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

Value in use

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.16 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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

Short-term employee benefits

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

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

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

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

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

1.16 Employee benefits (continued)

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.16 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.

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

Accounting Policies

1.16 Employee benefits (continued)

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

The entity uses the Discount Rate 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.

Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.17 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the note 40.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 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.

1.19 Revenue from exchange transactions (continued)

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.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

1.20 Revenue from non-exchange transactions

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

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

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

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

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

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

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

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 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Accounting Policies

1.23 Accounting by principals and agents (continued)

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.

1.24 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of Grap does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the curent year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly..

1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.26 Fruitless and wasteful expenditure

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

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

Accounting Policies

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

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

1.28 Segment information

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

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

1.29 Budget information

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

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

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

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.

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

1.30 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.

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.

1.31 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

Accounting Policies

1.31 Events after reporting date (continued)

- 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.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	11 945	8 116
Bank balances	7 477 944	9 603 136
Short-term deposits	94 273 623	50 326 265
	101 763 512	**59 937 517**

Short-term deposits

FNB Call Account Number 62033811995	4 546	4 546
FNB Cheque Account Number 62216019019	88 562	90 121
FNB Cheque Account Number 62216024737	1 206	-
FNB Money Market Account Number 62232266991	3 888 830	175 417
FNB Cheque Account Number 62281385130	32 854	33 453
FNB Money Market Account Number 6234751060	236 874	231 602
FNB Money Market Account Number 6234582050	495 215	484 194
FNB Fixed Deposit Account Number 71066697123	15 897	14 000
FNB Fixed Deposit Account Number 71021254116	63 696	51 537
FNB Fixed Deposit Account Number 71048724530	11 215	11 215
FNB Call Account Number 62296691686	2 850 340	2 787 860
FNB Call Account Number 62778010969	2 488	2 417
FNB Call Account Number 62778019200	35 550 621	44 390 901
FNB Call Account Number 62778013369	34 629	33 646
FNB Call Account Number 62778018517	48 969 247	13 815
FNB Call Account Number 62778011529	19 895	19 330
FNB Call Account Number 62778015589	133 531	129 740
FNB Call Account Number 62778017650	66 172	64 293
FNB Call Account Number 62778014648	53 100	51 592
FNB Call Account Number 62778016743	1 722 525	1 673 623
FNB Call Account Number 62778016115	15 165	14 734
Standard Bank Money Market Account Number 75075646	17 015	16 092
Nedbank Fixed Deposit Account Number 19542952	-	32 234
	94 273 623	**50 326 362**

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
Main Bank Account - FNB Acc No. 62633444443	6 833 028	8 985 270	7 317 911	6 802 760	8 997 745	7 317 912
Bank Account - ABSA Acc No. 4056119170	675 184	605 391	81 390	675 184	605 391	82 990
Total	**7 508 212**	**9 590 661**	**7 399 301**	**7 477 944**	**9 603 136**	**7 400 902**

3. Receivables from exchange transactions

Other receivables - Prepaid Electrcity Vendor Sales	342 735	183 957
Consumer debtors - Electricity	32 886 716	40 656 960
Consumer debtors - Refuse	2 339 188	6 030 176
Consumer debtors - Rentals	1 466 619	855 441
	37 035 258	**47 726 534**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

3. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment on Receivables from Exchange Transactions

Opening balance	(108 884 516)	(100 194 809)
Provision for impairment	(10 811 655)	(8 689 707)
	(119 696 171)	**(108 884 516)**

4. Receivables from non-exchange transactions

Municipal Traffic Fines	1 253 327	934 163
Other receivables from non-exchange revenue - overpayment to creditors	270 534	270 534
Consumer debtors - Rates	89 192 405	18 442 267
	90 716 266	**19 646 964**

Receivables from non-exchange transactions past due but not impaired

The Municipality has no Receivables from non-exchange transactions that are past due but not impaired

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(114 157 802)	(105 638 156)
Provision for impairment	(4 396 612)	(8 519 646)
	(118 554 414)	**(114 157 802)**

5. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	207 746 819	132 600 069
Consumer debtors - Electricity	123 550 218	127 609 009
Consumer debtors - Refuse	31 343 057	26 400 735
Consumer debtors - Rentals	1 495 419	2 417 349
	364 135 513	**289 027 162**

Less: Allowance for impairment		
Consumer debtors - Rates	(118 554 414)	(114 157 802)
Consumer debtors - Electricity	(90 663 502)	(86 952 049)
Consumer debtors - Refuse	(29 003 869)	(20 370 559)
Consumer debtors - Rentals	(28 800)	(1 561 908)
	(238 250 585)	**(223 042 318)**

Net balance		
Consumer debtors - Rates	89 192 405	18 442 267
Consumer debtors - Electricity	32 886 716	40 656 960
Consumer debtors - Refuse	2 339 188	6 030 176
Consumer debtors - Rentals	1 466 619	855 441
	125 884 928	**65 984 844**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

5. Consumer debtors disclosure (continued)

Rates

Current (0 -30 days)	2 745 356	1 041 033
31 - 60 days	4 835 245	801 773
61 - 90 days	8 958 125	705 320
91 - 120 days	1 838 481	617 681
121 - 365 days	70 815 198	15 276 460
	89 192 405	**18 442 267**

Electricity

Current (0 -30 days)	18 390 500	2 327 548
31 - 60 days	1 371 884	1 545 478
61 - 90 days	1 321 269	1 224 569
91 - 120 days	888 318	1 634 707
121 - 365 days	10 914 745	33 924 658
	32 886 716	**40 656 960**

Refuse

Current (0 -30 days)	29 894	165 227
31 - 60 days	35 983	171 368
61 - 90 days	42 695	133 465
91 - 120 days	17 434	121 614
121 days +	2 213 182	5 438 502
	2 339 188	**6 030 176**

Other

Current (0 -30 days)	31 320	39 628
31 - 60 days	38 523	20 626
61 - 90 days	38 257	64 235
91 - 120 days	212 474	60 246
121 days +	1 146 045	670 706
	1 466 619	**855 441**

6. Inventories

Materials & Supplies	1 558 181	1 384 425
Unsold Properties Held for Resale	9 005 000	9 005 000
	10 563 181	10 389 425
Inventories (write-downs)	(63 072)	(34 826)
	10 500 109	**10 354 599**

Inventory pledged as security

No Inventory was pledged as security

Notes to the Annual Financial Statements

Figures in Rand

7. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	85 786 348	(1 769 922)	84 016 426	85 786 348	(1 682 344)	84 104 004

Reconciliation of investment property - 2022

	Opening balance	Depreciation	Total
Investment property	84 104 004	(87 578)	84 016 426

Reconciliation of investment property - 2021

	Opening balance	Depreciation	Total
Investment property	84 191 582	(87 578)	84 104 004

Pledged as security

No investment property was pledge as security against any liability.

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.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	997 039	1 460 001

Notes to the Annual Financial Statements

Figures in Rand

8. 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	147 007 000	-	147 007 000	147 007 000	-	147 007 000
Buildings	237 761 738	(106 496 927)	131 264 811	237 449 989	(93 358 847)	144 091 142
Plant and machinery	13 735 067	(5 357 416)	8 377 651	16 066 412	(9 178 035)	6 888 377
Furniture and fixtures	8 157 582	(4 010 960)	4 146 622	9 743 950	(4 109 413)	5 634 537
Motor vehicles	31 138 935	(13 778 968)	17 359 967	27 651 382	(10 941 202)	16 710 180
Office equipment	10 655 600	(5 455 676)	5 199 924	11 538 569	(5 397 759)	6 140 810
Infrastructure	1 215 408 673	(535 523 395)	679 885 278	1 176 333 295	(434 392 360)	741 940 935
Community	121 177 802	(42 852 882)	78 324 920	110 950 224	(35 460 175)	75 490 049
Security Assets	293 010	(209 373)	83 637	293 010	(168 329)	124 681
Work In Progress	58 506 433	-	58 506 433	74 602 306	-	74 602 306
Finance Leased Assets	361 624	(178 112)	183 512	370 801	(113 577)	257 224
Total	**1 844 203 464**	**(713 863 709)**	**1 130 339 755**	**1 812 006 938**	**(593 119 697)**	**1 218 887 241**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	147 007 000	-	-	-	-	-	147 007 000
Buildings	144 091 142	195 800	-	115 949	(12 215 915)	(922 165)	131 264 811
Plant and machinery	6 888 377	4 627 569	(633 452)	-	(2 504 843)	-	8 377 651
Furniture and fixtures	5 634 537	67 956	(141 616)	-	(1 414 255)	-	4 146 622
Motor vehicles	16 710 180	4 366 127	(25 873)	-	(3 690 467)	-	17 359 967
Office equipment	6 140 810	1 358 183	(89 888)	-	(2 209 181)	-	5 199 924
Infrastructure	741 940 935	-	-	39 075 378	(101 131 034)	-	679 885 278
Community	75 490 049	-	-	10 227 578	(7 005 395)	(387 312)	78 324 920
Security Assets	124 681	-	-	-	(41 044)	-	83 637
Work in Progress	74 602 306	33 323 033	-	(49 418 906)	-	-	58 506 433
Finance Leased Assets	257 224	-	(4 681)	-	(69 031)	-	183 512
	1 218 887 241	**43 938 668**	**(895 510)**	**-**	**(130 281 165)**	**(1 309 477)**	**1 130 339 755**

Notes to the Annual Financial Statements

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers received	Transfers - Eskom Projects	Depreciation	Impairment loss	Total
Land	147 007 000	-	-	-	-	-	147 007 000
Buildings	154 703 350	1 582 356	-	-	(12 194 564)	-	144 091 142
Plant and machinery	7 952 740	463 380	-	-	(1 527 743)	-	6 888 377
Furniture and fixtures	4 853 107	1 857 785	-	-	(1 076 355)	-	5 634 537
Motor vehicles	19 122 801	1 152 945	-	-	(3 565 566)	-	16 710 180
Office equipment	6 779 805	1 297 535	-	-	(1 936 530)	-	6 140 810
Infrastructure	835 291 152	36 976	6 178 149	-	(99 565 342)	-	741 940 935
Community	79 819 080	2 368 101	-	-	(6 516 001)	(181 131)	75 490 049
Security Assets	183 283	-	-	-	(58 602)	-	124 681
Work In progress	38 988 628	47 059 088	(6 178 148)	(5 267 262)	-	-	74 602 306
Finance Leased Assets	331 384	-	-	-	(74 160)	-	257 224
	1 295 032 330	**55 818 166**	**1**	**(5 267 262)**	**(126 514 863)**	**(181 131)**	**1 218 887 241**

Reconciliation of Work-in-Progress 2022

	Infrastructure	Community	Other PPE - Buildings	Total
Opening balance	49 372 954	25 113 404	115 949	74 602 307
Additions/capital expenditure	25 833 236	7 405 297	84 500	33 323 033
Transferred to completed items	(39 075 378)	(10 227 578)	(115 949)	(49 418 905)
	36 130 812	**22 291 123**	**84 500**	**58 506 435**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Infrastructure	Community	Other PPE - Buildings	Total
Opening balance	33 562 786	5 309 893	115 949	38 988 628
Additions/capital expenditure	27 255 579	19 803 511	-	47 059 090
Other movements - Transfer to Eskom	(5 267 262)	-	-	(5 267 262)
Transferred to completed items	(6 178 149)	-	-	(6 178 149)
	49 372 954	**25 113 404**	**115 949**	**74 602 307**

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		
Contracted services	21 229 037	19 565 880

Project Name	Reason for Project taken long to complete
Ephangweni Sport Facility	Community unrest affected the project completion
Mavela Sports field	Envrionmental Impact Assessment not obtained
Mqedandaba Sports Facility	Project was delayed to COVID 19.
Wembezi Taxi Rank	Project was vandelised by Community Memebers

Additional text

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. The Municipality have the assets to the value of R123 375 108,39 included in the Property, plant and Equipment that are currently under investigation during the current year.

Notes to the Annual Financial Statements

Figures in Rand

9. 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	4 526 420	(2 382 591)	2 143 829	4 493 058	(1 597 744)	2 895 314

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	2 895 314	33 362	(784 847)	2 143 829

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	2 489 513	1 052 950	(647 149)	2 895 314

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

Notes to the Annual Financial Statements

Figures in Rand

10. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	9 570 170	-	9 570 170	9 570 170	-	9 570 170

Reconciliation of heritage assets 2022

	Opening balance	Total
Historical buildings	9 570 170	9 570 170

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical buildings	9 570 170	9 570 170

Condition of heritage assets

The Municipality for the year ended 30 June 2022, assessed Heritage Assets to be in a good condition.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

11. Payables from exchange transactions

Trade payables	8 771 583	23 636 824
Income received in advanced	3 013 597	-
Retentions	3 715 717	3 167 891
Leave Pay Accrual	17 083 918	16 470 685
Accruals	33 985 065	24 953 883
Salary Control Account	7 084 238	2 612 395
Unallocated Deposits	45 547 081	37 278 633
Surety and Guarantee	902 090	-
	120 103 289	**108 120 311**

12. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation- Post Employee Medical Aid Subsidy	(31 429 226)	(30 100 642)
Present value of the defined benefit obligation- Long Service Award	(11 377 392)	(10 584 261)
	(42 806 618)	**(40 684 903)**

Non-current liabilities	(39 876 899)	(37 988 847)
Current liabilities	(2 929 719)	(2 696 056)
	(42 806 618)	**(40 684 903)**

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

Opening balance	(40 684 903)	(34 146 523)
Net movement recognised in the statement of financial performance	(2 121 715)	(6 538 380)
	(42 806 618)	**(40 684 903)**

Net movement recognised in the statement of financial performance

Current service cost	(1 982 069)	(1 576 036)
Interest cost	(3 967 160)	(3 762 019)
Actuarial gains/ (losses)	582 631	(4 432 699)
Payment made during the year	3 244 883	3 232 374
	(2 121 715)	**(6 538 380)**

Post Employment Medical Aid Benefit

The employer's 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 Inkosi Langalibalele is committed to paying subsidies as follows:

- Any existing (pensioners) and their dependents will continue to receive a 60% subsidy subject to the maximum (CAP) amount of R5,007 (per month per member) for the period from 1 July 2022.
- Any future pensioners and their dependents will continue to receive a 70% subsidy subject to the maximum (CAP) amount of R5,007 (per month per member) for the period from 1 July 2022.
- The Maximum subsidy is expected to increase at 50% of inflation

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

12. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12,50 %	10,74 %
Consumer price inflation	7,98 %	6,49 %
Health care cost inflation	8,98 %	7,49 %
Net Discount rate	3,23 %	3,02 %

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average. GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2021 the duration of liabilities was 12.27 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2022 is 12.50% per annum, and the yield on the inflation-linked bonds of a similar term was about 4.19% per annum, implying an underlying expectation of inflation of 7.98% per annum ([1 + 12.50%] / [1 + 4.19%] - 1).

A healthcare cost inflation rate of 8.98% was assumed. This is 1.00% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.23% per annum ([1 + 12.50%] / [1 + 8.98%] - 1). This year's valuation basis is therefore stronger than previous year's basis from a discount rate perspective.

DEMOGRAPHIC AND DECREMENT ASSUMPTIONS
The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Asummption	Active employees	Pensioners
Normal retirement age	65	
Fully accrued age (to take account for ill-health and early retirement decrements)"	63	
Employment age used for past service period	Actual service entry ages	
Age difference between spouses	5 years	Actual ages used
Proportion married	90% at retirement	Actual marital status
Mortality	SA85-90 (Normal)	PA (90)

12. Employee benefit obligations (continued)

WITHDRAWAL RATES
We used the same withdrawal rates assumption used by the previous actuary to be consistent between valuations.

Example at the stated age	Withdrawal rates Males	Withdrawal rates Females
20	16,0%	24,0%
25	12,0%	18,0%
30	10,0%	15,0%
35	8,0%	10,0%
40	6,0%	6,0%
45	4,0%	4,0%
50	2,0%	2,0%
55	1,0%	1,0%
60+	0,0%	0,0%

CONTINUATION PERCENTAGES
We have assumed the continuation of the post-employment health care subsidy would be at 100% of active employees or their surviving dependants.

ELIGIBLE EMPLOYEES
We summarise the participants eligible for post-employment medical aid subsidy as at the current valuation date, 30 June 2022, as provided by Inkosi Langalibalele.

The table below illustrates the average total monthly medical contribution subsidies payable to continuation pensioners and active employees. The employees' contributions are those payable to the employees and their spouses in retirement, at the current rates. The contributions include risk and the medical savings account.Additional text

Category	Average age 30 June 2022	Average employer monthly contribution 30 June 2022
Active employees	44.78 years	R3,132
Continuation pensioners	75.39 years	R3,696

SENSITIVITY ANALYSIS]

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

MEDICAL INFLATION RATE
The effect of a one percent increase and decrease in the medical inflation rate is as follows:

	1% decrease R's	30 June 2022 Valuation basis R's	1% increase R's
Employer's accrued liability	28 061 986	31 429 226	35 428 789
Service cost	1 020 923	1 207 972	1 438 777
Interest cost	3 404 047	3 824 472	4 323 941

As per the table above, a 1% increase in the medical inflation rate results in a 12.73% increase in the accrued liability whilst a 1% decrease in the medical inflation rate will result in an 10.71% decrease in the accrued liability.Additional text

MORTALITY

12. Employee benefit obligations (continued)

The table that follows shows the impact of a change in the mortality assumption. The effect is illustrated by assuming that mortality is 20% heavier than assumed and 20% lighter than assumed.The basis on which the discount rate has been determined is as follow:

	20% lighter R’s	**30 June 2022 Valuation basis R’s**	**20% heaver R’s**
Employer’s accrued liability	33 712 713	31 429 226	29 562 963
Employer's current Service cost	1 264 241	1 207 972	1 159 055
Employer's Interest cost	4 109 334	3 824 472	3 591 770

The above table highlights the effects of a 20% heavier and 20% lighter in the mortality table assumption as at 30 June 2022. The adjustment would result in a 5.94% decrease and 7.27% increase in the accrued liability respectively.

Notes to the Annual Financial Statements

12. Employee benefit obligations (continued)

Long Service Bonus Award

It is the policy of the municipality to provide Long Service Awards to eligible employees. The municipality makes a provision for Long Service Awards in accordance with GRAP 25. The municipality offers employees Long Service Awards for every 5 years of service completed, from 10 years of service to 45 years of service,

Key Assumptions

NET DISCOUNT RATE
The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:
The methodology of setting financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2021 the duration of liabilities was 6.73 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2022 is 10.93% per annum, and the yield on inflation-linked bonds of a similar term was about 3.44% per annum. This implies an underlying expectation of inflation of 7.24% per annum ([1 + 10.93%] / [1 + 3.44%] - 1).

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 8.24% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 2.49% per annum ([1 + 10.93%] / [1 + 8.24%] - 1).Additional text

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

Assumption	**30 June 2021**	**30 June 2022**
Discount rate	8.17%	10.93%
CPI	5.12%	7.24%
Salary increase rate	6.12%	8.24%
Net Discount Rate	**1.93%**	**2.49%**

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2021 the duration of liabilities was

6.73 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2022 is 10.93% per annum, and the yield on inflation-linked bonds of a similar term was about 3.44% per annum. This implies an underlying expectation of inflation of 7.24% per annum ([1 + 10.93%] / [1 + 3.44%] - 1).

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 8.24% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 2.49% per annum ([1 + 10.93%] / [1 + 8.24%]-1.

Sensitivity Analysis

Notes to the Annual Financial Statements

12. Employee benefit obligations (continued)

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

SALARY INCREASE RATE

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 1.00% higher than the CPI, in the long term. The effect of a one percent increase and decrease in the salary inflation rates is as follows

	1% decrease R's	30 June 2022 Valuation basis R's	1% increase R's
Employer's accrued liability	10,687,135	11,377,392	12,134,259
Employer's current service cost	853,222	912,917	978,814
Employer's interest cost	1,099,090	1,174,536	1,257,261

As per the table above, a 1% increase in the salary increase rate results in a 6.65% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 6.07% decrease in the accrued liability.

WITHDWITHRAWAL RATES

The table that follows shows the impact of a change in the withdrawal assumption as detailed in Section 4. The effect is illustrated by assuming that withdrawals are 20% higher than assumed and 20% lower than assumed

	20% decrease R's	30 June 2022 Valuation basis R's	20% increase R's
Employer's accrued liability	12,043,461	11,377,392	10,776,738
Employer's current service cost	978,158	912,917	855,072
Employer's expense cost	1,247,014	1,174,536	1,109,207

The above table highlights the effects of a 20% increase and a 20% decrease in the withdrawal assumptions as at 30 June 2022. The adjustment would result in a 5.28% decrease and 5.85% increase in the accrued liability respectively.

Long Service Award Policy

Inkosi Langalibalele offers bonuses for every 5 years of completed service from 10 years to 45 years. Below we outline the benefits awarded to qualifying employees.

Completed service (Years)	Total Long Service Benefit Award (% of Annual Salary)	Determination of cash bonus R
10	4%	(10/250) x Annual Salary
15	8%	(20/250) x Annual Salary
20,25, 30, 35, 40 and 4	12%	(30/250) x Annual Salar

*A day of accumulated leave is worth 1/250 of the annual salary.

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Inkosi Langalibalele advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

12. Employee benefit obligations (continued)

SENSITIVITY ANALYSIS

	1% decrease R's	**30 June 2022 Valuation basis R's**	**1% increase R's**
Employer's accrued liability	10 678 135	11 377 392	12 134 259
Employer's Current Service cost	853 222	912 917	978 814
Employer's Interest cost	1 099 090	1 174 536	1 257 261
	20% decrease R's	**30 June 2022 Valuation basis R's**	**20% increase R's**
Employer's accrued liability	12 043 461	11 377 392	10 776 738
Employer's current service cost	978 158	912 917	855 072
Employer's Interest cost	1 247 014	1 174 536	1 109 207

13. VAT payable

VAT Payable	5 410 443	2 537 389

The VAT 201's submission to SARS is done on a Cash Basis, whilst the Annual Financial Statements reflects VAT on an Accrual Basis. The VAT Payable disclosed in the Note is VAT not yet collected from Consumers and not yet paid to Suppliers.

All VAT 201's was submitted timeously during the year.

14. Finance lease obligation

Minimum lease payments due		
- within one year	141 691	104 542
- in second to fifth year inclusive	-	141 692
Present value of minimum lease payments	**141 691**	**246 234**

It is municipality policy to lease certain Office equipment under finance lease. The municipality current has laptops from MTN under leases.

The average lease term was 3 years. Interest rates are fixed at the contract date. All leases have fixed repayments.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
New Establishment & Other Operational Support	211 441	211 441
Dalton Community Bridge Project	618 670	5 400 000
Spacial Development Framework Grant	-	56 424
EEDBS Transfer Grant	350 000	350 000
LED Grant	6 750	44 250
Municipal Disaster Mangement Grant	48 950 000	-
	50 136 861	**6 062 115**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

15. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	6 062 115	3 304 062
Additions during the year	168 653 371	187 974 952
Income recognition during the year	(124 578 625)	(185 216 899)
	50 136 861	**6 062 115**

See note 29 for reconciliation of grants from National/Provincial Government.

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

16. Other financial liabilities

At amortised cost		
DBSA Loan 61000893 The DBSA Loans are repayed bi-annually, the Loans has a fixed interest rate of 6.75%. The DBSA loan Account 61000893 will be fully redeemed by 30 June 2031, whilst DBSA Loan Account 61000894 was settled by 30 June 2021	1 123 921	1 905 051
DBSA Loan 61000893 The DBSA Loans are repayed bi-annually, the Loans has a fixed interest rate of 6.75%. The DBSA loan Account 61000893 will be fully redeemed by 30 June 2031, whilst DBSA Loan Account 61000894 was settled by 30 June 2021	265 251	133 218
	1 389 172	**2 038 269**
Total other financial liabilities	**1 389 172**	**2 038 269**
Non-current liabilities		
At amortised cost	1 123 921	1 905 051
Current liabilities		
At amortised cost	265 251	133 218

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

17. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	16 190 977	1 875 125	-	18 066 102
Bonus provision	4 769 325	4 540 333	(4 769 325)	4 540 333
	20 960 302	**6 415 458**	**(4 769 325)**	**22 606 435**

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	29 826 965	1 306 421	-	(14 942 409)	16 190 977
Bonus provision	5 806 917	4 769 325	(5 806 917)	-	4 769 325
	35 633 882	**6 075 746**	**(5 806 917)**	**(14 942 409)**	**20 960 302**

	2022	2021
Non-current liabilities	18 066 102	16 190 977
Current liabilities	4 540 333	4 769 325
	22 606 435	**20 960 302**

Discount Rate Assumption

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long-term discount rate at 30 June 2022 was 11.05% p.a. The consumer price inflation of 7.23% p.a. was obtained from the differential between the averages of the Nominal Bond Yield Curve and the Real Bond Yield Curve (Zero Yield Curves).

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2022.

Key Financial Assumptions Used

Assumption	**30 June 2021**	**30 June 2022**
Discount rate (D)	9.94%	11.05%
Consumer price inflation (C)	6.03%	7.23%
Net discount rate ((1+D)/(1+H)-1)	**3.69%**	**3.56%**

Airspace and Footprint Calculations of the Site

OP had no access to topographic surveys of the site. No site boundary maps were made available to the auditor by Inkosi Langalibalele. Therefore, the landfill site life for the site was determined by Method A as outlined in DWA Minimum requirements 2nd Edition, 1998, The methodology is summarised below:

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

17. Provisions (continued)

1. Calculating Available Airspace in m^3

(i) In the case of a proposed landfilling operation where the availability of suitable cover material represents a limiting factor, the quantity of cover is used to determine the total available airspace.

- Based on the fact that a well-run waste operation would require a volumetric ratio of cover material to waste of about 1:4, the total airspace is obtained by multiplying the volume of available cover material by a factor of 5. Alternatively, the total volume of waste that can be accommodated will be given by multiplying the available volume of cover material by a factor of 4. This represents a somewhat rudimentary approach, as the cover to waste ratio is approximate, the compaction density of the waste is estimated and no allowance is made for the effect of ‘bulking’ or ‘debulking’ on the volume of potential cover material.

- In the case of an existing landfill, where the availability of cover material is not the determining factor, the total available airspace will be the volumetric difference between the existing surface and the final landform. Of this volume, 4/5 will be available for waste according to the assumptions made previously.

2. Calculating Annual Airspace Utilisation

Airspace utilisation is calculated from the IRD. The IRD, expressed in T/day, is multiplied by 260 days (based on a 5-day week) to determine the annual tonnage of waste. By dividing this figure by the average density of the waste (between 0,75 T/m^3 to 1,20 T/m^3 depending on waste type and compaction efficiency), the volume of waste to be deposited in the first year is determined. By multiplying this volume by 5/4, the total airspace utilisation for the first year is obtained. Airspace utilisation for subsequent years is obtained by escalating the IRD for each year. This is then cumulated.

3. Calculating Landfill Site Life

The landfill site life is arrived at by matching the available airspace volume for the landfill, arrived at in 1 above, with the cumulative airspace utilisation, in 2 above. Following assumptions were used.

Site Life Calculation Table

ASSUMPTIONS		
Type of waste	Domestic mostly	
Average density of the waste	0.35	T/m^3
Expected growth rate of waste generation	2.0%	1.02
Excavatable cover depth	-	metres
Cover-to-waste ratio	1 to 5	1.20
Compaction reduction by volume	3 to 1	0.33

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

17. Provisions (continued)

No final waste height body modelling of the site was done as no final end-use plans or operating plans were available.

18. Consumer deposits

Electricity	5 395 614	5 009 132

19. Revenue

Service charges	244 408 191	232 158 892
Rental of facilities and equipment	966 362	1 453 192
Interest received (trading)	20 754 052	-
Agency services	5 975 420	3 456 798
Licences and permits	233 243	235 698
Other income	1 355 277	832 720
Interest received - investment & bank accounts	2 782 986	1 724 606
Property rates	109 977 246	101 766 803
Property rates - penalties imposed	3 991 812	-
Government grants & subsidies	248 044 999	288 717 868
Fines, Penalties and Forfeits	2 174 653	4 157 320
	640 664 241	**634 503 897**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	244 408 191	232 158 892
Rental of facilities and equipment	966 362	1 453 192
Interest received (trading)	20 754 052	-
Agency services	5 975 420	3 456 798
Other income	1 355 277	832 720
Interest received - investment & bank accounts	2 782 986	1 724 606
	276 242 288	**239 626 208**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	109 977 246	101 766 803
Property rates - penalties imposed	3 991 812	-
Licences or permits	233 243	235 698
Transfer revenue		
Government grants & subsidies	248 044 999	288 717 868
Fines, Penalties and Forfeits	2 174 653	4 157 320
	364 421 953	**394 877 689**

20. Service charges

Sale of electricity	235 525 585	223 715 558
Refuse removal	8 882 606	8 443 334
	244 408 191	**232 158 892**

21. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	966 362	1 453 192

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

22. Fines, Penalties and Forfeits

Illegal Connections Fines	71 203	1 382 820
Municipal Traffic Fines	2 103 450	2 774 500
	2 174 653	**4 157 320**

23. Agency services

Driver's Licenses	4 355 101	2 709 689
Vehicle Registration	1 620 319	747 109
	5 975 420	**3 456 798**

The municipality provides motor vehicle and driver licences services on behalf of the Department of Transport as per the agreement. This is considered to be a principle and agent agreement.

24. Licences and permits (non-exchange)

Trading	233 243	235 438
Licences and permits	-	260
	233 243	**235 698**

25. Lease rentals on operating lease

Equipment		
Contractual amounts	1 494 824	2 504 313

26. Other revenue

Other income	1 355 277	832 720

The amount included in other revenue arising from exchanges of goods or services are as follows:		
Rates Clearence Certificates	70 150	261 018
Building Plans	190 651	232 964
Burial Fees	94 574	118 833
Encroachment Fees	114 000	111 482
Town Planning Fees	65 517	43 761
Building Plan Inspections	110 669	39 547
Admission Fees - Swimming Pool	61 415	12 426
Valuation Certificates	5 528	12 689
Sundry Income	626 444	-
Library Membership Fees	16 329	-
	1 355 277	**832 720**

27. Investment & Bank Interest revenue

Interest revenue		
Bank & Call Accounts	2 782 986	1 724 606

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

28. Property rates

Rates received

Residential	169 117 277	156 452 309
Less: Income forgone	(59 140 031)	(54 685 506)
	109 977 246	101 766 803
Property rates - penalties imposed	3 991 812	-
	113 969 058	**101 766 803**

Valuations

Residential	3 261 257 403	3 220 803 120
Commercial	1 347 691 000	1 354 593 000
State	1 188 132 000	1 275 340 000
Municipal	300 900 000	283 953 000
Small holdings and farms	3 302 193 000	3 279 673 000
Public Benefit	176 707 000	185 586 000
NEMA	535 034 000	535 844 000
Public Service Infrastructure	327 425 000	297 074 000
	10 439 339 403	**10 432 866 120**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Figures in Rand	2022	2021

29. Government grants & subsidies

Operating grants		
Equitable share	197 401 000	224 585 000
EPWP Grant	2 114 000	2 082 000
Small Towns Grant	-	1 364 257
Financial Management Grant	2 100 000	2 000 000
Library Grant	6 335 999	6 343 549
Spatial Development Framework Grant	-	167 900
Museum Grant	429 000	429 481
National Youth Development Grant	-	9 917
	208 379 999	**236 982 104**
Capital grants		
National Electricification Grant	-	3 965 000
Municipal Infrastructure Grant	39 665 000	47 770 764
	39 665 000	**51 735 764**
	248 044 999	**288 717 868**

Equitable Share

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

Small Towns Grant

Balance unspent at beginning of year	-	1 364 257
Conditions met - transferred to revenue	-	(1 364 257)
	-	**-**

Financial Management Grant

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

Intergrated National Electrification Programme

Current-year receipts	-	3 965 000
Conditions met - transferred to revenue	-	(3 965 000)
	-	**-**

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	926 764
Current-year receipts	39 665 000	46 844 000
Conditions met - transferred to revenue	(39 665 000)	(47 770 764)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

29. Government grants & subsidies (continued)

Provincial Library Grant

Balance unspent at beginning of year	-	240 461
Current-year receipts	6 336 000	6 105 000
Conditions met - transferred to revenue	(6 336 000)	(6 345 461)
	-	-

Expanded Public Work Programne

Current-year receipts	2 114 000	2 082 000
Conditions met - transferred to revenue	(2 114 000)	(2 082 000)
	-	-

Museum Grant

Current-year receipts	429 000	407 000
Conditions met - transferred to revenue	(429 000)	(407 000)
	-	-

National Youth Development Grant

Balance unspent at beginning of year	-	9 917
Conditions met - transferred to revenue	-	(9 917)
	-	-

Spatial Development Framework Grant

Balance unspent at beginning of year	56 424	224 324
Conditions met - transferred to revenue	-	(167 900)
Repayment of Grant	(56 424)	-
	-	**56 424**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

29. Government grants & subsidies (continued)

EEDBS Transfer Grant

Balance unspent at beginning of year	350 000	-
Current-year receipts	-	350 000
	350 000	**350 000**

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

LED Grant

Balance unspent at beginning of year	44 250	44 250
Repayment of Grant	(37 500)	-
	6 750	**44 250**

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

Disaster Management Grant

Current-year receipts	48 950 000	-

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Employee related costs

Basic	126 474 885	111 116 189
Bonus	9 247 042	7 480 153
Medical aid - company contributions	7 546 348	6 965 484
UIF	1 073 441	939 044
SDL	1 202 734	938 665
Leave pay provision charge	2 343 353	(1 265 925)
Defined contribution plans	5 949 229	5 338 055
Overtime payments	8 286 716	5 372 733
Acting allowances	360 785	315 155
Car allowance	5 625 416	5 360 292
Housing benefits and allowances	1 009 049	828 432
Cell phone Allowance	145 294	123 535
Pension Fund Contributions	25 278 174	18 281 049
Other Allowances	1 743 415	1 776 097
	196 285 881	**163 568 958**

Remuneration of municipal manager - Mr P S Mkhize

Annual Remuneration	647 651	647 651
Car Allowance	240 000	240 000
Back Pay	107 942	-
Contributions to UIF, Medical and Pension Funds	-	2 125
Leave Pay	80 307	-
Travel Allowance	54 695	-
Housing Allowance	210 000	180 000
Cellphone Allowance	28 000	24 000
Skill & BC Levy	-	9 593
	1 368 595	**1 103 369**

Mr P.S. Mkhize resigned as the municipal manager on the 12th of April 2022 and council accepted his resignation. Mrs Z.M. Mnyandu General Manager Community Services has been appointed as the Acting Municipal Manager in the interim.

Remuneration of chief finance officer - Mr S P Radebe

Annual Remuneration	584 713	584 713
Car Allowance	194 904	194 904
Travel Allowance	4 700	-
Contributions to UIF, Medical and Pension Funds	-	2 125
Cellphone Allowance	9 000	9 000
Acting Allowance	9 552	-
Skill & BC Levy	-	7 608
	802 869	**798 350**

Remuneration of General Manager Community - Ms Z M Mnyandu

Annual Remuneration	614 523	614 523
Car Allowance	165 096	165 096
Contributions to UIF, Medical and Pension Funds	-	2 125
Cellphone Allowance	9 000	9 000
Acting Allowance	28 656	-
Skill & BC Levy	-	6 761
	817 275	**797 505**

Remuneration of General Manager Civil & Electrical - Ms Z R Zwane

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Employee related costs (continued)

Annual Remuneration	-	196 102
Car Allowance	-	60 000
Contributions to UIF, Medical and Pension Funds	-	595
Cellphone Allowance	-	3 000
Skill & BC Levy	-	2 471
	-	**262 168**

Remuneration of General Manager - Planning & Development - Mr NZ Khuzwayo

Annual Remuneration	573 937	-
Car Allowance	245 973	-
Cellphone Allowance	8 250	-
	828 160	**-**

Remuneration of General Manager - Corporate - Mr N B Chotoo

Annual Remuneration	729 772	621 015
Car Allowance	201 751	310 508
Housing Allowance	72 452	-
Contributions to UIF, Medical and Pension Funds	-	2 125
Cellphone Allowance	9 000	9 000
Skill & BC Levy	-	72 452
Travel Allowance	1 490	-
	1 014 465	**1 015 100**

Remuneration of General Manager - Civil & Electrical - Mrs N G Shezi

Annual Remuneration	615 000	-
Car Allowance	147 000	-
BackPay	54 038	-
Leave Pay	78 026	-
Cellphone Allowance	15 444	-
Housing Allowance	100 224	-
Acting Allowance	20 168	-
	1 029 900	**-**

31. Remuneration of councillors

Mayor	592 274	443 351
Deputy Mayor	353 739	-
Mayoral Committee Members	2 686 260	3 443 643
Speaker	473 819	359 574
Councillors	9 348 723	8 466 286
	13 454 815	**12 712 854**

In-kind benefits

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

The Mayor, Deputy Mayor,Speaker and Cheif Whip has the use of Council owned vehicle for official duties.

The Mayor and Speaker each have 2 full-time bodyguards and 1 driver.. The Deputy Mayor and Chief Whip each have a driver

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

32. Depreciation and amortisation

Property, plant and equipment	130 281 166	126 514 863
Investment property	87 578	87 578
Intangible assets	784 848	604 545
	131 153 592	**127 206 986**

33. Finance costs

Trade and other payables - Interest Paid	387 493	495 566
Interest Paid DBSA Loan	7 145	-
Interest Cost - Landfill	597 447	1 306 421
	992 085	**1 801 987**

34. Debt impairment

Contribution to Debt impairment Municipal Traffic Fines	1 631 861	2 556 251
Contributions to Debt impairment provision for Receivables from exchange & non-exchange transactions	13 137 454	31 573 284
	14 769 315	**34 129 535**

35. Bulk purchases

Electricity - Eskom	216 790 954	186 778 543

Electricity losses

Units purchased	-	-	150 642 077	155 642 805
Units sold	-	-	(140 932 795)	(145 687 962)
Total loss	**-**	**-**	**9 709 282**	**9 954 843**
Comprising of:				
Technical losses	-	-	9 709 282	9 954 843
Percentage Loss:				
Technical losses	- %	- %	6 %	6 %

36. Contracted services

Presented previously		
Operating Leases	904 030	-
Outsourced Services		
Cleaning Services	425 767	909 712
Clearing and Grass Cutting Services	148 100	149 604
Hygiene Services	-	485 812
Meter Management	-	763 585
Security Services	24 337 834	27 082 783
Transport Services	1 150 630	-
Drivers Licence Cards	30 138	107 598

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

36. Contracted services (continued)

Consultants and Professional Services		
Business and Advisory	29 814 640	25 457 284
Infrastructure and Planning	97 200	167 750
Laboratory Services	49 500	240 000
Legal Cost	2 581 725	2 485 116
Contractors		
Electrical	8 938 759	11 465 576
Maintenance of Buildings and Facilities	11 692 831	13 367 566
Maintenance of Equipment	3 808 280	1 714 962
Maintenance of Unspecified Assets	-	946 389
Pest Control and Fumigation	169 500	611 892
Tracing Agents and Debt Collectors	1 126 688	-
	85 275 622	**85 955 629**

37. General expenses

Advertising	530 906	434 333
Auditors remuneration	3 660 179	2 489 868
Bank charges	412 777	404 643
Cleaning	1 351 256	1 080 122
Consumables	1 524 123	1 156 454
Entertainment	311 872	32 247
Insurance	3 750 006	2 861 615
Conferences and seminars	142 740	-
IT expenses	5 428 449	5 137 736
Motor vehicle expenses	2 165 542	2 116 757
Fuel and oil	4 214 750	3 448 524
Postage and courier	3 193	54 987
Printing and stationery	627 888	419 331
Subscriptions and membership fees	2 089 262	2 230 880
Telephone and fax	1 959 151	1 636 996
Training	1 485 104	2 201 605
Travel - local	299 991	241 805
Utilities - Water Account	6 773 733	3 430 181
Uniforms	217 711	1 041 838
Other General Expenses	6 601 782	3 594 139
	43 550 415	**34 014 061**

38. Auditors' remuneration

Fees	3 660 179	2 489 868

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

39. Cash generated from operations

Deficit	(64 623 445)	(3 694 085)
Adjustments for:		
Depreciation and amortisation	131 153 592	127 206 986
Gain on sale of assets and liabilities	2 039 742	-
Finance costs - Landfill Site	597 447	-
Debt impairment	14 769 315	34 129 535
Movements in retirement benefit assets and liabilities	5 949 229	(9 533 815)
Movements in provisions	1 646 133	-
Actuarial gains/losses	(582 631)	(10 509 710)
Inventory write-off	63 072	34 826
Changes in working capital:		
Inventories	(208 582)	(721 122)
Receivables from exchange transactions	10 691 274	14 364 447
Consumer debtors	(71 069 302)	17 980 298
Prepayments	(169 808)	-
Payables from exchange transactions	8 796 101	(68 953 778)
VAT	2 873 054	(4 641 757)
Unspent conditional grants and receipts	44 074 746	19 865
Consumer deposits	386 482	246 780
	86 386 419	**95 928 470**

40. Contingencies

The following Litigations are in progress against the Municipality. The details and merits of each matter are maintained with the
Municipality's Legal Service Department. Certain Claims are attracting interest at the legal prescribed rate of 10,5% p.a.

	2022	**2021**
AARIA Consulting (PTY) Ltd	8 060 825,34	7 294 864,56
Ndlala Mass Valuation	0,00	1 597 165,83
A1 Electric	0,00	558 370,92
Nonjiko Security Services	1 248 387,67	1 248 387,67
Ngomfo Security Services	16 994 762,52	16 994 762,52
Sydwalt Projects (pty) LTD	1 635 679,47	1 635 679,47
Treated Timber Products (pty) Ltd	177 365,44	177 365,44
Natal Joint Municipal Pension Fund	0,00	6 219 347,45
Mtungwa Funeral Services	0,00	1 013 527,06
Natal Joint Municipal Pension Fund	0,00	4 207 788,42
AARIA Consulting (PTY) Ltd	1 126 069,48	1 126 069,48
Jaichand Sivanath	15 116,62	15 116,62
RSI Vihicle Hire	139 650,00	139 650,00
Moreka Motsatse	2 380 614,56	2 380 614,56
KwaQopha (PTY) Ltd	55 610,00	55 610,00
kwanele Nkabinde	100 000,00	100 000,00
Sheroma Bihaspat	12 330,00	12 330,00
Natal Joint Municipal Pension Fund	0,00	626 863,83
Thulisile Mhlongo	34 316,53	0,00
Sharlae Munilal Maniram	19 854,49	0,00
Y. Nonkanyiso Dlamini	700 000,00	700 000,00
Silver Flame	450 000,00	450 000,00
	33 150 582,12	46 553 513,83

Contingent assets

The Municipality had the following Contingent asset as of 30 June 2022. The matter related to the overpayment to MT Silinda Attorneys of R 585 912.80. The matter was pending summons at the time of reporting.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

41. Unauthorised expenditure

Opening balance as previously reported	171 168 723	73 630 535
Add: Unauthorised expenditure - current	129 486 917	33 944 499
Add: Unauthorised expenditure - prior period error	-	64 815 574
Less: Amount written-off - current	(60 791 258)	(1 221 885)
Less: Amount written-off - prior period	(33 944 499)	-
Closing balance	**205 919 883**	**171 168 723**

Analysed as follows: non-cash

Depreciation and amortisation	93 045 592	72 070 714
Loss on disposal of property, plant and equipment	2 039 742	-
Inventory write-down in terms GRAP 12	63 072	34 826
	95 148 406	**72 105 540**

Analysed as follows: cash

Bulk purchases	14 152 954	5 499 543
Contracted services	8 366 622	3 005 629
General expenditure	6 003 415	15 085 061
Councillor Remuneration	656 815	-
Operational Leases	1 494 824	2 504 313
Employee related costs	3 663 881	-
Finance Costs	-	559 987
	34 338 511	**26 654 533**

42. Fruitless and wasteful expenditure

Opening balance	1 588 207	2 802 439
Add: Fruitless and wasteful expenditure identified - current	388 364	312 804
Add: Fruitless and wasteful expenditure identified - prior period	-	284 052
Less: Amount written off - current	(811 223)	(1 811 088)
Closing balance	**1 165 348**	**1 588 207**

Notes to the Annual Financial Statements

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42. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest incurred for late payment to Eskom	Investigations Completed Amount written-off for prior year	44 652	279 615
Interest incurred for late payment to Telkom	Investigations Completed Amount written-off for prior year	26 240	27 655
Interest incurred for late payment to Auditor General	Investigations Completed Amount written-off for prior year	1 272	5 533
Interest incurred for late payment to Uthukela District Municipality (Water Services)		128 069	-
Interest and Penalty Charges paid to SARS		188 131	-
		388 364	**312 803**

Notes to the Annual Financial Statements

Figures in Rand

42. Fruitless and wasteful expenditure (continued)

Amount written-off

The MPAC investigated, and reccommend to Council to write-off an amount of R 811 223 from the total fruitless and wasteful expenditure amount.

43. Irregular expenditure

Opening balance	249 099 050	244 432 908
Add: Irregular expenditure - current	32 311 183	35 901 598
Add: Irregular expenditure - prior period	567 837	-
Less: Amount written off - current	(202 835 881)	(31 235 456)
Closing balance	**79 142 189**	**249 099 050**

Notes to the Annual Financial Statements

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43. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Competitive bidding not invited	Investigations Completed Amount written-off for prior year	3 990 412	2 880 115
Non-compliance with National Treasury SCM Regulation 32 & 33	Investigations Completed Amount written-off for prior year	502 991	1 207 415
Non Compiance with Local Content requirements/ tender split	Investigations Completed Amount written-off for prior year	3 916 475	396 177
Non-Compliant Tax Status		9 493 996	-
Awards to close family member of municipal officials	Investigations Completed Amount written-off for prior year	171 660	171 660
Award amount above maximum threshold	Pending Investigations	6 388 817	-
Not registered on Central Supplier Database	Pending Investigations	198 000	-
Contract Awarded more than 3 years not approved by Council	Investigations Completed Amount written-off for prior year	4 873 795	4 125 553
Flawed SCM processes. Bid Adjudication Committee did not have a minimum number of Senior Managers.	Investigations Completed Amount written-off	-	23 685 292
Payment outside scope of tender	Investigations Completed Amount written-off	-	7 500
Irregular Appointment	Investigations Completed Amount written-off	-	3 427 886
Supplier in the service of the state	Investigations in progress	13 685	-
Non -Compliance with SCM Regulations (Declaration of past Supply Chain Management Practices)	Investigations in progress	3 329 189	-
		32 879 020	**35 901 598**

Amount written-off

The MPAC investigated, and reccommend to Council to to write-off an amount of R 202 835 881 from the total irregular expenditure amount.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

44. Deviation from supply chain management regulations

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

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

The current deviations related to various expenditure due to service delivery emergencies, making it impossible to follow the procurement process. A detailed register of all deviations is maintained at the Supply Chain Managment Department within the Municipality.

	2022	2021
Deviations from supply chain management regulations less than R 200 00 threshold		
Various Deviations	1 625 467	2 483 015

	2022	2021
Deviation from supply chain management regulations greater than R 200 000 threshold		
Actom Electrical	-	512 871
Thesani Trading	-	385 250
Surg Sut (Pty) Ltd	-	1 214 831
Capital Power Projects (Pty) Ltd	241 586	-
Mastiya Construction	250 470	-
	492 056	**2 112 952**

45. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of two major functional areas: Electricity and Refuse.
The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes

Aggregated segments

The municipality operates within it Municipal juridication, as per the boundaries and dermarcation. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout were sufficiently similar to warrant aggregation

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Electricity	Infrastructure is interrelated and similar in delivery to the consumer
Refuse	Infrastructure is interrelated and similar in delivery to the consumer

Notes to the Annual Financial Statements

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45. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Electricity	Refuse	Total
Revenue			
Revenue from exchange transactions	235 525 585	8 882 606	244 408 191
unallocated revenue			396 256 050
Entity's revenue			**640 664 241**
Expenditure			
Salaries and wages	(4 169 179)	(991 685)	(5 160 864)
Bulk Purchases	(216 790 954)	-	(216 790 954)
Contracted Services	(8 938 758)	(2 685 928)	(11 624 686)
General Expenses	(354 197)	(2 644 580)	(2 998 777)
Inventory	(1 351 714)	(812 159)	(2 163 873)
Depreciation	(98 000 777)	(765 175)	(98 765 952)
Total segment expenditure	**(329 605 579)**	**(7 899 527)**	**(337 505 106)**
Total segmental surplus/(deficit)			**581 913 297**
Unallocated expenses			(331 632 605)
Total revenue reconciling items			396 256 050
Entity's surplus (deficit) for the period			**64 623 445**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2021

	Electricity	Refuse	Total
Revenue			
Revenue from exchange transactions	223 715 558	8 443 334	232 158 892
unallocated revenue			402 661 983

45. Segment information (continued)

Entity's revenue			**634 820 875**
Expenditure			
Salaries and wages	(3 965 454)	(154 302)	(4 119 756)
Bulk Purchases	(186 778 543)	-	(186 778 543)
Contracted Services	(6 198 314)	(1 059 316)	(7 257 630)
Inventory	-	(151 223)	(151 223)
General Expenses	(5 928 164)	(780 443)	(6 708 607)
Depreciation	(36 092 779)	(10 553 727)	(46 646 506)
Total segment expenditure	**(238 963 254)**	**(12 699 011)**	**(251 662 265)**
Total segmental surplus/(deficit)			**483 821 157**
Total revenue reconciling items			402 661 983
Unallocated expenses			(398 967 898)
Entity's surplus (deficit) for the period			**3 694 085**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

46. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 10% and significant items are explained below:

47.1 Serivces Charges - The budget projection was over estimated.

47.2. Interest received (Trading Services) - The challenges with the current financial system had an impact on levying interest timeously.

47.3. Agency Services - The item was budget within Licences and Permits

47.4 Other Income - The budget projection was over estiamted

46. Budget differences (continued)

47.5 Interest received Investments - The municipality received the Disater Managment Grant which was invested, until utilisation

47.6. Property Rate Penalities imposed - The item was budget within Fine, Penalties & Forfeits

47.7 Licences and Permits - The budget included the aniticipated revenuie from Agency Services

47.8 Fine, Penalties & Forfeits Fines, Penalities and Forfeits - The item includes the budget for Property Rates Penalities imposed

47.9 Employee Costs - The item was under budgeted

47.10 Remuneration of Councillors - The budget was based on paying office beares part-time, after elections the office beares was paid full-time

47.11 Depreciation and amortisation - The municipality did a physical verification, and conditional assessment of Assets whihc lead to the increase in depreciation. Furthermore the item was under estimated.

47.12 Finance costs - The budget was over-estimated.

47.13 Lease rentals on operating leases - The item was not budgted for.

47.14 Debt Impairment - The item was over-estimated

47.15 Bulk Purchases - The item was under estimated

47.16 Contracted Services - The item was under estiamted

47.17 General expenses - The budget was cut due implementation of budget funidng plan. Furthermore the item was under estimated.

47.18 Loss on Disposal of assets - The item was not budget.

47 19 Actural Gains - This item relates to employee benefist and was not budgeted.

47.20 Inventorie write-down - This item was not budgeted.

47. Accounting by principals and agents

The Municipality is a party to a principal-agent arrangement in terms of the Housing Development Project. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Human Settlements being the principal in this arrangement. The Municipality also operates as an agent on behalf of the Department of Transport in providing Motor Vehicle Licencing Services.

Details of the arrangment are as follows:

The purpose of the arrangement is to construct low-cost houses for the identified beneficiaries. The funding is provided by the Provincial Department of Human Settlements. The Municipality also has an arrangement with the KZN Department of Transport to operate as an Agent on their behalf for the provision of Motor Vehicle and Drivers Licencing.

47. Accounting by principals and agents (continued)

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

During the financial period, the municipality received funds totalling R 69 153 296. The municipality has incurred expenditure of R 69 708 490 during the financial period. In the 2022 year end. The Grant Funding received in accordance with an agreement with the Department of Human Settlements, as well as the conditions in which the funds may be utilised.The municipality receives and agency fee which from the KZN Department of Transport for the provision Motor Vehicle and Drivers Licencing. The fee is at a prescibed rate of 8.5% of the total revenue collected on behalf the KZN Department of Transport. The municipality received a total of R 5 640 421 as an Agency Fee for the year ended 30 June 2022.

Revenue recognised

The municipality does not receive compensation for the transactions carried out on behalf of the principal, in terms of the arrangement, and hence no revenue has been recognised in the current and prior financial year. The revenue received from KZN Department of Transport is recorded as Agency Services in the Annual Financial Statements.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

48. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	12 278 143	10 402 818
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	69 305 284	93 287 209
Total capital commitments		
Already contracted for but not provided for	12 278 143	10 402 818
Not yet contracted for and authorised by accounting officer	69 305 284	93 287 209
	81 583 427	**103 690 027**

Commitments are disclosed inclusive of Value Added Taxation (VAT).

The committed expenditure relates to plant and equipment and will be financed by Conditional Grants received from National Treasury in the form of Municipal Infrastructure Grant (MIG).

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 655 135	1 867 788
- in second to fifth year inclusive	-	1 665 135
	1 655 135	**3 532 923**

Operating lease payments represent rentals payable by the municipality for certain of its office equipment (Printers and Photocopiers). Leases were negotiated with XTEC for a term of three and two years and rentals are fixed, with no escalations. The municipality entered into a new agreement with XTEC from 1 April 2020, 1 February 2021 and 1 June 2021.
The Leases are expected to end in 31 March 2023 and 1 May 2023 respectively. .

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

49. Related parties

Relationships

Remuneration of management

Notes to the Annual Financial Statements

49. Related parties (continued)

Management class: Councillors

2022

Name	Councillor upper Limits	Total
Councillors	12 606 182	12 606 191
Mayoral committee members	4 938 992	4 939 002
	17 545 174	**17 545 193**

2021

Name	Councillor Upper Limits	Total
Councillors	8 466 286	8 466 295
Mayoral committee members	4 246 568	4 246 578
	12 712 854	**12 712 873**

*Refer to Note 31 "Remuneration of councillors"

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

49. Related parties (continued)

Management class: Executive management

2022

Name	Basic salary	Other benefits received	Total
Mr PS Mkhize (Municipal Manager)	755 593	613 002	1 368 603
Mr SP Radebe (Chief Financial Officer)	584 713	218 156	802 878
Ms ZM Mnyandu(GM Community)	614 553	202 721	817 284
Ms NG Shezi (GM Civil & Electrical)	640 400	389 499	1 029 910
Mr HB Chotoo (GM Corporate)	729 772	284 693	1 014 477
Mr NZ Khuzwayo (GM Planning & Development)	573 937	254 223	828 173
	3 898 968	**1 962 294**	**5 861 325**

2021

Name	Basic salary	Other benefits received	Total
Mr PS Mkhize (Municipal Manager)	647 651	455 718	1 103 377
Mr SP Radebe (CFO)	584 713	213 637	798 359
Ms ZM Ndlela (GM Community)	614 523	182 982	797 515
Ms SR Zwane (GM Civil & Electrical)	196 102	66 066	262 179
Mr HB Chotoo (GM Corporate)	621 015	394 085	1 015 112
	2 664 004	**1 312 488**	**3 976 542**

*Refer to note 30 "Employee related costs"

Mr P.S. Mkhize resigned as the municipal manager on the 12th of April 2022 and council accepted his resignation. Mrs Z.M. Mnyandu General Manager Community Services has been appointed as the Acting Municipal Manager in the interim

The Municipality has a full-time Ministerial Administrator, that is remunerated by Cogta.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Prior period errors

Cash & Cash Equivalents		**2021**
Balance previously reported		**96 458 875**
ABSA bank Interest not recorded from January 2021 to June 2021		58 924
Reclassified balance from Cash & Cash equivalents to Receivables from exchange transactions. (Journal JBR00287) 2021	-	34 440 724
Correcting transactions recorded in General Ledger for Receivables 2021.	-	393 078
ABSA Bank charges, debit orders not recorded from January 2021 to June 2021	-	7 573
Cheque number 389 issued for re-imbursement of expenditure incorrectly captured to Petty Cash 2021	-	20 317
Correcting of Bank Reconciling Items from 2019 to 2021	-	663 219
Reclassification of Opening Balance for Unallocated Deposits to Trade Payables 2021		774 083
Correction of Bank Deposits Duplcated June 2021	-	2 892 899
Reversal of payments made in the cash book, for the periods August 20202, September 2020, November 2020, February 2021, May 2021 and June 2021		1 063 445
Balance Restated		**59 937 517**

Inventories		**2021**
Balance previously reported		**10 391 462**
Inventory write-down based on NRV 2021	-	34 826
Reversal of taken balance not supported 2019/2020	-	2 036
Balance Restated		**10 354 600**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Prior period errors (continued)

Value Added Tax (VAT)	**2021**
Balance previously reported	**- 21 648 717**
Restatement of Assets 2019/2020	2 340
Reversal of VAT on retentions captured 2019/2020	- 317 443
Correcting Output VAT allocated to Revenue instead of VAT for Motor Vehicle and Drivers Licences	- 319 655
Correction of Contour Revenue recorded inclusive of VAT 2021	- 4 579 844.96
Correction of Rentals recorded inclusive of VAT 2021	- 6 809.68
Reversal of VAT duplicated on Contour Receipt	508 600.00
Correction of Opening Balance VAT based on VAT reasonability assessment against SARS statement 2020/2021	23 824 141
Balance Restated	**2 537 389**

Investment Property	**2021**
Balance previously reported	**64 596 713**
Derecognition of Land Privately Owned 2019/2020	- 46 254 000
Deemed Cost Adjustment to Investment Property 2020/2021	63 638 000
Correction to Depreciation 2020/2021 due to Deemed Cost Adjustments 2020/2021	- 579 468
Land incorrectly depreciated 2020/2021	2 702 759
Balance Restated	**84 104 004**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Prior period errors (continued)

Intangile Assets	**2021**
Balance previously reported	**1 810 103**
Additions not recognised 2020/2021	1 052 950
Depreciation for Biometric system not recorded for 2020/2021	- 614
Reversal of Accumulated Amortisation on Derecognition of old intangible assets no longer in use.	1 520 330
Reversal of Accumulated Cost on Derecognition of old intangible assets no longer in use.	- 1 500 080
Correction of Amortisation due to reassessment of useful life opening balance	22 345
Amortisation 2020/2021	- 4 418
Correction to Opening balance Accumulated Depreciation not processed for 2020/2021	- 5 310
Balance Restated	**2 895 314**

Other Financial Liabilities - Long Term PTN	**2021**
Balance previously reported	**- 2 251 093**
Correction to DBSA Loan Account opening balance as per third party confirmation (Loan Statement)	346 042
Balance Restated	**- 1 905 051**

Employee Benefits Obligations	**2021**
Balance previously reported - Short Term PTN	- 3 079 433
Balance previously reported - Long Term PTN	- 30 753 861
Total Benefit reported previously	**- 33 833 294**
Correction of Opening Balance Employee Benefits 2019/2020 in line with Acturial Report PEMA	1 398 430
Actuarial Valuations PEMA & LSA 2020/2021, Current Service, Interest Costs and Actuarial Gains & Losses	- 8 250 039
Total Benefit Balance Restated	**- 40 684 903**

Employee Benefits - Short Term PTN	**2 696 056**
Employee Benefits - Long Term PTN	**37 988 847**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Prior period errors (continued)

Consumer Deposits	**2021**
Balance previously reported	**- 5 136 740**
Reclassification of Balance from Consumer Debtors 2020/2021	127 607
Balance Restated	**- 5 009 133**

Consumer Debtors	**2021**
Balance previously reported	**127 607**
Reclassification of Balance to Consumer Deposits 2020/2021	- 127 607
Balance Restated	**-**

Unspent Conditional Grants	**2021**
Balance previously reported	**- 4 331 813**
Housing Grant receipted to unallocated deposits instead of Liability 2020/2021	-12 083 707
Grant Receipt (Dalton Bridge Project) misallocated to unallocated Deposits.	- 400 000
Reversal of Housing Grant fully spent as per analysis of all payments 2019 to 2021	10 753 405
Balance Restated	**- 6 062 115**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Prior period errors (continued)

Property, Plant and Equipment - Cost	
Correction of opening Cost - Land	
Balance previously reported	**147 251 000**
Audit adjustments to land derecognised 2020	- 244 000
Restated Balance	**147 007 000**

Correction of opening Cost - Buildings

Balance previously reported	245 399 068,00
Adjustment for assets incorrectly classified in prior years 2019/20	- 2 422 563,36
Change in cost due to use of the Deemed cost valuation 2019/20	- 5 381 878,55
Balance restated as at 30 June 2021	237 594 626,09

Correction of opening cost - Plant and machinery

Balance previously reported	17 888 845,00
Adjustment for assets incorrectly classified in prior years 2019/20	2 702 958,53
Change in cost due to use of the Deemed cost valuation 2019/20	- 4 525 391,00
Balance restated as at 30 June 2021	16 066 412,47

Correction of opening cost - Furniture and fixtures

Balance previously reported	9 497 725,00
Adjustment for assets incorrectly classified in prior years 2019/20	- 647 194,54
Change in cost due to use of the Deemed cost valuation 2019/20	893 419,89
Balance restated as at 30 June 2021	9 743 950,16

Correction of opening cost - Motor vehicles

Balance previously reported	27 481 162,00
Adjustment for assets incorrectly classified in prior years 2019/20	2 364 414,22
Change in cost due to use of the Deemed cost valuation 2019/20	- 2 194 194,49
Balance restated as at 30 June 2021	27 651 382,22

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Prior period errors (continued)

Correction of opening cost - Office equipment

Balance previously reported	9 311 834,00
Adjustment for assets incorrectly classified in prior years 2019/20	1 624 029,97
Change in cost due to use of the Deemed cost valuation 2019/20	763 066,62
Balance restated as at 30 June 2021	11 698 930,18

Correction of opening cost - Infrastructure

Balance previously reported	664 806 938,00
Adjustment for assets incorrectly classified in prior years 2019/20	- 1 636 538,39
Electricity assets previously not on the FAR 2019/20	102 235 168,60
Reclassification of WIP payments incorrectly processed to infrastructure 2020/21	- 3 207 716,43
Change in cost due to use of the Deemed cost valuation 2019/20	414 135 443,41
Balance restated as at 30 June 2021	1 176 333 295,19

Correction of opening cost - Community

Balance previously reported	139 988 435,00
Adjustment for assets incorrectly classified in prior years 2019/20	4 059 101,75
Reclassification of WIP payments incorrectly processed to community assets 2020/21	- 475 777,03
Change in cost due to use of the Deemed cost valuation 2019/20	- 32 544 119,20
Balance restated as at 30 June 2021	111 027 640,52

Correction of opening cost - Other property, plant and equipment	
Balance previously reported	274 331,00
Change in cost due to use of the Deemed cost valuation 2019/20	18 679,18
Balance restated as at 30 June 2021	293 009,73

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Prior period errors (continued)

Correction of opening cost - Leased Assets

Balance previously reported	13 234 488,00
Adjustment for assets incorrectly classified in prior years 2019/20	- 6 044 208,18
Change in cost due to use of the Deemed cost valuation 2019/20	- 6 819 478,88
Balance restated as at 30 June 2021	370 800,96

Correction of opening cost - WIP	
Balance previously reported	79 322 986,00
Reclassification of payments made in the prior year but not recorded in WIP 2020/21	546 582,56
Eskom projects completed and handed over 2020/21	- 5 267 262,24
Balance restated as at 30 June 2021	74 602 306,32

Property, Plant and Equipment - Accumulated depreciation

Correction of opening accumulated depreciation - Buildings	
Balance previously reported	108 610 447,00
Adjustment for impact on accumulated depreciation due to reclassification of assets incorrectly classified in prior years 2019/20	- 313 670,29
Change in accumulated depreciation due to unbundling 2019/20	6 958 382,66
Audit Adjustments 2020/2021 Accumulated Depreciation	16 604 862.03
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20	- 8 564 865,30
Balance restated as at 30 June 2021	93 295 156.03

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Prior period errors (continued)

Correction of opening accumulated depreciation - Plant and machinery		
Balance previously reported		12 874 293,00
Adjustment for impact on accumulated depreciation due to reclassification of assets incorrectly classified in prior years 2019/20		1 031 841,89
Correction of Depreciation incorrectly calculated 2020/2021		3 730.00
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20	-	4 724 369,00
Balance restated as at 30 June 2021		9 178 035.11

Correction of opening accumulated depreciation - Furniture and fixtures		
Balance previously reported		5 198 334,00
Adjustment for impact on accumulated depreciation due to reclassification of assets incorrectly classified in prior years 2019/20	-	109 392,49
Correction of Depreciation incorrectly caculated 2020/2021		8 303.89
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20	-	987 832,38
Balance restated as at 30 June 2021		**4 109 412.70**

Correction of opening accumulated depreciation - Motor vehicles		
Balance previously reported		16 834 177,00
Adjustment for impact on accumulated depreciation due to reclassification of assets incorrectly classified in prior years 2019/20		1 013 320,38
Correction of Depreciation calculated incorrectly 2020/2021		129 960.14
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20	-	7 036 255,00
Balance restated as at 30 June 2021		**10 941 202.02**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Prior period errors (continued)

Correction of opening accumulated depreciation - Office equipment		
Balance previously reported		4 435 119,00
Adjustment for impact on accumulated depreciation due to reclassification of assets incorrectly classified in prior years 2019/20		369 986,37
Correction of Depreciation incorrectly calculated 2020/2021		35 189.81
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20		717 825,36
Balance as at 30 June 2021		5 558 120.27

Correction of opening accumulated depreciation - Infrastructure		
Balance previously reported		363 172 250,00
Adjustment for impact on accumulated depreciation due to reclassification of assets incorrectly classified in prior years 2019/20	-	668 303,12
Change in accumulated depreciation due to unbundling 2019/20	-	65 292 869,89
Electricity assets previously not on the FAR 2019/20		7 028 311,82
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20		130 152 970,88
Balance restated as at 30 June 2021		434 392 359,98

Correction of opening accumulated depreciation - Community		
Balance previously reported		63 248 506,00
Adjustment for impact on accumulated depreciation due to reclassification of assets incorrectly classified in prior years 2019/20		1 059 389,72
Change in accumulated depreciation due to unbundling 2019/20	-	8 454 977,97
Correction of Accumulated Depreciation incorrectly calculated 2020/2021		105 780.00
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20	-	20 421 106,99
Balance as at 30 June 2021		35 537 591.00

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Prior period errors (continued)

Correction of opening accumulated depreciation - Other property, plant and equipment	
Balance previously reported	170 695,00
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20	- 2 366,40
Balance as at 30 June 2021	168 328,65

Correction of opening accumulated depreciation - Leased Assets	
Balance previously reported	11 006 866,00
Adjustment for impact on accumulated depreciation due to reclassification of assets incorrectly classified in prior years 2019/20	- 2 305 756,15
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20	- 8 587 533,30
Balance restated as at 30 June 2021	113 576,84

Accumulated Surplus	**2021**
Balance Previously Reported	**- 943 115 981**
Deemed Cost Adjustment to Investment Property 2020/2021	63 638 000,00
Actuarial Valuations Long Service and PEMA 2021 Correction	- 4 432 699,00
Inventory write-down based on NRV 2021	34 826,00
JB280-Impairment and Gross Impairment Corrections 2019/2020	- 31 573 283,77
Depreciation 2020/21	- 31 525 309,11
Actuarial Valuations Long Service and PEMA 2021	- 3 817 340,00
Conditions Met NYDA Grant	9 917,00
Contract Services Recorded	39 423,00
General expenses	382 599,00
Take on of 19/20 Impairment	105 638 156,00
Correction to Depreciation 2020/2021 due to Deemed Cost Adjustments 2020/2021	579 468,00
Land incorrectly depreciated 2020/2021	- 2 702 759,00
Additions not recognised 2020/2021	- 1 052 950,00
Other Adjustments	- 2 940,05

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Prior period errors (continued)

Depreciation for Biometric system not recorded for 2020/2021	614,00
Correction to Opening balance Accumulated Depreciation not processed for 2020/2021	5 310,00
Correction to DBSA Loan Account opening balance as per third party confirmation (Loan Statement)	- 346 042,00
Change in cost due to use of the Deemed cost valuation 2019/20	5 381 878,55
Change in cost due to use of the Deemed cost valuation 2019/20	- 4 525 391,00
Change in cost due to use of the Deemed cost valuation 2019/20	893 419,89
Change in cost due to use of the Deemed cost valuation 2019/20	2 194 194,49
Change in cost due to use of the Deemed cost valuation 2019/20	- 763 066,62
Electricity assets previously not on the FAR 2019/20	- 102 235 168,60
Change in cost due to use of the Deemed cost valuation 2019/20	- 414 135 443,41
Change in cost due to use of the Deemed cost valuation 2019/20	32 544 119,20
Change in cost due to use of the Deemed cost valuation 2019/20	- 18 679,18
Change in cost due to use of the Deemed cost valuation 2019/20	6 819 478,88
Eskom projects completed and handed over 2020/21	5 267 262,24
Change in accumulated depreciation due to unbundling 2019/20	- 6 958 382,66
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20	38 564 865,30
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20	4 724 369,00
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20	987 832,38
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20	7 036 255,00
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20	- 717 825,36
Change in accumulated depreciation due to unbundling 2019/20	65 292 869,89
Electricity assets previously not on the FAR 2019/20	- 7 028 311,82
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20	- 130 152 970,88
Change in accumulated depreciation due to unbundling 2019/20	8 454 977,97
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20	20 421 106,99
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20	2 366,40
Change in accumulated depreciation due to use of the Deemed cost valuation 2019/20	8 587 533,30
REVERSAL OF STALE PAYMENTS JUNE 2021 & IMBABAZANE	1 063 444,76

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Prior period errors (continued)

Change in cost due to use of the Deemed cost valuation 2019/20	- 367 196,43
Adjustment to opening retentions per the GL - Prior Year	- 8 421 250,31
Impairment Corrections 2019/2020 & Raising of Impairment 2020/2032	205 832 965,16
Impairment Corrections 2019/2020 & Raising of Impairment 2020/2033	- 176 231 721,66
Correction of Bank deposits duplicated June 2021	2 892 899,37
Change in cost due to use of the Deemed cost valuation 2019/20	- 5 381 878,55
Correction of Contour Revenue duplicated and VAT incorrectly recorded on Revenue 2021	7 970 513,59
Correction of Rentals recorded inclusive of VAT.	6 809.68
Correction of Amortisation & Costs on Derecognised Assets not in use	- 20 249.04
Correction of Amortisation due to reassessment of useful life opening balance 2021	- 22 354.90
Amortisation for 2020/2021	- 4 418.37
Depreciation incorrectly calculated 2020/2021	16 911 499.53
Correction to Retentions opening balance	- 1 038 579 .95
Correction to Land derecognised 2020	244 000.00
Correction to interest received for payment of Debtor (ABSA Loan Repayment)	369 092.57
Balance Restated	**- 1 262 783 940**

Receivables from exchange transactions	**2021**
Balance previously reported	**96 667 749**
Impairment 2020/2021	- 5 845 515
Correction of Control Accounts	767 620
Correction of Balance incorrectly disclosed as Cash & Cash equivalents instead of Receivables from exchange transactions (Refer JBR00287)	34 440 724
Correction of Take-on balance	- 38 923 953
Impairment 2019/2020	- 53 582 419
Correction of VAT on Impairment raised 2020/2021	14 202 328
Balance Restated	**47 726 534**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Prior period errors (continued)

Receivables from non-exchange transactions	**2021**
Balance previously reported	**53 312 471**
Impairment 2020/2021	- 34 958 454
Correction of Control Accounts	- 767 620
Credit Notes processed for Rates	- 269 870
Impairment write-off incorrectly processed against Bad Debt expenditure.	14 807 122
Impairment write-off incorrectly processed against Bad Debt expenditure.	31 969
Write-off Government Interest	- 15 351 191
Correction to interest received for payment of Debtor (ABSA Loan Repayment)	- 369 092.57
Impairment 2019/2020	3 211 630
Balance Restated	**19 646 964**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Prior period errors (continued)

Trade Payables **2021**

Balance previously reported	**-111 211 811,00**
Unallocated Deposits Bank Reconciliation Corrections 2019 to 2021	663 218,74
Correction of TB take-on 2019. The Debtors Advancae Payments was taken-on twice in the GL through the Liability Account and Debtor Control Accounts	5 592 254,12
Reversal of JNL JBR00250 Un-supported 2019/2020	-807 536,04
Reversal of JNL JBR00344- Reversal of AG JNL disallowed	-6 561 004,30
Reversal of Retentions incorrectly raised 2021 on payables segment	-2 096 869,00
Reversal of Retentions incorrectly raised 2021 on retention segment	2 096 869,00
November 2019: Incorrect Invoice reversal on supplier GDS0001. The entry Credited and Debited control Account: D0001/IL53821/F0001/X049/R0045/001/F101 instead of crediting expenditure account.	684 390,00
Leave Adjustment 2019/2020	-552 842,82
Unsupported JNL processed in prior year 2019/2020	71 748,00
Unsupported JNL processed in prior year 2019/2020	-1 831 984,02
Opening Balance Unallocated Deposits redisclosed from cash & bank 2020/2021	-774 083,12
JNL000304 was processed to GL only and not AP. JNL should be reversed as Accrual was raised twice	1 856 699,16
Reversal of JNL Prior Year Adjustment	6 774 214,79
Retentions not raised	-743 938,72
Other Adjustments - 2021	-186 527,59
Housing Grant receipted to unallocated deposits instead of Liability 2020/2021	12 083 707,44
Grant Receipt (Dalton Bridge Project) misallocated to unallocated Deposits.	400 000,00
Reversal of Housing Grant fully spent as per analysis of all payments 2019 to 2021	-10 753 405,44
Correction of creditors 2021 opening balance	-6 785 155,59
Corrections to Assets JBR00387 sitting in unallocated deposits	1 837 335,00
Account D0001/IA10324/F0001/X049/R1347/001/F100 reclassified	1 229 817,03
reclassified account number D0001/IA02336/F0929/X049/R0045/001/F101 reclassified to receivables	(1 135,07)
Other Adjustments - 2021	(5 771 539,00)
Reclassified Account Number D0001/IL37840/F0001/X049/R1347/001/F100 to VAT	319 655,68
JBR00387 Correction of Control Account unallocated deposits against bank control	393 077,92
Retentions corrections JBR00387 2021	-3 247 294,78
Correction of Contour Invoice Duplicates in 2021 recorded in unallocated deposits	-3 899 269,00
Adjustment to opening retentions per the GL - Prior Year	8 421 250,31
Balance Restated	**-112 800 158,30**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Prior period errors (continued)

Commitments **2021**

Balance previously reported "Already contracted for but not provided for"	**6 734 864,00**
Corrections to Commitments 2020/2021 - Contruction of Mavela sportfield	-165 253,59
Corrections to Commitments 2020/2021 - Contruction of Mqedandaba Sportfield	-98 710,27
Corrections to Commitments 2020/2021 - Supply, Delivery,Installation and Commissioning of LED Energy Saving Lights in Weenen	-187 698,69
Corrections to Commitments 2020/2021 - Dalton Bridge Community Projects	5 400 000,00
Corrections to Commitments 2020/2021 - Contruction of salvation army blacktop road	-1 005 705,30
Corrections to Commitments 2020/2021 - Contruction of Wembezi sportfield	-249 963,90
Corrections to Commitments 2020/2021 - Contruction of Ephangwini sportfield	-24 714,62
Balance Restated	**10 402 817,63**

Balance previously reported "Not yet contracted for and authorised by accounting officer"	**0,00**
Corrections to Commitments 2020/2021 - Construction of jikeleza Gravel Link Road	9 677 866,54
Corrections to Commitments 2020/2021 - Upgrade of Wembezi Black Top Phase 2	22 905 677,25
Corrections to Commitments 2020/2021 - Construction of Mahlubi Magwe Community Hall	5 997 885,47
Corrections to Commitments 2020/2021 - Rehabilitation& Upgrade of Bank Road,Cliff Road & Cementry Access Phase 2	5 022 051,35
Corrections to Commitments 2020/2021 - Upgrade of Wembezi Black Top Phase 1	21 755 999,72
Corrections to Commitments 2020/2021 - Upgrade of Wembezi Black Top Phase 3	22 905 677,25
Corrections to Commitments 2020/2021 -Rehabilitation& Upgrade of Bank Road,Cliff Road & Cementry Access Phase 3	5 022 051,35
Balance Restated	**93 287 208,93**

Debt Impairment "Statement Financial Performance" **2021**

Balance previously reported	**2 556 251,00**
Increase Impairement 2020/2021 for Receivables from exchange & non-exchange transactions	31 573 284,00
Balance Restated	**34 129 535,00**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Prior period errors (continued)

Fruitless & Wasteful Expenditure **2021**

Balance previously reported	**37 437 684,00**
Correction of opening balance which could not be supported 2020	**-33 669 747,00**
Correction of furitless & wasteful current year unsupported 2020/2021	**-368 642,00**
Write-off not disclosed 2020/2021	**-1 811 088,00**
Balance Restated	**1 588 207,00**

Irregular Expenditure **2021**

-	-
Balance previously reported	**239 264 326,00**
Correction to opening balance 2019/2020	**26 184 091,00**
Correction to Irregular expenditure identified 2020/2021	**7 055 734,00**
Correction to Irregular expenditure written-off 2020/2021	**-23 405 101,00**
Balance Restated	**249 099 050,00**

51. Comparative figures

Certain comparative figures have been restated, due to corrections indentified in the financial year ended 30 June 2021.

52. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored The liquidity ratio is outlined below.

The municipality has no significant interest -bearing assets, and the income and operating cash flows are substantially independent of changes in market interest rates. As at 30 June 2022 financial instruments exposed to interest rate risk were call and notice deposits.

Financial Instruments		
Current Assets	240 184 953	137 665 614
Current Liabilities	188 923 201	129 573 780
Liquidity Ratio	**1.27**	**1.06**

The norm is 1:1. The municipality has a ratio of 1.27:1, which indicated that it is able settle its current obligations

Notes to the Annual Financial Statements

52. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, 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 in terms of council policy. Sales to consumers are settled in cash. The municipality's exposure to credit risk is indicated below. Financial assets exposed to credit risk at year end were as follows:

Financial Instruments	2022	2021
Cash and Cash Equivalents	101 763 512	59 937 517
Receivables from exchange transactions	37 035 258	47 726 534
Receivables from non-exchange transactions	90 716 266	19 646 964

Municipality has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness.

There were no material changes in its objectives, policies and processes for managing and measuring the risk during the year in review. The municipality's strategy for managing its risk includes encouraging residents to install prepaid electricity meters. A deposit is required for new service connections.

53. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus /(deficit) of 1 218 265 005 and that the municipality's total assets exceed its liabilities.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business
The Municipality used the following ratio to determine the going concern assessment. The Ratios can be interpret as follows:

The Asset Test Ratio is used to determine the to which the municipality is able to settle current obligations. A ratio of 1:1 is used as norm, therefore any ratio above 1, is favourable.

The Current Asset Ratio is used to determine the extent current and short-term assets can be disposed to liquidate current or short-term liabilities. A ratio of 1:1 is used as norm, therefore any ratio above 1, is favourable.

The Debt Ratio is used to determine how much the municipality relies on debt to finance asset,and is expressed as percentage

Acid Test Ratio

Notes to the Annual Financial Statements

53. Reconciliation between budget and statement of financial performance (continued)

Financial Year	Current Assets	Current Liabilities	Ratio
2019/2020	R 162,291,885	R 197,860,671	0.82
2020/2021	R 137 665 614	R 129 573 780	1.06
2021/ 2022	R 240 184 953	R 188 923 201	1.27

Current Asset Ratio

Financial Year	Current Assets	Current Liabilities	Ratio
2019/2020	R 162,291,885	R 197,860,671	0.82
2020/2021	R 137 665 614	R 129 573 780	1.06
2021/ 2022	R 240 184 953	R 188 923 201	1.27

Debt Ratio

Financial Year	Total Liabilities	Total Assets	Percentage
2019/2020	R 262,911,752	R 980,753,986	26%
2020/2021	R 185 658 655	R 1 453 122 343	13%
2021/2022	R 247 990 123	R 1 466 255 133	17%

Based on the above analysis the municipality will continue as going concern. Futher to the above the following grants are anticipated to received in 2022/2023 Financial year whihc will assisted in the cashflow of the municipality.

Furthermore, the municiplaity was placed under administration in terms of Section 139 of the Constitution and Section 137 of the MFMA in the 2020/21 year end which was initiated by COGTA to assist the Municipality with its management of cashflow.

Grant	Amount
Equitable Share	R 207,765,000
Municipal Infrastructure Grant	R 42,689,000
Financial Management Grant	R 2,300,000
Integrated National Electrification Programme (Municipal) Grant	R 9,000,000
Total Anticipated	**R 261,754,000**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA BC Levies & SDL

	2022	2021
Current year subscription / fee	1 137 449	1 821 929
Amount paid - current year	(995 795)	(1 821 929)
	141 654	**-**

The SDL Levy for June 2022 was paid in July 2022. The SALGA BC Levies was paid within the Financial Year end 30 June 2022.

Audit fees

	2022	2021
Opening balance	12 671	1 668 654
Current year subscription / fee	6 687 006	4 416 671
Amount paid - current year	(6 699 677)	(6 072 654)
	-	**12 671**

PAYE and UIF

	2022	2021
Opening balance	2 612 395	1 766 585
Current year subscription / fee	25 325 471	20 705 272
Amount paid - current year	(25 679 678)	(19 859 462)
	2 258 188	**2 612 395**

The PAYE & UIF Contributions for June 2022 was paid in July 2022.

Pension and Medical Aid Deductions

	2022	2021
Opening balance	-	3 099 188
Current year subscription / fee	32 824 522	35 569 794
Amount paid - current year	(29 545 945)	(38 668 982)
	3 278 577	**-**

The Pension Fund and Medical aid Contribution for June 2022 was paid in July 2022.

Notes to the Annual Financial Statements

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

Councillors' arrear consumer accounts

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

30 June 2022	Outstanding less than 90 days		Total
P Kok	1 404	-	1 404
N Hlongwane	3 501	-	3 501
V Penniston	2 656	-	2 656
XR Sithole	23 966	-	23 966
	31 527	**-**	**31 527**

30 June 2021	Outstanding less than 90 days		Total
XR Sithole	19 978	-	19 978
V Penniston	2 611	-	2 611
N Hlongwane	2 925	-	2 925
	25 514	**-**	**25 514**