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

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The primary function of Abaqulusi Local Municipality is to provide basic services i.e. water, electricity, sanitation and refuse to the Abaqulusi communities in a sustainable manner, to promote social and economic development and to promote and safe and healthy environment.
Mayoral committee	
Mayor	MC Maphisa
Deputy Mayor	MA Mazibuko
Speaker	MB Khumalo
Executive Committee Members	L Dube
	LWC Mtshali
	NN Mdlalose
	HB Khumalo
	BP Nhlengethwa
	ML Mtshali
	FK Nene
Councillors	SB Mkhwanazi
	KZ Mbatha
	BE Ndlela
	TE Vilakazi
	BW Mdlalose
	MD Khumalo
	BP Buthelezi
	SS Mthembu
	AP Mbatha
	JX Sangweni
	ZM Ngcobo
	KM Ntuli
	MM Lambiso
	XJ Zungu
	LM Xulu
	AT Mdletshe
	MD Buthelezi
	E Cronje
	LN Ntuli
	PP Selepe
	SN Buthelezi
	MB Mabaso
	SN Ndlela
	ST Mbokazi
	BI Ngema
	VV Dlamini
	NM Sibiya
	HV Khumalo
	CB Hlatshwayo
	S Shelembe
	M Viktor

General Information

	PF Buthelezi RZ Nzuza NP Ndlela MP Williams
Grading of local authority	Grade 04 Medium Capacity
Chief Finance Officer (CFO)	Mr. M Mthembu
Accounting Officer	Mr ZG Dhlamini
Business address	Cnr of Mark and High Street Vryheid Kwa-Zulu Natal 3100
Postal address	P. O. Box 57 Vryheid Kwa-Zulu Natal 3100
Bankers	ABSA Bank of South Africa Limited Nedbank of South Africa Limited Standard Bank
Auditors	Auditor General of South Africa
Attorneys	Cox and Partners Garlicke & Bousfield Nxumalo & Partners Mathapo Attorneys S Pearl Ndaba Attorneys

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

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
LGSETA	Local Government Services Sector Education & Training Authority
MEC	Member of the Executive Council
SALGA	South African Local Government Association

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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 Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

Mr ZG Dhlamini
Municipal Manager

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	2	19,159,620	12,956,018
Receivables from exchange transactions	3	67,575,579	55,794,231
Receivables from non-exchange transactions	4	42,318,730	28,937,592
VAT receivable	5	2,601,982	3,405,257
Cash and cash equivalents	6	29,031,313	23,724,637
		160,687,224	**124,817,735**
Non-Current Assets			
Investment property	7	99,932,970	91,161,500
Property, plant and equipment	8	1,267,487,243	1,371,781,487
Intangible assets	9	321,578	467,391
Heritage assets	10	3,854,571	3,854,571
		1,371,596,362	**1,467,264,949**
Total Assets		**1,532,283,586**	**1,592,082,684**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	139,466,885	89,883,659
Consumer deposits	12	16,927,817	16,091,593
Employee benefit obligation	14	3,729,000	3,384,000
Unspent conditional grants and receipts	13	7,523,997	6,170,687
Provisions	15	1,021,505	1,343,518
		168,669,204	**116,873,457**
Non-Current Liabilities			
Employee benefit obligation	14	52,767,001	50,099,001
Provisions	15	40,185,333	38,273,064
		92,952,334	**88,372,065**
Total Liabilities		**261,621,538**	**205,245,522**
Net Assets		**1,270,662,048**	**1,386,837,162**
Accumulated surplus		1,270,662,048	1,386,837,162
Total Net Assets		**1,270,662,048**	**1,386,837,162**

* See Note 42

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	309,397,431	285,157,700
Sales of Goods and Rendering of services	26	592,327	798,066
Rental of facilities and equipment	18	936,598	1,069,914
Licences and permits	19	15,405	46,346
Agency services	20	5,804,579	2,791,006
Operational Income	21	123,159	3,927,852
Interest on Investments	22	1,264,564	897,107
Interest on receivables from exchange transactions	23	10,970,652	7,979,328
Actuarial gains		6,131,000	14,184,833
Total revenue from exchange transactions		**335,235,715**	**316,852,152**
Revenue from non-exchange transactions			
Property rates	24	102,067,106	98,951,181
Property rates - penalties imposed	24	10,814,766	4,995,664
Government grants & subsidies	27	219,571,155	246,328,232
Fines, Penalties and Forfeits	25	7,368,691	8,606,391
Total revenue from non-exchange transactions		**339,821,718**	**358,881,468**
Total revenue		**675,057,433**	**675,733,620**
Expenditure			
Employee related costs	28	177,131,563	167,755,459
Remuneration of councillors	29	17,864,855	17,514,647
Inventories losses/write-downs		1,629,670	-
Water Losses		10,947,520	10,910,237
Depreciation and amortisation	30	108,970,555	80,134,631
Finance costs	31	255,372	7,985,905
Lease rentals on operating lease	32	4,720,447	6,589,325
Debt Impairment	33	12,264,751	66,118,298
Consumer interest write off	34	17,718,588	-
Impairment Losses		9,707,204	3,824,598
Bulk purchases	35	215,063,544	187,270,673
Contracted services	36	113,919,465	88,735,294
Loss on disposal of assets		26,197,665	-
Inventory Consumed		48,391,498	19,878,623
Operational Expenditure	38	40,886,109	34,136,709
Total expenditure		**805,668,806**	**690,854,399**
		(130,611,373)	**(15,120,779)**
Water Inventory Gains		4,317,749	4,974,180
Fair value adjustment		8,771,470	36,810,000
(Deficit) surplus for the year		**(117,522,154)**	**26,663,401**

* See Note 42

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1,253,041,187	1,253,041,187
Adjustments		
Correction of errors	(22,611,659)	(22,611,659)
Surplus for the year	2,364,841	2,364,841
Balance at 01 July 2020 as restated*	**1,232,794,369**	**1,232,794,369**
Changes in net assets		
Surplus for the year	154,042,793	154,042,793
Total changes	154,042,793	154,042,793
Restated* Balance at 01 July 2021	**1,388,184,946**	**1,388,184,946**
Changes in net assets		
Surplus for the year	(117,522,898)	(117,522,898)
Total changes	(117,522,898)	(117,522,898)
Balance at 30 June 2022	**1,270,662,048**	**1,270,662,048**

Note(s)

* See Note 42

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Taxation		102,067,106	84,440,179
Sale of goods and services		318,538,819	297,453,159
Grants		219,221,713	247,350,985
Interest income		13,937,984	897,107
		653,765,622	630,141,430
Payments			
Employee costs		(194,631,629)	(187,247,676)
Suppliers		(412,199,374)	(379,638,319)
Finance costs		(255,372)	(7,985,905)
		(607,086,375)	(574,871,900)
Net cash flows from operating activities	39	**46,679,247**	**55,269,530**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(41,372,571)	(43,824,926)
Proceeds from sale of property, plant and equipment	8	-	(3,824,499)
Net cash flows from investing activities		**(41,372,571)**	**(47,649,425)**
Net increase/(decrease) in cash and cash equivalents		**5,306,676**	**7,620,105**
Cash and cash equivalents at the beginning of the year		23,724,637	16,104,532
Cash and cash equivalents at the end of the year	6	**29,031,313**	**23,724,637**

The accounting policies on pages 13 to 43 and the notes on pages 44 to 94 form an integral part of the annual financial statements.

* See Note 42

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

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
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	312,485,698	7,770,672	**320,256,370**	309,397,431	**(10,858,939)**
Rendering of services	929,301	(296,034)	**633,267**	592,327	**(40,940)**
Rental of facilities and equipment	1,050,000	(496,400)	**553,600**	936,598	**382,998**
Interest received (trading)	-	52,335,739	**52,335,739**	10,970,652	**(41,365,087)**
Agency services	-	-	**-**	5,804,579	**5,804,579**
Licences and permits	5,148,000	2,146,000	**7,294,000**	15,405	**(7,278,595)**
Operational Income	4,647,000	(142,838)	**4,504,162**	123,159	**(4,381,003)**
Interest received - investment	1,680,000	-	**1,680,000**	1,264,564	**(415,436)**
Total revenue from exchange transactions	**325,939,999**	**61,317,139**	**387,257,138**	**329,104,715**	**(58,152,423)**
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	83,492,760	18,283,130	**101,775,890**	102,067,106	**291,216**
Property rates - penalties imposed	12,600,000	(7,021,789)	**5,578,211**	10,814,766	**5,236,555**
Transfer revenue					
Government grants & subsidies	220,276,000	4,000,000	**224,276,000**	219,571,155	**(4,704,845)**
Fines, Penalties and Forfeits	24,773,000	(7,503,000)	**17,270,000**	7,368,691	**(9,901,309)**
Total revenue from non-exchange transactions	**341,141,760**	**7,758,341**	**348,900,101**	**339,821,718**	**(9,078,383)**
Total revenue	**667,081,759**	**69,075,480**	**736,157,239**	**668,926,433**	**(67,230,806)**
Expenditure					
Personnel	(168,227,580)	(13,835,000)	**(182,062,580)**	(177,131,563)	**4,931,017**
Remuneration of councillors	(19,123,140)	260,000	**(18,863,140)**	(17,864,855)	**998,285**
Administration	-	-	**-**	(1,629,670)	**(1,629,670)**
Transfer payments - Other	-	-	**-**	(10,947,520)	**(10,947,520)**
Depreciation and amortisation	(42,666,464)	-	**(42,666,464)**	(108,970,555)	**(66,304,091)**
Finance costs	-	-	**-**	(255,372)	**(255,372)**
Lease rentals on operating lease	-	-	**-**	(4,720,447)	**(4,720,447)**
Debt Impairment	-	-	**-**	(12,264,751)	**(12,264,751)**
Bad debts written off	(6,729,736)	-	**(6,729,736)**	(17,718,588)	**(10,988,852)**
Collection costs	-	-	**-**	(9,707,204)	**(9,707,204)**
Bulk purchases	(240,000,000)	-	**(240,000,000)**	(215,063,544)	**24,936,456**
Contracted Services	(85,660,340)	(45,289,000)	**(130,949,340)**	(113,919,465)	**17,029,875**
Transfers and Subsidies	-	(8,000,000)	**(8,000,000)**	-	**8,000,000**
Sale of goods/Inventory	(25,828,000)	1,813,000	**(24,015,000)**	(48,391,498)	**(24,376,498)**
Operational Expenditure	(25,318,000)	(4,645,000)	**(29,963,000)**	(40,886,109)	**(10,923,109)**
Total expenditure	**(613,553,260)**	**(69,696,000)**	**(683,249,260)**	**(779,471,141)**	**(96,221,881)**
Operating deficit	**53,528,499**	**(620,520)**	**52,907,979**	**(110,544,708)**	**(163,452,687)**
Loss on disposal of assets and liabilities	-	-	**-**	(26,197,665)	**(26,197,665)**

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
Actuarial gains/losses	-	-	-	6,131,000	**6,131,000**
	-	**-**	**-**	**(20,066,665)**	**(20,066,665)**
Deficit before taxation	**53,528,499**	**(620,520)**	**52,907,979**	**(130,611,373)**	**(183,519,352)**
Deficit for the year from continuing operations	**53,528,499**	**(620,520)**	**52,907,979**	**(130,611,373)**	**(183,519,352)**
Water Gains	-	-	-	4,317,749	**4,317,749**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**53,528,499**	**(620,520)**	**52,907,979**	**(126,293,624)**	**(179,201,603)**

Reconciliation

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
Statement of Financial Position					
Assets					
Current Assets					
Inventories	5,785,572	1,813,000	**7,598,572**	19,159,620	**11,561,048**
Receivables from exchange transactions	-	-	**-**	52,287,555	**52,287,555**
Receivables from non-exchange transactions	-	-	**-**	42,318,731	**42,318,731**
VAT receivable	-	-	**-**	2,601,982	**2,601,982**
Consumer debtors	189,898,000	(5,504,000)	**184,394,000**	-	**(184,394,000)**
Other Debtors	4,944,000	-	**4,944,000**	-	**(4,944,000)**
Cash and cash equivalents	62,872,000	2,348,000	**65,220,000**	29,031,313	**(36,188,687)**
	263,499,572	**(1,343,000)**	**262,156,572**	**145,399,201**	**(116,757,371)**
Non-Current Assets					
Investment property	54,677,000	-	**54,677,000**	99,932,970	**45,255,970**
Property, plant and equipment	1,407,993	2,422,000	**3,829,993**	1,267,487,240	**1,263,657,247**
Intangible assets	240,000	-	**240,000**	321,578	**81,578**
Heritage assets	3,854,570	-	**3,854,570**	3,854,571	**1**
	60,179,563	**2,422,000**	**62,601,563**	**1,371,596,359**	**1,308,994,796**
Total Assets	**323,679,135**	**1,079,000**	**324,758,135**	**1,516,995,560**	**1,192,237,425**
Liabilities					
Current Liabilities					
Payables from exchange transactions	137,158,000	(5,323,000)	**131,835,000**	136,338,112	**4,503,112**
Consumer deposits	15,642,710	-	**15,642,710**	16,927,817	**1,285,107**
Employee benefit obligation	-	-	**-**	3,729,000	**3,729,000**
Unspent conditional grants and receipts	-	-	**-**	7,523,997	**7,523,997**
Provisions	(1,296,169,513)	-	**(1,296,169,513)**	1,021,505	**1,297,191,018**
	(1,143,368,803)	**(5,323,000)**	**(1,148,691,803)**	**165,540,431**	**1,314,232,234**
Non-Current Liabilities					
Employee benefit obligation	1,147,000	-	**1,147,000**	52,767,004	**51,620,004**
Provisions	-	-	**-**	40,185,333	**40,185,333**
	1,147,000	**-**	**1,147,000**	**92,952,337**	**91,805,337**
Total Liabilities	**(1,142,221,803)**	**(5,323,000)**	**(1,147,544,803)**	**258,492,768**	**1,406,037,571**
Net Assets	**1,465,900,938**	**6,402,000**	**1,472,302,938**	**1,258,502,792**	**(213,800,146)**
Net Assets					
Net Assets Attributable to Owners of Controlling Entity					
Reserves					
Accumulated surplus	1,465,900,938	6,402,000	**1,472,302,938**	1,258,502,792	**(213,800,146)**

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
Cash Flow Statement					
Cash flows from operating activities					
Net cash flows from operating activities	54,278,000	6,070,000	**60,348,000**	46,679,247	**(13,668,753)**
Cash flows from investing activities					
Net cash flows from investing activities	(36,928,000)	(2,422,000)	**(39,350,000)**	(41,372,571)	**(2,022,571)**
Net increase/(decrease) in cash and cash equivalents	17,350,000	3,648,000	**20,998,000**	5,306,676	**(15,691,324)**
Cash and cash equivalents at the beginning of the year	44,222,000	-	**44,222,000**	23,724,637	**(20,497,363)**
Cash and cash equivalents at the end of the year	**61,572,000**	**3,648,000**	**65,220,000**	**29,031,313**	**(36,188,687)**

Refer to note 51 for discussions about variances between budgeted and actual.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

Standards approved and effective for the year ending 30 June 2022

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

Accounting Policies

These accounting policies are consistent with the previous period.

Standards approved and not yet effective for the year ending 30 June 2022

GRAP 25	Employee Benefits
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

Interpretations of Standards of GRAP approved and effective for the year ending 30 June 2022

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

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

Revenue Recognition

Accounting policy 1.15 & 1.16 on Revenue from Exchange Transactions and Revenue from Non-Exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Impairment testing

Accounting policy 1.7 Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

Useful lives of Property Plant & Equipment

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Impairment

Write down of property plant and equipment, intangible assets and inventories. 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.
The recoverable (service) 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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Post-retirement benefits

As described in accounting policy 1.14 Employee Benefits, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-Retirement Health Benefit Obligations and Long Service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25 Employee Benefits.

Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land.

Accounting by principals and agent

The municipality makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgements applied are based on the nature of the agreement and the roles and responsibilities as defined in the agreements.

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 and 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.

1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or
(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

Offsetting

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

Provisions

Provisions have been raised by the municipality for rehabilitation of the landfill site in accordance with IGRAP2. Additional disclosure of these estimates of provisions are included in note to the Financial Statements.

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.

1.5 Investment property (continued)

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.

Fair value

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

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

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

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1.6 Property, plant and equipment

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

1.6 Property, plant and equipment (continued)

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the 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.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

1.6 Property, plant and equipment (continued)

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

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

Item	Depreciation method	Average useful life
Infrastructure		
• Roads and Stormwater	Straight-line	05-80 years
• Electricity	Straight-line	03-50 years
• Sanitation	Straight line	15-100 years
• Water	Straight line	05-80 years
• Landfill Sites	Straight-line	15-50 years
Community		
• Sport and recreational facilities	Straight-line	05-50 years
• Cemeteries	Straight-line	05-50 years
• Halls	Straight-line	05-50 years
• Libraries	Straight-line	05-50 years
• Parks	Straight-line	05-50 years
• Fire Station	Straight-line	05-50 years
• Clinics	Straight-line	05-50 years
• Sports Fields	Straight-line	15-30 years
• Stadium	Straight-line	05-30 years
Plant and Machinery	Straight-line	02-15 years
• Motor Vehicles	Straight-line	05-15 years
• Office Equipment	Straight-line	03-10 years
• IT Equipment	Straight-line	03-07 years

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

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

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

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

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

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

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

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

1.6 Property, plant and equipment (continued)

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

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

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

1.7 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.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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.

1.7 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	05-10 years

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

1.8 Heritage assets

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

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

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

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

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

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

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

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.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

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.

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

Subsequent measurement

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

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

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

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

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.

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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.

1.9 Financial instruments (continued)

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:

- 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.

1.10 Statutory receivables (continued)

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

1.11 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the .

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

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

Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

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

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

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

Operating leases - lessee

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

1.12 Inventories

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

1.12 Inventories (continued)

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.

The municipality's inventory consists of water, consumables, stores, materials and finished goods.

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

1.13 Impairment of assets

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

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

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

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

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

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

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

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

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

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

1.13 Impairment of assets (continued)

Designation

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

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

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

Identification

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

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

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.

1.13 Impairment of 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.

1.14 Compound instruments

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

1.15 Employee benefits

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

GRAP 25 on employee benefits is to provide accounting principles for amounts or benefits due to employees, their spouses or third parties when employees have rendered services to the municipality, and the rendering of those services entitles employees to certain benefits.

1.15 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

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.

Accounting Policies

1.15 Employee benefits (continued)

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.

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

1.15 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.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.15 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.16 Provisions and contingencies

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

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

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.

1.16 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 note 41.

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.

1.16 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 1.13 and .

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.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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.

1.18 Revenue from exchange transactions

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

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

1.18 Revenue from exchange transactions (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.

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

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. Stage of completion is determined by .

1.18 Revenue from exchange transactions (continued)

Interest, service fees

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 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.

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.

1.19 Revenue from non-exchange transactions (continued)

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.

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.

1.20 Accounting by principals and agents

Identification

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

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

1.20 Accounting by principals and agents (continued)

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.21 Comparative figures

Prior year comparatives

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

1.22 Unauthorised expenditure

Unauthorised expenditure is defined in section 1 of the MFMA as follows:
“unauthorised expenditure”, in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—
(a) overspending of the total amount appropriated in the municipality’s approved budget;
(b) overspending of the total amount appropriated for a vote in the approved budget;
(c) expenditure from a vote unrelated to the department or functional area covered by the vote;
(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with
any conditions of the allocation; or
(f) a grant by the municipality otherwise than in accordance with this Act.

1.23 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).

1.24 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).

1.25 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.

Measurement

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

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

1.26 Budget information

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

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

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

The approved budget covers the fiscal period from 01/04/2010 to 31/03/2011.

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

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

1.27 Related parties

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

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

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

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

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

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

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

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

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

1.28 Events after reporting date

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

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

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

1.28 Events after reporting date (continued)

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.

1.29 Cash & Cash Equivalents

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. Bank overdrafts are recorded based on the facility utilised Finance charges on bank overdrafts are expensed as incurred.

1.30 Changes in accounting policies, estimates, errors

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening balance. The provisions of IGRAP 1 have been applied retrospectively in line with IGRAP1.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. Inventories

Water for distribution	49,628	29,775
Stores, materials and fuels	18,172,992	11,738,243
Land inventory	937,000	1,188,000
	19,159,620	**12,956,018**

3. Receivables from exchange transactions

Consumer debtors - Electricity	18,898,239	20,492,378
Consumer debtors - Water	19,623,993	17,069,419
Consumer debtors - Waste water	10,032,371	8,839,572
Consumer debtors - Waste Management	7,512,642	6,013,306
Consumer debtors - Other	11,508,334	3,379,555
	67,575,579	**55,794,230**

Reconciliation of provision for impairment of Receivables from exchange transactions

Opening balance	156,176,603	107,582,943
Provision for impairment	3,900,940	48,593,660
	160,077,543	**156,176,603**

Figures in Rand	2022	2021

3. Receivables from exchange transactions (continued)

Gross receivables from exchange transactions		
Consumer Debtors - Electricity	32,162,262	49,378,468
Consumer Debtors - Water	61,221,851	51,484,414
Consumer Debtors - Waste Water	57,938,947	47,845,548
Consumer Debtors - Waste Management	45,218,557	35,117,763
Consumer Debtors - Other	31,111,514	28,144,650
	227,653,131	**211,970,843**

Gross consumer debtors - other includes the following:		
Abeyance	406,638	427,923
Market agency	108,683	110,271
Property rental debtors	8,928,906	7,540,726
Merchandising and jobbing	15,594,002	13,945,108
Service charges	570,966	618,303
Land sale debtors	5,502,319	5,502,319
	31,111,514	**28,144,650**

Net receivables from exchange transactions		
Consumer Debtors - Electricity	18,898,239	20,492,378
Consumer Debtors - Water	19,623,993	17,069,419
Consumer Debtors - Waste Water	10,032,371	8,839,572
Consumer Debtors - Waste Management	7,512,642	6,013,306
Consumer Debtors - Other	11,508,334	3,379,555
	67,575,579	**55,794,230**

Net Consumer Debtors - Other includes the following:		
Abeyance	62,005	70,488
Market agency	796	312
Property rental debtors	4,985,488	1,847,577
Merchandising and jobbing	6,309,369	1,458,628
Service charges	150,676	2,550
Land sale debtors	-	-
	11,508,334	**3,379,555**

Provision for doubtful debts		
Consumer Debtors - Electricity	(13,264,023)	(13,243,326)
Consumer Debtors - Water	(41,597,858)	(34,414,995)
Consumer Debtors - Waste Water	(47,906,576)	(39,005,976)
Consumer Debtors - Waste Management	(37,705,916)	(29,104,457)
Consumer Debtors - Other	(14,100,861)	(19,262,776)
Consumer Debtors - Interest	-	(15,642,764)
Consumber Debtors - Land sale	(5,502,319)	(5,502,319)
	(160,077,553)	**(156,176,613)**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

3. Receivables from exchange transactions (continued)

Consumer Debtors - Other includes the following:

Abeyance	(344,633)	(357,435)
Market agency	(107,886)	(109,959)
Property rental debtors	(3,943,418)	(5,693,149)
Merchandising and jobbing	(9,284,634)	(12,486,480)
Service charges	(420,290)	(615,753)
Land sale debtors	(5,502,319)	-
	(19,603,180)	**(19,262,776)**

Aging of Trade and other receivables from exchange transactions

Electricity

Current (0-30 days)	10,347,651	11,674,490
31-60 days	2,467,342	1,809,044
61-90 days	1,400,475	1,085,419
91-120 days	1,069,479	887,187
121-365 days	4,775,868	3,792,537
> 365 days	12,101,447	30,129,791
	32,162,262	**49,378,468**

Water

Current (0-30 days)	5,697,231	4,891,567
31-60 days	4,250,310	3,216,639
61-90 days	4,148,610	2,641,041
91-120 days	1,666,270	3,501,774
121-365 days	8,101,519	7,032,406
> 365 days	37,357,911	30,200,987
	61,221,851	**51,484,414**

Waste Water

Current (0-30 days)	2,976,804	2,644,267
31-60 days	2,017,315	1,546,642
61-90 days	1,723,720	1,356,622
91-120 days	1,604,389	1,311,115
121-365 days	8,590,001	7,451,710
> 365 days	41,026,745	33,535,192
	57,938,974	**47,845,548**

Waste Management

Current (0-30 days)	2,459,630	1,744,630
31-60 days	1,629,028	1,035,783
61-90 days	1,473,101	936,310
91-120 days	1,411,676	878,502
121-365 days	7,780,825	5,371,257
> 365 days	30,464,297	25,152,281
	45,218,557	**35,118,763**

Consumer Debtors - Other

Current (0-30 days)	1,050,448	953,264
31-60 days	630,999	572,621
61-90 days	841,867	763,980
91-120 days	353,086	320,420
121-365 days	2,854,026	2,589,982
> 365 days	25,381,088	22,944,383

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

3. Receivables from exchange transactions (continued)

	31,111,514	**28,144,650**

Aging of debtors past due but not impaired		
Consumer Debtors - Electricity (31 - 121 days)	-	8,817,889
Consumer Debtors - Water (31 - 121 days)	13,926,762	12,177,852
Consumer Debtors - Waste Water (31 - 121 days)	7,059,020	6,195,305
Consumer Debtors - Waste Management (31 - 121 days)	5,054,429	4,268,676
Consumer Debtors - Other (31 - 365 days)	5,345,012	3,960,815
	31,385,223	**35,420,537**

<u>Factors considered in assessing impairment losses</u>

The municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired. The last day of each financial year is the reporting date for the municipality, being 30 June.

Impairment exclusions

The following accounts are specifically excluded from the assessment for impairment:

- Receivable accounts with a total credit balance at reporting date;

- Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due.

Calculation and recognition of impairment loss

Receivables from Exchange Transactions:

The municipality assesses all receivables from exchange transactions, with the exception of traffic fine receivables, for both individual receivable impairment as well as collective group impairment.

Individual receivable impairment

Individual receivable impairment identifies individual receivable accounts that meet any one of the following criteria:

- Debtors where a formal arrangement has been made, however the last payment date by the customer was before 31 March of the current financial year;

- Accounts handed over to debt collectors and/or power of attorney;

- Debtors where the last payment date by the customer was before 01 July 2020;

- All accounts indicated as in-active accounts on the system;

- When accounts have been formally presented to the CFO for consideration for write off; and

-Indigent debtors where accounts are outstanding for more than 90 days

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

3. Receivables from exchange transactions (continued)

The individual debtors that meet the above mentioned criteria, will be considered for an impairment value of 100% of the outstanding debt due as at the reporting date.

Group receivable impairment

A group assessment of receivables is further conducted on the remaining receivables balance. This impairment is calculated based on the average collection rate for the previous three financial years for each group category and sub-category of receivables.

4. Receivables from non-exchange transactions

	2022	2021
Fines	7,334,226	5,171,201
Other Debtors	217,409	217,409
Sundry Debtors	274,414	243,505
Property Rates	34,492,682	23,305,477
	42,318,731	**28,937,592**

Statutory receivables included in receivables from non-exchange transactions above are as follows:

	2022	2021
Property Rates Taxes	34,492,681	23,305,477
Municipal Traffic Fines	7,334,226	5,171,201
	41,826,907	**28,476,678**

Other non-financial asset receivables included in receivables from non-exchange transactions above are as follows:

	2022	2021
Insurance Debtor	217,409	217,409
Overpayment to Creditor	203,995	203,995
Cashier Shortages	70,419	39,510
	491,823	**460,914**

	2022	2021
Total receivables from non-exchange transactions	42,318,730	28,937,592

Figures in Rand	2022	2021

4. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property Rates Taxes are imposed in accordance with the Municipal Property Rates Act 6 of 2004. The Act gives the Municipality to levied Property Rates taxes on all properties within the Municipal jurisdiction.

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Determination of transaction amount

Municipal Property Rates taxes is determined by using the municipal property valuation roll and is imposed on a Property that is within the Municipal Jurisdiction on usage.

Municipal Traffic fines are determined based on the tariffs for offences in accordance with the National Road Traffic Act.

Basis used to assess and test whether a statutory receivable is impaired

Assessing impairment is an event that takes place subsequent to the initial recognition of revenue charged. The Municipality assesses the probability of collecting revenue for traffic fines that are in arrears. Traffic fines will be impaired when the possibility of collecting the fines cannot be ascertained and where the prospects of a successful prosecution of an offender are not certain. The municipality also considers that offenders may make legal representation to have the fines reduced or voided. Therefore, the collection rate average over a 3-year period is used to determine future cashflows against outstanding fines, and the difference between future cash flows and outstanding fines will be considered as impaired.

Reconciliation of provision for impairment for statutory receivables

Opening balance	129,814,445	120,558,247
Provision for impairment	8,872,621	9,256,198
	138,687,066	**129,814,445**

Ageing of Trade and Other Receivables from Non-Exchange Transactions

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Receivables from non-exchange transactions (continued)

Traffic Fines		
Current (0 - 30 days)	29,100	686,330
61 - 90 days	63,100	551,050
61 - 90 days	439,552	54,300
91 - 120 days	844,200	227,700
121 - 365 days	5,440,953	6,715,816
> 365 days	62,593,348	53,100,208
	69,410,253	**61,335,404**

Breakdown of net traffic fines 2022:	
Gross Debtor	69,410,253
Less: Impairment provision	(62,076,027)
	7,334,226

Statutory receivables past due and impaired	62,076,027	57,411,948
Statutory receivables past due not impaired	7,334,226	3,237,126
	69,410,253	**60,649,074**

Rates		
Current (0 - 30 days)	6,288,220	6,464,142
31 - 60 days	3,509,553	2,987,565
61 - 90 days	3,128,735	2,630,185
91 - 120 days	2,423,500	2,454,124
121 - 365 days	13,938,022	12,826,315
> 365 days	81,815,691	68,345,644
	111,103,721	**95,707,975**

Statutory receivables past due and impaired	76,611,038	72,402,497
Statutory receivables past due not impaired	34,492,683	23,305,478
	111,103,721	**95,707,975**

Figures in Rand	2022	2021

4. Receivables from non-exchange transactions (continued)

Factors considered in assessing impairment losses

The municipality assesses at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired. The last day of each financial year is the reporting date for the municipality, being 30 June.

Impairment exclusions

The following accounts are specifically excluded from the assessment for impairment:
- Receivable accounts with a total credit balance at reporting date;
- Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due.

Calculation and recognition of impairment loss

Receivables from Non-Exchange Transactions, excluding traffic fine receivables:

The municipality assesses all receivables from non-exchange transactions, with the exception of traffic fine receivables, for both individual receivable impairment as well as collective group impairment.

Individual receivable impairment

Individual receivable impairment identifies individual receivable accounts that meet any one of the following criteria:

- Debtors where a formal arrangement has been made, however the last payment date by the customer was before 31 March of the current financial year;
- Accounts handed over to debt collectors and/or power of attorney;
- Debtors where the last payment date by the customer was before 01 July 2020;
- All accounts indicated as in-active accounts on the system;
- When accounts have been formally presented to the CFO for consideration for write off; and
- Indigent debtors where accounts are outstanding for more than 90 days

The individual debtors that meet the above mentioned criteria, will be considered for an impairment value of 100% of the outstanding debt due as at the reporting date.

Group receivable impairment

A group assessment of receivables is further conducted on the remaining receivables balance. This impairment is calculated based on the average collection rate for the previous three financial years for each group category and sub-category of receivables.

5. VAT receivable

VAT	2,601,982	3,405,257

The Municipality submits VAT 201 returns on a cash basis, whilst the amount disclosed in the Annual Financial Statements reflects VAT not yet paid or received from SARS.

Vat statutory receivable	570,273	2,345,098

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2022	2021

6. Cash and cash equivalents (continued)

Cash on hand	4,844	5,320
Bank balances	5,651,394	5,557,399
Short-term deposits	23,375,075	18,161,918
	29,031,313	**23,724,637**

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
ABSA Bank - Cheque Account - 1005001109	3,198,843	3,275,016	1,961,650	3,198,843	3,432,449	1,294,177
Nedbank Bank - Current Account - 106 737 9770	2,452,551	2,131,838	3,900,049	2,452,551	2,124,951	597,802
Standard Bank 32 Day Account - Account Number 06846 176 3-003	4,584	4,501	4,433	4,584	4,501	4,433
Standard Bank Money Market Account Number 068461763-011	70,473	68,270	66,381	70,473	68,270	66,381
ABSA Call Deposit Account Number - 9195460586	243	243	240	243	243	240
ABSA Call Deposit Account Number - 9122861337	2,269	2,251	2,219	2,269	2,251	2,219
ABSA Liquidity Account Number - 9363389794	11,187,249	6,235,914	-	11,187,249	6,235,915	-
Nedbank Call Deposit Account Number - 03/7165020780/000030	3,962,657	4,011,632	388,975	3,962,657	4,011,632	3,880,975
Nedbank Call Deposit Account Number - 03/7165020780/000039	3,837	3,711	2,626,865	3,837	3,711	2,626,865
Nedbank Call Deposit Account Number - 03/7165020780/000040	4,172	4,036	498,395	4,172	4,036	498,395
Nedbank Call Deposit Account Number - 03/7165020780/000042/44	748,628	724,294	700,704	748,628	724,294	700,704
Nedbank Call Deposit Account Number - 03/7165020780/000043	7,345,849	7,107,067	6,875,592	7,345,849	7,107,067	6,875,592
Interest accrued	45,114	-	-	45,114	-	-
Total	**29,026,469**	**23,568,773**	**17,025,503**	**29,026,469**	**23,719,320**	**16,547,783**

The following bank accounts are pledged by the Municipality

Name of bank	Bank account number	Amount (R)
Nedbank Limited	03/7165020780/000042/44	748 628
	03/7165020780/000043	7 345 849

7. Investment property

	2022			2021		
	Cost / Valuation	Fair Value Adjustments	Carrying value	Cost / Valuation	Fair value adjustments	Carrying value
Investment property	29,653,470	70,279,500	99,932,970	15,602,000	75,559,500	91,161,500

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	91,161,500	8,771,470	99,932,970

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	70,279,500	20,882,000	91,161,500

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.

The effective date of valuation was 30 June 2022. Revaluations were performed by an Independent Valuer Umhlaba Geomatics Incorporated, who has experience in location and category of the Investment property being valued. The Valuation was based on open market value for existing use of Investment Property which are used for Rentals and Capital Appreciation. The Municipality has Investment Properties in the Towns of Vryheid, Bhekuzulu, Mondlo A, Mondlo B and Louwsburg.

Figures in Rand	2022	2021

7. Investment property (continued)

Amounts recognised in surplus or deficit

Rental revenue from Investment property	936,598	1,069,914

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.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

• a description of the investment property,
• an explanation of why fair value cannot be determined reliably,
• if possible, the range of estimates within which fair value is highly likely to lie, and
• on disposal of investment property not carried at fair value:
- the fact that the entity has disposed of investment property not carried at fair value,
- the carrying amount of that investment property at the time of sale, and
- the amount of gain or loss recognised.

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	328,349,260	-	328,349,260	328,694,260	-	328,694,260
Plant and machinery	2,844,878	(2,403,574)	441,304	6,160,180	(5,204,898)	955,282
Furniture and fixtures	2,589,492	(2,371,031)	218,461	3,165,122	(2,819,334)	345,788
Motor vehicles	14,246,176	(6,566,851)	7,679,325	14,632,366	(6,260,808)	8,371,558
IT equipment	3,528,276	(2,785,041)	743,235	4,815,947	(4,321,524)	494,423
Infrastructure	2,463,022,146	(1,747,655,536)	715,366,610	2,450,062,816	(1,648,310,657)	801,752,159
Community	264,806,535	(148,277,541)	116,528,994	269,672,503	(138,558,511)	131,113,992
Buildings	148,212,078	(75,790,045)	72,422,033	146,114,928	(70,959,419)	75,155,509
Solid Waste Infrastructure	70,180,196	(44,442,175)	25,738,021	68,267,927	(43,369,411)	24,898,516
Total	**3,297,779,037**	**(2,030,291,794)**	**1,267,487,243**	**3,291,586,049**	**(1,919,804,562)**	**1,371,781,487**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	328,694,260	1,100,000	(1,445,000)	-	-	-	-	328,349,260
Plant and machinery	955,282	-	(205,340)	-	-	(229,061)	(79,577)	441,304
Furniture and fixtures	345,788	-	(26,852)	-	-	(96,300)	(4,175)	218,461
Motor vehicles	8,371,254	1,466,494	(52,283)	-	-	(1,713,530)	(392,611)	7,679,324
IT equipment	494,420	433,892	(7,631)	-	-	(175,385)	(2,064)	743,232
Infrastructure	801,752,161	26,287,673	(13,328,343)	10,691,252	(10,691,252)	(95,883,921)	(3,460,960)	715,366,610
Community	131,113,990	9,175,093	(13,194,737)	11,687,415	(11,687,415)	(6,446,104)	(4,119,250)	116,528,992
Buildings	75,155,506	2,097,149	-	-	-	(3,182,058)	(1,648,567)	72,422,030
Landfill Sites	24,898,516	1,912,269	-	-	-	(1,072,764)	-	25,738,021
	1,371,781,177	**42,472,570**	**(28,260,186)**	**22,378,667**	**(22,378,667)**	**(108,799,123)**	**(9,707,204)**	**1,267,487,234**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers in	Transfers	Depreciation	Impairment loss	Total
Land	329,882,260	-	(1,188,000)	-	-	-	-	328,694,260
Plant and machinery	1,069,420	133,914	-	-	-	(223,903)	(24,149)	955,282
Furniture and fixtures	420,136	-	-	-	-	(74,348)	-	345,788
Motor vehicles	7,946,016	1,610,561	-	-	-	(1,185,224)	(99)	8,371,254
IT equipment	654,207	31,418	-	-	-	(191,205)	-	494,420
Infrastructure	887,473,320	61,829,481	(63,123,115)	33,780,900	(33,882,520)	(83,080,376)	(1,245,529)	801,752,161
Community	127,351,409	21,872,991	(10,564,170)	11,842,723	(11,842,723)	(5,638,952)	(1,907,288)	131,113,990
Buildings	78,879,487	-	-	-	-	(3,076,446)	(647,532)	75,155,509
Landfill Sites	7,800,065	6,302,766	-	101,619	-	10,694,066	-	24,898,516
	1,441,476,320	**91,781,131**	**(74,875,285)**	**45,725,242**	**(45,725,243)**	**(82,776,388)**	**(3,824,597)**	**1,371,781,180**

Reconciliation of work in progress - 2022

	Included within Infrastructure	Included within Community	Included within Other Electricity	Total
Opening balance	15,522,065	17,377,134	7,095,925	39,995,124
Additions/capital expenditure	24,537,117	9,175,093	1,750,557	35,462,767
Disposals	(6,232,617)	(13,181,977)	(7,095,726)	(26,510,320)
Transferred to completed items	(10,691,252)	(11,687,415)	-	(22,378,667)
	23,135,313	**1,682,835**	**1,750,756**	**26,568,904**

Figures in Rand	2022	2021

8. Property, plant and equipment (continued)

Reconciliation of work in progress - 2021

	Included within Infrastructure	Included within Community	Included within Electricity	Total
Opening balance	43,941,058	24,110,450	6,929,254	74,980,762
Additions/capital expenditure	22,984,446	15,673,577	7,324,792	45,982,815
Disposals	(22,074,817)	(10,564,170)	(2,604,223)	(35,243,210)
Transferred to completed items	(29,328,622)	(11,842,723)	(4,553,898)	(45,725,243)
	15,522,065	**17,377,134**	**7,095,925**	**39,995,124**

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

	2022	2021
Paid to contracted services	4,200,760	2,241,069
Paid from materials and supplies	6,297,489	2,953,312
	10,498,249	**5,194,381**

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	2,484,741	(2,163,163)	321,578	2,484,741	(2,017,350)	467,391

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	467,391	(145,813)	321,578

Reconciliation of intangible assets - Segment information - 2021

	Opening balance	Amortisation	Total
Computer software, other	364,264	103,127	467,391

Notes to the Annual Financial Statements

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10. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	3,854,571	-	3,854,571	3,854,571	-	3,854,571

Reconciliation of heritage assets 2022

	Opening balance	Total
Historical buildings	3,854,571	3,854,571

Reconciliation of heritage assets Segment information - 2021

	Opening balance	Total
Historical buildings	3,854,571	3,854,571

11. Payables from exchange transactions

Trade payables	98,110,559	43,488,183
Retentions	10,204,511	9,600,140
Accrued leave pay	13,331,913	13,780,518
Unallocated deposits	7,341,080	13,882,529
Advanced payments	4,680,091	4,690,182
Salary control	5,798,731	4,442,107
	139,466,885	**89,883,659**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

12. Consumer deposits

Electricity	14,881,800	14,276,738
Water	1,525,683	1,421,008
Housing rental	520,334	393,847
	16,927,817	**16,091,593**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Gijima Grant	-	38,830
Land Use Management	-	229,850
Municipal Systems Improvement Grant	-	3,166
Provincial Housing Grant	167,393	167,393
Water Massification	-	2,569
Provincial Library Grant	1,578,306	2,159,047
Sports and recreation	2,064,741	-
Provincial Housing Deeds Restoration Programme	3,713,557	3,569,832
	7,523,997	**6,170,687**

Movement during the year

Balance at the beginning of the year	6,170,687	8,275,166
Additions during the year	63,191,916	61,741,927
Income recognition during the year	(61,838,606)	(63,846,406)
	7,523,997	**6,170,687**

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The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. See note for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

13. Unspent conditional grants and receipts (continued)

Equitable Share

Current year receipts	167,581,000	191,340,000
Conditions met transferred to revenue	(167,581,000)	(191,340,000)
	-	-

Gijima Grant

Balance unspent at beginning of year	-	38,830

Fully spent in the current year.

Land Use Management Grant

Balance unspent at beginning of year	-	229,850

Fully spent in the current year.

National Integrated Electrification Grant

Balance unpsent at beginning of year	-	-
Current year receipts	3,396,000	10,000,000
Conditions met - transferred to revenue	-	(7,303,692)
Transfer to equitable share - roll over not approved	-	-
Expenditure recorded directly against liability (Principle & Agent Agreement)	(3,396,000)	(2,696,308)
	-	-

MSIG - Upgrading Emondlo Billing

Balance unspent at beginning of year	-	3,166

Provision Housing Grant

Balance unspent at beginning of year	167,393	285,383
Conditions met - transferred to revenue	-	(117,990)
Terms and conditions		
	167,393	**167,393**

COGTA - Emergency Water Massification Grant

Balance unspent at beginning of year	-	2,569

Provincial Library Grant

Balance unspent at beginning of year	2,159,047	2,871,206
Current year receipts	4,538,000	4,660,000
Conditions met - transferred to revenue	(5,118,741)	(5,372,159)
	1,578,306	**2,159,047**

Conditions still to be met - remain liabilities

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	1,262,429
Current year receipts	39,107,000	36,451,000
Conditions met - transferred to revenue	(39,107,000)	(37,713,429)
	-	-

Conditions still to be met - remain liabilities

Figures in Rand	2022	2021

13. Unspent conditional grants and receipts (continued)

Provincial Housing Deeds Restoration Grant

Balance unspent at beginning of year	3,569,832	3,531,771
Current year receipts	143,724	3,165,292
Conditions met - transferred to revenue	-	(3,034,635)
	3,713,556	**3,662,428**

Conditions still to be met - remain liabilities

COGTA Thusong Centre Grant

Balance unspent at beginning of year	-	49,962
Conditions met - transferred to revenue	-	(49,962)
	-	**-**

Conditions still to be met - remain liabilities

Financial Management Grant

Current year receipts	2,650,000	2,600,000
Conditions met - transferred to revenue	(2,650,000)	(2,600,000)
	-	**-**

Museum Grant

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

EPWP

Current year receipts	2,515,000	2,400,000
Conditions met - transferred to revenue	(2,515,000)	(2,400,000)
	-	**-**

Sports and recreation

Current year receipts	3,999,999	-
Conditions met - transferred to revenue	(1,935,259)	-
	2,064,740	**-**

Human Settlements

Current year receipts	3,726,281	-
Conditions met - transferred to revenue	(3,726,281)	-
	-	**-**

14. Employee benefit obligations

Defined benefit plan

Post retirement benefit plan

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds with which the municipality is associated a member (who is on the current condition of service) on retirement is entitled to remain a continued member of such medical aid fund in which case the municipality is liable for a certain portion of the medical aid membership fee.

Figures in Rand	2022	2021

14. Employee benefit obligations (continued)

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded - Post retirement medical aid liability	(45,458,001)	(43,185,001)
Present value of the defined benefit obligation-partly or wholly funded - Long service award liability	(11,038,000)	(10,298,000)
	(56,496,001)	**(53,483,001)**

Non-current assets	3,725,000	-
Non-current liabilities	(56,492,001)	(50,099,001)
Current liabilities	(3,729,000)	(3,384,000)
	(56,496,001)	**(53,483,001)**

The Provision for Post Employment Medical Aid Subsidy was determine in accordance with GRAP 25 Accounting Standard which requires the liability to be measure using the Projected Unit Credit Method at valuation date as at 30 June 2022.
:

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

Opening balance	53,483,000	60,520,325
Net expense recognised in the statement of financial performance	3,013,000	(7,037,325)
	56,496,000	**53,483,000**

Net expense recognised in the statement of financial performance

Current service cost	2,619,000	2,826,085
Interest cost	5,034,000	7,347,960
Actuarial (gains) losses	(6,131,000)	(14,184,833)
Policy amendment	1,491,000	-
Payment during the year	-	(3,026,537)
	3,013,000	**(7,037,325)**

Figures in Rand	2022	2021

14. Employee benefit obligations (continued)

Key assumptions used

The following assumptions were used at the reporting date for Post Employment Medical Aid Subsidy:

Discount rate	11.79 %	- %
Health care cost inflation rate	8.41 %	- %
Net-of-health-care-cost-inflation discount rate	3.12 %	- %
Maximum subsidy inflation rate	5.93 %	- %
Net of maximum subsidy inflation discount rate	5.53 %	- %

Key Assumption used in the valuation of Post Employee Medical Aid Benefits for the period end 30 June 2022, was on the Yield and Norminal Curves, and therefore comparison between the assumption used at the current and previous valuation dates is detailed below. The table is intended to provided the user with a comparable basis since rates was not clearly defined in the 30 June 2022 valuations.

Discount rate	11.79	9.88
Health care cost inflation rate	8.41	6.72
Net-of-health-care-cost-inflation discount rate	3.12	2.96
Maximum subsidy inflation rate	5.93	4.67
Net-of-maximum-subsidy-inflation rate	5.53	4.98

The table below summaries the eligible employees:

	Female	Male	Total
Number of in service members	105	139	244
Number of in service non members	42	130	172
Total employees	147	269	416
Average age	43.4	47.1	91
Average past service	11	14	25
Proportion with a spouse dependent (members)	27%	47%	74%

Key Demographic Assumption	Value
Average retirement age	63
Continuation of membership at retirement	75%
Proportion with a spouse dependant at retirement	60%
Proprtion of in service non members joining a scheme by retirement and continuing with the subsidy at retirement	15%
Mortality during employment	SA 85-90

Figures in Rand	2022	2021

14. Employee benefit obligations (continued)

Mortality post-employment	PA (90) - 1 with a 1% mortality improvement p.a from 2010
Withdrawal from service (sample annual rate)	Age 20 to 55+ (Range 13% to 0%)

Withdrawal Rates

Age	Females	Males
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55+	0%	0%

Long Service Award Liability

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 five years of service completed, from five years of service to 45 years of service, inclusive.

The Long Service Award is an unfunded arrangement and the municipality has not set aside separate assets to meet this liability. The table below describes the benefits awards:

Completed Service (In Years)	Long Service Award (1% of Annual Earnings)	Description
5	4.0%	10 / 250 x annual earnings
10	8.0%	20 / 250 x annual earnings
15, 20, 25, 30, 35, 40, 45	12.0%	30 / 250 x annual earnings

In addition, employees receive a cash award of R 10,000 at their 25 year service anniversaries. This value is fixed and no planned future increases are taken into during the valuation of the Liability. Below are the key assumptions that was used to calculate the Financial Liability.

Key Financial Assumption	Value p.a
Discount rate	10.87%
General earnings inflation rate (long-term)	7.33%
Net effective discount rate	3.30%

The 1 July 2021 general earnings increase was still under consideration at the time of valuation. According to Circular 23 of 2021, the increase is expected to be between 3.5% and 4.5%. Therefore, an assumed increase of 4% as at 1 July 2021 has been included in the earnings used in this valuation. The next general earnings increase was assumed to take place on 1 July 2022.

Eligible Employees

	Female	Male	Total
Number of eligible employees	147	269	416
Average annual earnings	R232,213	R229,450	R461,660

Figures in Rand	2022	2021

14. Employee benefit obligations (continued)

Earnings-weighted average age	43.4	47.1	91
Earnings-weighted average past service	11.0	14	25

15. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Contribution to provisions	Reversed during the year	Total
Environmental rehabilitation	38,273,064	1,912,269	-	40,185,333
Bonus	1,343,518	-	(322,013)	1,021,505
	39,616,582	**1,912,269**	**(322,013)**	**41,206,838**

Reconciliation of provisions - Segment information - 2021

	Opening Balance	Contribution to provision	Total
Environmental rehabilitation	31,970,299	6,302,765	38,273,064
Bonus	839,537	503,981	1,343,518
	32,809,836	**6,806,746**	**39,616,582**

Current liabilities	1,021,505	1,343,518
Non-current liabilities	40,185,333	38,273,064
	41,206,838	**39,616,582**

The determination of the cost required for the rehabilitation of the Vryheid and Coronation was done as at 30 June 2022. The cost estimate is based on 25% Preliminary and general (P&G) and a 10% contingency of the construction amount for unforseen items.

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16. Revenue

Rendering of services	592,327	798,066
Service charges	309,397,431	285,157,700
Rental of facilities and equipment	936,598	1,069,914
Interest on receivables from exchange transactions	10,970,652	7,979,328
Agency services	5,804,579	2,791,006
Licences and permits	15,405	46,346
Operational Income	123,159	3,927,852
Interest received - investment	1,264,564	897,107
Property rates	102,067,106	98,951,181
Property rates - penalties imposed	10,814,766	4,995,664
Government grants & subsidies	219,571,155	246,328,232
Actuarial gains	6,131,000	14,184,833
Municipal traffic fines	7,139,155	8,502,396
Fines, Penalties and Forfeits	229,536	103,995
	675,057,433	**675,733,620**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

16. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	309,397,431	285,157,700
Rendering of services	592,327	798,066
Rental of facilities and equipment	936,598	1,069,914
Interest on receivables from exchange transactions	10,970,652	7,979,328
Agency services	5,804,579	2,791,006
Licences and permits	15,405	46,346
Other income	123,159	3,927,852
Interest received - investment	1,264,564	897,107
	329,104,715	**302,667,319**

The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	102,067,106	98,951,181
Property rates - penalties imposed	10,814,766	4,995,664
Government grants & subsidies	219,571,155	246,328,232
Fines, Penalties and Forfeits	7,368,691	8,606,391
	339,821,718	**358,881,468**

17. Service charges

Sale of electricity	207,507,215	190,233,118
Sale of water	46,121,871	44,497,384
Solid waste	22,963,822	18,419,515
Sewerage and sanitation charges	32,804,523	32,007,683
	309,397,431	**285,157,700**

18. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	936,598	1,069,914

19. Licences and permits

Trading	15,405	46,346

20. Agency services

Drivers Licence	2,539,175	72,493
Motor Vehicle Licence	3,265,404	2,718,513
	5,804,579	**2,791,006**

21. Operational income

Incidental cash surpluses	10,044	9,139
Staff Recoveries	38,798	3,918,713
Other Income	-	-
Merchandising and jobbing	74,317	-
	123,159	**3,927,852**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

22. Interest on Investments

Interest revenue

Interest on investments	1,264,564	897,107

23. Interest on receivables from exchange transactions

Property rental debtors	212,720	33,042
Service charges	10,757,932	7,946,286
	10,970,652	**7,979,328**

24. Property rates

Rates received

Property rates	102,067,106	98,951,181
	102,067,106	98,951,181
Property rates - penalties imposed	10,814,766	4,995,664
	112,881,872	**103,946,845**

25. Fines, Penalties and Forfeits

Illegal Connections Fines	226,087	102,348
Overdue Books Fines	3,449	1,647
Municipal Traffic Fines	7,139,155	8,502,396
	7,368,691	**8,606,391**

26. Sale of Goods and Rendering of Services

Consumables	11,082	12,494
Library Fees	8,126	8,153
Publications	590	4,190
Advertisements	11,602	42,694
Application fees for land usage	2,191	808
Building plan approval	66,845	61,138
Cemetry and burial	308,679	418,136
Clearance certificates	58,119	63,024
Encroachment Fees	108,022	146,879
Photocopies faxes and telephone charges	12,661	10,023
Removal of Restrictions	189	-
Valuation Services	4,222	5,026
Health Services	-	25,500
	592,328	**798,065**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

27. Government grants & subsidies

Operating grants		
Equitable share	167,581,000	191,340,000
Expanded Public Works Programme	2,515,000	1,831,000
Financial Management Grant	2,650,000	2,600,000
Provincial Housing Deed Restoration	-	117,990
Provincial Library Grant	5,118,741	5,372,159
Cyber Cadet	499,415	-
COGTA Thusong Centre	-	49,962
	178,364,156	**201,311,111**
Capital grants		
Integrated National Electrification Programme	2,100,000	7,303,692
Municipal Infrastructure Grant	39,106,999	37,713,429
	41,206,999	**45,017,121**
	219,571,155	**246,328,232**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	51,990,156	54,988,232
Unconditional grants received	167,580,999	191,340,000
	219,571,155	**246,328,232**

28. Employee related costs

Allowances	29,624,336	26,866,921
Bargaining Council	52,241	49,692
Basic salary and wages	95,720,487	94,649,133
Bonuses	7,309,871	5,914,164
Medical	14,930,622	13,746,595
Other benefits	1,545,632	2,103,789
Pension	19,881,931	17,488,577
Salaries and allowances	7,151,687	6,297,210
Social Contributions	1,595	-
Unemployment insurance	913,161	639,378
	177,131,563	**167,755,459**

29. Remuneration of councillors

Deputy Executive Mayor	15,889,971	15,543,525
Mayoral Committee Members	1,974,884	1,971,122
	17,864,855	**17,514,647**

30. Depreciation and amortisation

Property, plant and equipment	108,824,743	80,031,505
Intangible assets	145,812	103,126
	108,970,555	**80,134,631**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

31. Finance costs

Interest paid on overdue accounts	255,372	7,985,905

32. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	3,944,794	5,669,136
Equipment		
Contractual amounts	49,672	231,156
Plant and equipment		
Contractual amounts	725,981	689,033
	4,720,447	**6,589,325**

33. Debt impairment

Revenue from exchange transactions	3,392,130	56,862,100
Revenue from non-exchange transactions	8,872,621	9,256,198
	12,264,751	**66,118,298**

34. Consumer Interest write off

Consumer interest not charged	17,718,588	-

This amount relates interest charged on consumer accounts over the past two years. A decision was taken by council to write off this amount as it was not viable to pass on to consumers.

35. Bulk purchases

Electricity - Eskom	215,063,544	187,270,673

36. Contracted services

Outsourced Services		
Burial Services	-	1,560
Business and Advisory	-	886,999
Catering Services	18,566	-
Call Centre	31,928	-
Internal Auditors	56,213	-
Meter Management	5,039,125	3,059,207
Refuse Removal	12,654,956	12,757,071
Security Services	19,041,022	13,700,421
Water Tankers	8,485,260	14,518,773
Consultants and Professional Services		
Business and Advisory	10,594,270	4,234,290
Infrastructure and Planning	26,640,105	13,997,734
Laboratory Services	1,163,592	692,265
Legal Cost	3,802,730	6,828,359

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

36. Contracted services (continued)

Contractors		
Catering Services	20,000	242,429
Electrical	644,230	724,712
Gardening Services	11,007,150	9,291,015
Maintenance of Buildings and Facilities	1,048,706	2,953,312
Maintenance of Equipment	-	2,241,069
Maintenance of Unspecified Assets	9,505,342	2,592,838
Tracing Agents and Debt Collectors	2,824,929	-
Traffic and Street Lights	373,841	13,240
Sewerage Services	967,500	-
	113,919,465	**88,735,294**

37. Auditors' remuneration

Fees	4,042,064	3,057,119

38. Operational Expenditure

Advertising; Publicity and Marketing	803,428	475,249
External audit fees	4,042,064	3,057,119
Bank charges, facilities and card fees	1,677,266	2,906,521
Commission paid	2,331,686	29,165
Insurance underwriting	2,158,254	2,932,754
External computer service	6,743,621	6,244,510
Skills Development Fund Levy	1,578,288	1,885,714
Wet Fuel	3,658,874	2,986,502
Uniform and Protective Clothing	70,676	322,298
Professional bodies membership and subscription	2,253,487	1,847,199
Communication	693,868	1,222,353
Skills Development and Training	32,782	2,184,425
Travel and subsistence	1,405,815	1,469,893
Registration fees	505,000	123,356
Repayment of forfeited deposits	62,539	-
Signage	72,043	15,485
Ward Committees	4,492,938	4,273,548
Workmens compensation fund	706,188	644,269
Municipal services	4,117,301	-
Learnerships and internships	3,479,991	1,516,350
	40,886,109	**34,136,710**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

39. Cash generated from operations

Deficit	(126,293,624)	(10,146,599)
Adjustments for:		
Depreciation and amortisation	108,970,555	80,134,631
Losses on sale of assets and liabilities	26,197,665	-
Fair value adjustments	46,381,282	-
Impairment deficit	19,132,572	66,118,298
Impairment loss	9,707,205	3,824,597
Bad debts written off	17,718,588	-
Movements in retirement benefit assets and liabilities	3,013,000	10,174,045
Movements in provisions	(322,013)	4,134,210
Inventory losses or write-downs	1,629,670	-
Actuarial Gains/Losses	(6,131,000)	(14,184,833)
Water Losses	6,629,771	5,936,057
Changes in working capital:		
Inventories	(6,203,602)	1,009,021
Receivables from exchange transactions	(11,781,348)	9,907,855
Other receivables from non-exchange transactions	(13,381,138)	(60,496,823)
Payables from exchange transactions	(28,546,521)	(68,953,324)
VAT	803,275	32,387,667
Unspent conditional grants and receipts	(1,681,314)	(2,185,640)
Consumer deposits	836,224	636,578
Other liability	-	(3,026,210)
	46,679,247	**55,269,530**

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	38,786,560	8,653,050

Total capital commitments		
Already contracted for but not provided for	38,786,560	8,653,050

This committed expenditure relates to plant and equipment and will be financed by government grants and subsidies and contracted services will be financed from equitable share, property rates and service charges. All commitments are disclosed inclusive of vat.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	520,952	439,060
- in second to fifth year inclusive	217,063	454,631
	738,015	**893,691**

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for a term of three years and rentals are fixed for three years.

Figures in Rand	2022	2021

41. Contingent liabilities

Contingent Listings

	2022	2021
Kuntwele Enzazi Ventures (Pty) Ltd - Claim for unpaid services rendered to the municipality	839,411	539,411
ZP & Mthembu - Claim for damages on behalf of a child who was allegedly electrocuted and sustained injuries	3,100,000	3,000,000
D Bakker - Claim for pothole damages to motor vehicle	97,990	17,990
IE Brand - Claim for personal injury sustained due to damaged sidewalk which should be maintained by the municipality	865,090	615,090
Quantum Leap (Pty) Ltd - Claim for unpaid services relating to refuse removal services	14,543,700	13,043,700
Autumn Storm Investment (Pty) Ltd - Claim for compensation for alleged land expropriation by a community in the jurisdiction of the municipality	18,500,000	17,000,000
E Maphari - Suing for damages relating to unlawful arrest by Municipal law enforcement	-	270,000
NEXOR 312 (Pty) Ltd - Urgent application against municipality for publish of tender	-	148,542
CE Sbasiido - damages in respect seizure of goods by municipal law enforcement	30,000	30,000
Izingodla Engineering (Pty) Ltd - Unpaid invoices for Vrede Cliffdale Project	-	5,636,573
Abaqulusi Local Municipality - The municipality wants to attach and recover money from Mrs GSD Khumalo who defrauded the municipality. A large portion of the stolen amount was attached from the employees account	350,000	-
B Yende - The plaintiff is claiming R200 000 as compensation for alleged unlawful arrest instigated by the municipality's traffic officers	300,000	-
AbaQulusi Municipality - This matter concerns a dispute with KZN-COGTA on various issues emanating from the section 139 intervention	1,500,000	-
AbaQulusi Municipality - The Municipality made a review application to challenge two (2) conflicting section 106 investigation reports	2,000,000	-
Afriforum - This is a challenge to the municipality's decision to appoint Mr Mbatha to manage and operate its farm	150,000	-
	42,276,191	**40,301,306**

42. Prior period errors

	Amount as reported on Audited AFS - 30 June 2021	Prior period adjustment restating the opening balance as at 1 July 2020	Prior period adjustments restating the 2020/21 movement	Amount as reported on restated AFS - 30 June 2021	Note Ref:
Current Assets					
Receivables from Non-exchange transactions	27,689,841	1,247,751	-	28,937,592	A
Receivables from Exchange transactions	63,782,661	6,741,014	1,247,416	55,794,231	B
Inventories	11,837,241	-	1,118,777	12,956,018	C
Vat receivable	3,804,980	-	3,906	3,801,074	D
Non-Current Assets					
Property plant and Equipment	1,259,667,604	-	112,113,883	1,371,781,487	E
Intangible Assets	271,324	196,065	-	467,389	E
Investment Property	70,605,500	-	20,882,000	91,487,500	S
Current Liabilities					
Payables from exchange transactions	94,277,056	-	5,845,017	88,432,039	F
Consumer deposits	16,192,409	-	100,816	16,091,593	G
Unspent conditonal grants and subsidies	6,263,283	-	2,942,039	6,170,688	H
Provisions	-	-	1,343,518	1,343,518	I
Non-Current Liabilities					
Employee benefit obligation	50,099,001	-	-	50,099,001	
Provisions LT	39,616,582	-	1,343,518	38,273,064	
Accumulated surplus	1,255,406,028	22,611,659	155,390,577	1,388,184,946	J
Revenue and expenditure					
Sales of Goods and Rendering of Services	33,042	-	765,024	798,066	K
Interest on outstanding debtors	7,946,286	-	33,042	7,979,328	K
Other Income	4,725,918	-	798,066	3,927,852	K
Employee related costs	179,306,440	-	11,550,981	167,755,459	L
Remuneration of councillors	18,339,684	-	825,037	17,514,647	M
Depreciation and amortisation	84,770,735	-	4,636,104	80,134,631	N
Bullk purchases	191,593,530	-	4,322,857	187,270,673	O
Contracted services	97,257,822	-	5,883,715	91,374,107	P
Water losses	57,704	-	5,878,353	5,936,057	Q
Operating expenses	36,487,364	-	2,350,653	34,136,711	R
Debt impairment	64,771,275	-	1,347,023	66,118,298	V
Inventory consumed	-	-	19,878,622	19,878,622	
Government grants and subsidies	249,362,867	-	3,034,635	246,328,232	T
Service charges	283,810,668	-	1,347,032	285,157,700	U

42. Prior period errors (continued)

A The inccrease in the traffic fines debtors is due to new and updated traffic fines report being received by the municipality from the service provider which indicated that the municipality had previous traffic fines not captured.

B The decrease in receivables from exchange transactions was because the municipality was incorrectly billing for payment arrangements. This error was retrospectively restated.

C Restatement due to stock issues not captired as well as restatements due to recalculation of water inventory in terms of grap 12 as updated information was received.

D The vat restatement relates to the vat impact of stock adjustment per not C

E The restatement to property plant and equipment relates mainly to assets not previously disposed of/derecognised by the municipality. The restatement to intangible assets relates to the reversal of amortisation.

F The restatement to trade and other payables relates to the reversal of supplier invoices which were incorrectly captured, as well as third parties paid but not captured against the payroll control account.

G The restatement relates to hall refunds paid out but not appropriately captured under consumer deposits

H The restatement relates to payments for conditions met, however these were not offset against the relevant grant.

I Reclassification of bonus provision from Non current provision to current provision as the senior management bonus is current in nature.

J The restatement to accumulated surplus is as a result of the above restatements. A reconciliation is as follows:

Traffic fines	(1 247 751)
Payment arrangements	8 393 564
Inventory adjustments	69 222
VAT	3 906
PPE	41 053 005
Payables	(5 845 017)
Deposits	(100 816)
Grants	(92 595)
	42 233 518

K The reclassification was affected due to prior year incorrect mapping in the annual financial statements

L The restatement and reclassification due to employee related costs can be reconciled as follows:

Employee Related costs	
Restatement of salaries to water inventory cost	7 529 118
Pension and medical aid incorrectly captured	1 791 788
Reclassification of SDL & Ward Comm from EE costs to expenditure	**13 002 583**

M Reclassification of SDL and other non payroll related claims to operational costs

N Refer to the restatement of PPE. The derecognition of assets resulted in a decrease in depreciation

O Restatement of electricity at the water plants to inventory costs in terms of GRAP 12

Q Restatements relate to water losses being recognised in the current year in line with grap 12

P Restatement due to costs reallocated to inventory costs (costs of water production - R170,287) as well as reclassification of computer costs to operational costs

42. Prior period errors (continued)

R Restatements relates to reclassifications from above notes, as well as authorised water consumption being appropriately recognised as inventory issued in terms of Grap 12

S Fair value adjustment taken into account

T Does not qualify as a grant due to a principle agent relationship

U Properties previously not billed for water, solid waste and sewerage

V Increase to provision due to properties not billed that are irrecoverable

43. 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.

	2022	2021
Financial Instruments		
Current Assets	175,835,593	130,839,360
Current Liabilities	175,830,357	(123,466,457)
Liquidity Ratio	**1.00**	**1.05**

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis 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 instrument	2022	2021
Cash & cash equivalents	29,031,312	23,724,637
Receivables from non-exchange transactions	42,318,731	28,937,592
Receivables from exchange transactions	52,287,555	55,794,222

44. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of R 1,270,662,048 and that the municipality's total liabilities exceed its assets by R 1,270,662,048.

44. Going concern (continued)

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 interpreted as follows:

The acid test ratio is used to determine the to whic the municipality is able to settle current obligations. A ratio of 1:1 is used as norm, therefore any ratio above 1, is favourable.

A 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 assets.

Acid Test Ratio	**Current Assets**	**Current Liabilities**	**Ratio**
2018/2019	151,979,735	169,827,569	0.89
2019/2020	216,536,478	176,019,602	1.23
2020/2021	124,025,544	115,421,838	1.09
2021/2022	144,345,877	124,025,544	1.00
	636,887,634	**585,294,553**	

Current Asset Ratio	**Current Asset**	**Current Liabilities**	**Ratio**
2018/2019	167,530,618	169,827,569	0.98
2019/2020	216,536,478	176,019,602	1.23
2020/2021	124,025,544	115,421,838	1.09
2021/2022	144,345,877	124,025,544	1.00
	652,438,517	**585,294,553**	

Debt Ratio	**Total Liabilities**	**Total Assets**	
2018/2019	251,448,129	1,653,850,119	15 %
2019/2020	266,204,438	1,575,503,823	17 %
2020/2021	203,793,903	1,411,157,154	14 %
2021/2022	258,492,764	1,356,611,481	18 %
	979,939,234	**5,997,122,577**	**64 %**

45. Events after the reporting date

There were no adjusting or non-adjusting events after the reporting period.

46. Unauthorised expenditure

	2022	2021
Opening balance as previously reported	334,464,795	267,800,878
Add: Unauthorised expenditure - current	152,117,514	129,439,476
Less: Amount written off	-	(62,775,559)
Closing balance	**486,582,309**	**334,464,795**

Figures in Rand	2022	2021

46. Unauthorised expenditure (continued)

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

Non-cash	78,568,842	98,111,713
Cash	73,548,672	31,327,763
	152,117,514	**129,439,476**

Analysed as follows: non-cash

Employee related cost - leave pay provision	-	3,250,612
Depreciation and amortisation	66,304,091	39,016,735
Finance charges	-	10,241,789
Provision of impairment	-	41,720,275
Inventory write down	-	57,704
Impairment loss - Assets	-	3,824,598
Debt impairment	12,264,751	-
	78,568,842	**98,111,713**

Analysed as follows: cash

Other expenditure	73,293,300	16,825,822
Employee related costs	-	6,516,036
Finance cost - interest paid	255,372	7,985,905
	73,548,672	**31,327,763**

Unauthorised expenditure amounts have been disclosed exclusive of vat.

47. Fruitless and wasteful expenditure

Opening balance as previously reported	7,395,408	1,240,197
Add: Fruitless and wasteful expenditure identified - current	23,631,477	8,061,007
Less: Amount written off - current	-	(665,599)
Less: Amount written off - prior period	(6,365,983)	(1,240,197)
Closing balance	**24,660,902**	**7,395,408**

A comprehensive register is maintained by the municipality in accordance with the municipal finance management act

All fruitless and wasteful expenditure is always calculated inclusive of VAT while the figures disclosed above have been presented in this set of financials exclusive of VAT.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

47. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Eskom (interest on late payment)	199,921	650,308
Office of Auditor General (Interest late payment)	-	9,404
Telkom (interest late payment)	46	9,555
SARS (PAYE Assessment Penalty)	11,884	23,286
Izingodla Engineera (Pty) Ltd (Interest on legal settlement)	-	2,465,983
Magagula (Interest paid on legal settlement	-	1,002,471
WIP Halted projects write off	23,419,626	-
Msuftu Transport (Interest on legal settlement)	-	3,900,000
	23,631,477	**8,061,007**

The municipality maintains a comprehensive register of fruitless and wasteful expenditure as required by the Municipal Finance Management Act.

48. Irregular expenditure

Opening balance as previously reported	251,208,247	192,373,991
Opening balance as restated	**251,208,247**	**192,373,991**
Add: Irregular Expenditure - current	58,244,350	78,194,923
Add: Irregular Expenditure - prior period	-	2,474,976
Less: Amount written off - current	-	(16,550,037)
Less: Amount written off - prior period	-	(5,285,606)
Closing balance	**309,452,597**	**251,208,247**

Irregular expenditure is presented inclusive of VAT

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

48. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Additional VIP Security (1 incident)	Pending investigations by management	869,728	
Extension of scope not valid (1 incident)	Pending investigations by management	995,084	
Invalid deviation (12 incidents)	Pending investigations by management	7,711,169	
Invalid disqualification of bid	Pending investigations by management	1,518,242	
Mandatory sub-contracting not applied to awards above R30 million (2 incidents)	Pending investigations by management	6,986,527	
MDB 4 forms not submitted by suppliers (9 incidents)	Pending investigations by management	328,876	
Month to month contracts (22 incidents)	Pending investigations by management	8,065,814	
No rotation of suppliers from a panel (12 incidents)	Pending investigations by management	28,244,284	
No supporting information for competitive bidding (1 incident)	Pending investigations by management	525,303	
No three quotations obtained (2 incidents)	Pending investigations by management	1,295,157	
One of the Directors in service of the state (1 incident)	Pending investigations by management	6,720	-
Suppliers whose tax status was not in order or cleared by SARS (2 incidents)	Pending investigations by management	1,697,447	-
		58,244,351	

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

	Disciplinary steps taken/criminal proceedings	
Competitive bidding not invited (20 incidents)	Investigations conducted by management	43,014,598
Three written quotations not invited (3 incidents)	Investigations conducted by management	455,588
Declaration of interest not submitted (1 incident)	Investigations conducted by management	11,850
Tax clearances not obtained (5 incidents)	Investigations conducted by management	17,435,184
Specifications didn't meet minimum threshold for local content (13 incidents)	Investigations conducted by management	17,277,703
		78,194,923

Figures in Rand	2022	2021

49. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year fee	4,042,064	3,057,119
Amount paid - current year	(4,042,064)	(3,057,119)
	-	-

SDL

Current year fee	1,582,601	1,256,971
Amount paid - current year	(1,582,601)	(1,256,971)
	-	-

Pension and Medical Aid Deductions

Current year fee	26,807,752	24,714,025
Amount paid - current year	(26,807,752)	(24,714,025)
	-	-

VAT

VAT receivable	2,601,982	3,405,257

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

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 R	Outstanding more than 90 days R	Total R
Councillor Mkhwanazi SB	13,943	22,143	36,086
Councillor Cronje E	22,555	-	22,555
Councillor Mbokazi ST	1,695	33,610	35,305
Councillor Ndlela NP	7,126	6,533	13,659
	45,319	**62,286**	**107,605**

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor TZ Mavundla	5,533	9,808	15,341
Councillor MA Hlatshwayo	7,273	71,270	78,543
Councillor NS Mgidi	402	4,369	4,771
	13,208	**85,447**	**98,655**

Figures in Rand	2022	2021

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer. The expenses incurred as listed hereunder have been condoned. Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

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

The current deviations related to various expenditure due to emergencies COVID 19 and other service delivery emergencies, making it impossible to follow the procurement process. A detailed register of all deviations is maintained by the Municipality.

Supply chain management deviations more than R200 000		
Covid 19 Emergencies	-	803,250
		-

Distribution Losses		
Electricity losses		
Units purchased	135,630,800	143,282,267
Units sold	(102,817,514)	(120,943,130)
Total Loss	**32,813,286**	**22,339,137**
Percentage Loss:		
Distribution Losses	24%	16%
Total units lost in distribution	32,813,286	22,339,137
Cost of providing the service	215,063,544	222,928,007
Cost per unit	1.59	1.56
Total cost lost through distribution and theft	52,030,524	34,756,704

The technical losses tolerable range prescribed by NERSA is between 5 - 12%. The Distribution losses were as a result of aging infrastructure, illegal connections and meter tampering.

Water Losses		
Units purified	10,265,338	8,526,385
Units sold	(4,751,632)	(3,301,560)
Total loss	**5,513,706**	**5,224,825**
Percentage Loss:		
Distribution losses	54%	61%
Total units lost in distribution	5,513,706	5,224,825
Cost of providing the service	17,617,222	14,305,440
Cost per unit	1,72	1,68
Total cost lost through distribution and theft	9,483,574	8,777,706

The technical losses tolerable range is between 5 - 15%. The distribution losses were as a result of aging infrastructure, illegal connections, and unmetered water supply.

50. Segment information

Segment surplus or deficit, assets and liabilities

2022

	Community and Social Services	Energy Sources	Road Transport	Sport and Recreation	Waste Management	Waste Water Management	Water Management	Other (aggregated)
Revenue								
Exchange Revenue	899,301	205,186,611	5,808,179	-	22,219,377	32,322,739	45,857,336	14,691,490
Non-exchange Revenue	5,347,190	1,976,644	-	-	-	-	2,569	332,113,090
Interest income (included above)	-	-	-	-	-	-	-	13,937,984
Total segment revenue	**6,246,491**	**207,163,255**	**5,808,179**	**-**	**22,219,377**	**32,322,739**	**45,859,905**	**360,742,564**
Entity's revenue								

	Community and Social Services	Energy Sources	Road Transport	Sport and Recreation	Waste Management	Waste Water Management	Water Management	Other (aggregated)
Expenditure								
Bulk Purchases	-	215,063,544	-	-	-	-	-	-
Contracted Services	7,862,430	9,536,980	8,848,152	53,976	21,371,921	967,500	26,843,837	43,121,135
Depreciation and Amortisation	-	27,828,461	19,343,150	3,733,171	2,314,238	5,861,887	2,304,332	2,342,164
Employee Related Cost	12,772,276	23,281,821	13,528,637	3,435,955	4,814,942	16,861,999	6,136,104	94,622,651
Interest Dividend and rent on land	-	-	-	-	-	-	-	255,372
Inventory Consumed	82,071	9,258,608	8,504,271	-	50,500	2,925,258	22,624,397	2,882,290
Operating Leases	-	49,672	-	-	-	-	-	4,136,537
Operational Cost	67,830	4,146,163	526	-	-	-	544	34,306,580
Remuneration of Councillors	-	-	-	-	-	-	-	17,864,855
Gains and Losses	4,113,010	726,394	1,468,379	-	-	1,193,097	10,983,098	13,733,637

50. Segment information (continued)

Disposal of Fixed and Intangible Assets	-	-	-	-	-	-	-	24,888,540
Fair Value Adjustment	-	-	-	-	-	-	-	36,329,470
Impairment Loss	4,113,010	726,394	1,468,379	-	-	1,193,097	35,578	2,786,646
Inventory	-	-	-	-	-	-	-	2,688,079
Water Losses	-	-	-	-	-	-	10,947,520	-
Total segment expenditure	**29,010,627**	**290,618,037**	**53,161,494**	**7,223,102**	**28,551,601**	**29,002,838**	**79,875,410**	**279,957,956**
Total segmental surplus/(deficit)								
Assets								
Current Assets	32,225,446	143,718,048	56,177,176	982,355	44,560,238	121,639,784	154,230,064	37,820,775
Non-current Assets	105,496,279	325,350,189	240,540,580	57,186,703	32,223,524	93,614,788	130,034,041	301,208,415
Total segment assets	**137,721,725**	**469,068,237**	**296,717,756**	**58,169,058**	**76,783,762**	**215,254,572**	**284,264,105**	**339,029,190**
Total assets as per Statement of financial Position								

Segment information - 2021

	Community and Social Services	Energy Sources	Road Transpot	Sport and Recreation	Waste Management	Waste Water Management	Water Management	Other (aggregated)
Revenue								
Exchange Revenue	1,063,716	190,245,612	2,794,606	-	17,865,848	37,367,451	44,344,251	13,638,803
Non-exchange Revenue	5,423,768	7,415,847	-	-	819	2,308	1,770	350,837,015
Interest Income (included above)	-	-	-	-	-	-	-	8,876,435
Total segment revenue	**6,487,484**	**197,661,459**	**2,794,606**	**-**	**17,866,667**	**37,369,759**	**44,346,021**	**373,352,253**
Entity's revenue								**679,878,249**

50. Segment information (continued)

Expenditure								
Bulk Purchases	-	187,270,673	-	-	-	-	-	-
Contracted Services	9,292,575	3,906,939	2,603,251	-	12,757,071	2,173,913	27,131,010	33,509,348
Depreciation and Amortisation	4,799,455	26,249,009	28,926,089	720,704	10,694,066	7,266,949	15,136,247	4,647,999
Employee Related Cost	11,637,471	21,437,587	15,169,769	2,560,215	4,824,276	17,191,648	6,994,620	86,228,114
Interest Dividends and Rent on Land	-	-	-	-	-	-	-	7,985,905
Inventory Consumed	347,871	5,748,811	1,833,447	-	244,295	978,004	8,470,149	2,256,046
Operating Leases	18,750	-	230,206	-	-	-	950	6,339,419
Operational Cost	91,512	325,147	241,928	21,326	20,369	127,042	99,438	31,025,524
Remuneration of Councillors	-	-	-	-	-	-	-	17,514,647
Gains and Losses	1,907,288	756,854	421,192	-	-	15,676	10,962,044	44,540,876
Fair Value Adjustment	-	-	-	-	-	-	-	15,928,000
Impairment Loss	1,907,288	756,854	421,192	-	-	15,676	51,807	65,443,056
Inventory	-	-	-	-	-	-	-	4,974,180
Water Losses	-	-	-	-	-	-	10,910,237	-
Total segment expenditure	**30,002,210**	**246,451,874**	**49,847,074**	**3,302,245**	**28,540,077**	**27,768,908**	**79,756,502**	**320,393,114**
Total segmental surplus/(deficit)								**(106,183,755)**
Assets								
Current Assets	(24,698,614)	118,250,704	25,567,374	545,847	32,809,405	92,454,615	133,525,164	68,184,604
Non-current Assets	108,620,775	351,971,140	241,033,825	53,453,533	26,104,394	100,477,956	132,373,951	279,310,421
Total segment assets	**83,922,161**	**470,221,844**	**266,601,199**	**53,999,380**	**58,913,799**	**192,932,571**	**265,899,115**	**347,495,025**
Total assets as per Statement of financial Position								**1,739,985,094**

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

51. Accounting by principals and agents

51. Accounting by principals and agents (continued)

Details of the arrangement - KZN Provincial Department of Transport

1. The municipality is a party to a principal-agent arrangement in terms of motor vehicle registrations. The municipality is considered to be an agent in accordance with GRAP 109, with the Provincial Department of Transport being the principal in this arrangement.

The purpose of the principal-agent relationship is to provide service the community and to enhance the municipality's revenue.

The significant conditions of the arrangement are that:

The Provincial Department shall issue the motor vehicle licence renewal form to the respective owners of the motor vehicles, indicating the amount due for the year The municipality provide facilities for owners of motor vehicles to pay their licences. The Provincial Department provide the municipality with access to its IT systems to enable capturing of the amounts received and issuing of the motor vehicle licences on their behalf. The system automatically generates the motor vehicle licence upon capturing the payment of the fees due.

The municipality collect the fees due from motor vehicle owners and simultaneously issue the new licences on behalf of the Department. The municipality is required to pay over any revenue (cash) collected to the Department in respect of motor vehicle licences. The municipality is entitled to retain 8,55% of the cash collected for undertaking this activity on behalf of the Department

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal KZN Provincial Department of Transport is R5 804 579 (2021: R2 791 006).

Details of the arrangement - ESKOM

The purpose of the principal-agent relationship is to provide a service to the community in the form of electrification projects whereby a portion of the Integrated National Electrification Grant is utilised to fund projects in ESKOM licenced areas.

The significant conditions of the arrangement are that:

The municipality makes payments to contractors appointed by ESKOM for the electrification of households within the ESKOM Licence areas.

Expenditure incurred on behalf of principal

The aggregate amount of expenditure that the entity incurred is R3 204 640 (2021: R2 969 009).

Liabilities and corresponding rights of reimbursement recognised as assets

No liabilities were incurred on behalf of the principal during the financial year, and hence no outstanding payments were recorded at year end. No corresponding rights of reimbursement that have been recognised at year

Resources (including assets and liabilities) of the entity under the custodianship of the agent

No resources have been recognised by the agent in its financial statements. The municipality is required to return the equipment supplied by the department should the agreement is terminated.

Details of arrangement with Department of Human Settlement

The municipality is party to the principle-agent agreement in municipality and Department of Human Settlements where the municipality is appointed as project manager, meets the definition of a principal-agent arrangement, and is within the scope of Grap 109.

51. Accounting by principals and agents (continued)

The purpose of the principal-agent relationship is to provide service the community members in ensuring that the municipality issues title deeds to beneficiaries through the title deeds restoration programme.

Expenditure incurred on behalf of the principal for 2022 RNil (2021- R3,034,635).

The significant conditions of the arrangement are that:

The municipality being a “developer”, based on the nature of the arrangement the between DHS and the municipality relating to the national commitment of issuing title deeds to beneficiaries through the “Title Deeds Restoration Programme”, the municipality is therefore acting as a project manager

Detail of arrangement between AbaQulusi (principal) and Contour Technology

The municipality is party to the principle-agent agreement in municipality and Contour Systems where the municipality is the Principal, meets the definition of a principal-agent arrangement, and is within the scope of GRAP 109.

The purpose if the principal agent is to ensure that the community can be provided with prepaid electricity.

The agent Contour Technology transacts with third party vendors who sell electricity on behalf of AbaQulusi Municipality.

The purpose of the principal-agent relationship is to provide and maintain the software for the Pre-paid electricty voucher service to the community.

The significant conditions of the arrangement are that:

The municipality is the principal and Contour Technology acts as the agent who receives a commission of 3.42% on the total sales per month.

The total fees paid is R2,331,685 (2021 R862,429)

The municipality is indemnified against any claims by any third party or personnel of the supplier for any damages and or loss caused by the performance of any duty imposed by the agreement.

In the case of breach of this agreement by the agent, the municipality may elect to terminate this agreement and immediately claim a full repayment of all money paid to the supplier.

Notes to the Annual Financial Statements

52. Related parties

COGTA

The MEC for CoGTA implemented Section 139(1)(b) of the Constitution with effect 21 February 2019. A ministerial representative was appointed to oversee the municipality's financing and operating policy decisions.

The Provincial executive Council resolved to extend the intervention in terms of section 139(1)(b) effective from 01 April 2021 to 31 October 2021. The municipality was not under the Section 139(1)(b) intervention as at reporting date of 30 June 2022 as the abovementioned period lapsed.

Related parties	**Amount**	**Total**
Councillors	107,604	107,604
Subtotal	107,604	107,604
	107,604	**107,604**

The figures disclosed above are due to the municipality and are for rates, electricity, water, sanitation and solid waste services rendered to related parties.

Management class: councillors	**Councillor upper limit**	**Total**
Mayoral committee members	4,687,960	4,687,960
Councillors	13,176,895	13,176,895
	17,864,855	**17,864,855**

Refer to note "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.

Management class: senior management

Name	**Basic salary**	**Other benefits**	**Total**
ZG DHLAMINI (Municipal Manager)	145,011	3,187	148,198
MPE MTHEMBU (CFO)	993,314	248,919	1,242,233
NW MBONGWA (Director Technical Services)	1,006,059	296,106	1,302,165
S P DLAMINI (Director Corporate Services)	1,039,007	307,089	1,346,096
T XABA (Director Community Services)	1,006,059	314,589	1,320,648
J S LANDMAN (Director Development Planning)	1,039,007	327,199	1,366,206
	5,228,457	**1,497,089**	**6,725,546**

Figures in Rand	2022	2021

52. Related parties (continued)

	2022	2021
	2	2
Remuneration of municipal manager		
Annual Remuneration	74,696	1,154,100
Car Allowance	-	384,700
Performance Bonus	-	105,045
Travel & Subsistence	64,117	31,718
Cellphone Allowance	9,000	36,000
UIF and SALGA	385	-
	148,198	**1,711,563**

During the financial year, Mr ZG Dhlamini became the Municipal Manager.

	2022	2021
Remuneration of chief finance officer		
Annual Remuneration	993,314	1,147,084
Performance Bonuses	-	74,604
Travel & Subsistence	207,802	-
Back Pay	-	-
Cellphone Allowance	27,500	33,825
Acting Allowance	13,617	-
	1,242,233	**1,255,513**

	2022	2021
Remuneration of Director Technical Services		
Annual Remuneration	1,006,059	600,866
Travel & Subsistence	266,106	58,284
Backpays	-	-
Cellphone Allowance	30,000	21,205
Car Allowance	-	2,762
	1,302,165	**683,117**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

52. Related parties (continued)

Remuneration of Director Corporate Services

Annual Remuneration	1,039,008	831,206
Car Allowance	-	277,069
Performance Bonuses	-	74,604
Back Pay	-	-
Cellphone Allowance	30,000	30,000
Travel & Subsistence	277,069	-
Other	-	-
	1,346,077	**1,212,879**

Remuneration Director Community Services

Annual Remuneration	1,007,141	523,154
Car Allowance	-	135,997
Cellphone Allowance	30,000	21,205
Travel & Subsistence	266,086	6,975
Acting allowance	17,421	-
	1,320,648	**687,331**

Remuneration of Director Planning and Development

Annual Remuneration	1,039,027	831,206
Car Allowance	-	277,069
Performance Bonuses	-	74,604
Cellphone Allowances	30,000	30,000
Travel & subsistence	277,069	1,424
Backpays	-	-
Acting Allowance	20,110	-
	1,366,206	**1,214,303**

Figures in Rand	2022	2021

52. Related parties (continued)

Remuneration of councillors

	2022	2021
Mayor	573,366	-
Deputy Mayor	723,724	667,619
Executive Committee Members	4,114,594	4,527,798
Speaker	723,724	684,299
Councillors	11,729,445	11,634,930
	17,864,853	**17,514,646**

	Mayor	Deputy Mayor	Speaker	Other councillors	Exco Councillors
Salary	544,876	679,324	679,324	10,026,744	3,558,498
Travel allowance	-	-	-	-	275,976
Cellphone allowance	26,180	40,800	40,800	1,464,384	244,800
Data card	2,310	3,600	3,600	126,810	21,600
Medical aid	-	-	-	-	7,200
Backpay	-	-	-	111,507	6,520
	573,366	**723,724**	**723,724**	**11,729,445**	**4,114,594**

53. Budget differences

Material differences between budget and actual amounts

Service charges	The municipality continues to experience historical non-payment from customers. Actual is less than budget to the water shortages and electricity loadshedding.
Rendering of services	The municipality continues to experience historical non-payment from customers. Actual is less than budget due to the water shortages and electricity load shedding

53. Budget differences (continued)

Rental of facilities and equipment	Hall rental increased as the covid levels reduced more functions at the community halls and new leases were signed on rental properties.
Licences and permits, Agency Services	Less vehicle licences were issued by the municipality due to covid levels and offices being closed.
Other Income	The municipality budgeted for the sale of land which did not materialise.
Interest received - investment	Interest on investments is less due to no additional funds being able to invest.
Property rates	Actual is more than budget due to annual increases and stricter credit control
Government Grants	The R4 million sports grant is not recognised as own revenue
Imposed licence and permits	The original budget was reduced during the adjustment budget period and no revenue was received.
Fair value adjustment	Adjustment of assets at year end, this is a non-cash item
Fines, penalties and forfeits	The eNatis system was down for 3 months during the financial year, the municipality could not issue any fines.
Personnel	Costs for post-retirement benefits increased personnel costs. The municipality continued with the service of the EPWP workers oafter the grant received was expended to ensure the continuity of services to the community and this contributed to additional expenditure under employee costs
Remuneration of councillors	The saving is due to there being no mayor
Depreciation and amortisation	This is due to a recalculation of depreciation following the conditional assessment of assets

53. Budget differences (continued)

Finance costs	The municipality incurred interest on overdue accounts which was unplanned. These items have been disclosed in the note for fruitless and wasteful expenditure.
Lease rentals on operating lease	A new tender for the hire of office equipment was awarded
Debt impairment	The provision for doubtful debts was not budgeted for
Bulk purchases	The municipality finalised the Eskom old debt during 2020/21 and less electricity was purchased from Eskom
Contracted services	New tenders were awarded for meter reading, security and gardening services which were higher than the previous tenders. The technical services utilised utlilised a panel of service providers to assist with maintenance of the town during covid. A master plan for water sanitation and roads was developed which increased the infrastructure and planning costs.
Transfers and subsidies	This is for free basic services for indigent consumers
Sale of goods/inventory	The original budget was reduced during the adjustment budget period and no expenditure was incurred
General expenses	Included under general expenditure is inventory consumeed which is repairs and maintenance, the ageing infrastructure in particular water pumps that had to be repaired. The insurance of municipal assets increased significantly when the new tender was awarded.
Actuarial gains/losses	This will be disclosed as unauthorised expenditire for non-cash items in the notes as this expenditure is only determined at year end during the calculation of post retirement provisions by the Actuarials.