Umhlabuyalingana Local Municipality
Annual Financial Statements
for the year ended 30 June 2021

General Information

Legal form of entity	Municipality KZN 271
Nature of business and principal activities	The main purposes of the municipality is to engage in local governance activities which include planning and promotions of integrated development planning, economic and environmental development and supplying of services to the community.
Mayoral committee	
Mayor	Cllr. NS Mthethwa
Deputy mayor	Cllr. FG Mlambo
Speaker	Cllr. BT Tembe
Grading of local authority	Medium capacity municipality
Accounting Officer	Mrs. NP Gamede
MPAC Chairperson	Cllr. SP Mthethwa
Chief Finance Officer (CFO)	Mr. NPE Myeni
Ordinary Executive members	Cllr. BN Ntsele Cllr. SN Tembe Cllr. MD Mathenjwa Cllr. MZ Mhlongo Cllr. ZM Mhlongo
Registered office	Municipal Building Kwangwanase 3973
Postal address	Private Bag X 901 Kwangwanase 3973
Bankers	First National Bank of South Africa
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	AP Shangase Associates

General Information

List of councilors in office

Cllr. KO Tembe
Cllr. TN Magagula
Cllr. LD Tembe
Cllr. M Mthembu
Cllr. SG Nxumalo
Cllr. GS Mthembu
Cllr. DA Tembe
Cllr. MI Mthembu
Cllr. N Vumase
Cllr. JB Gwala
Cllr. NJ Ndabeni
Cllr. NC Mdletshe
Cllr. EG Mhlongo
Cllr. JE Sithole
Cllr. BC Zikhali
Cllr. SM Ndlovu
Cllr. TS Myeni
Cllr. LE Mkhwanazi
Cllr. JG Ngubane
Cllr. SS Gumede
Cllr. BJ Tembe
Cllr. MD Mathenjwa
Cllr. TL Mlambo
Cllr. HK Gumede
Cllr. TS Khumalo
Cllr. TJ Nxumalo
Cllr. ET Nxumalo

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

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
SDL	Skills Development Levy
GRAP	Generally Recognised Accounting Practice
MAP	Municipal Assistant Programme
FMG	Finance Management Grant
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

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

The accounting officer 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 2022 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Mhlabuyalingana Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's Chief Financial Officer.

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

I certify that the salaries, allowances and benefits of councilors as disclosed in note 27 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government’s determination in accordance with the Act.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

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 2021 and were signed on its behalf by:

Accounting Officer
Mrs. NP Gamede

Tuesday, 31 August 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	7	282 312	189 463
Receivables from non-exchange transactions	9	9 787 162	10 015 480
Receivables from exchange transactions	8	1 313 596	813 138
Cash and cash equivalents	10	84 157 693	64 348 250
		95 540 763	**75 366 331**
Non-Current Assets			
Property, plant and equipment	3	332 629 607	303 954 787
Intangible assets	4	592 526	902 731
		333 222 133	**304 857 518**
Total Assets		**428 762 896**	**380 223 849**
Liabilities			
Current Liabilities			
Operating lease liability	5	-	11 410
Payables from exchange transactions	13	17 045 455	13 492 109
VAT payable	14	1 153 737	539 978
Employee benefit obligation	6	230 821	31 789
Unspent conditional grants and receipts	11	3 680 842	18 708 763
Provisions	12	1 878 455	1 735 087
INEP liability	53	-	4 054 694
		23 989 310	**38 573 830**
Non-Current Liabilities			
Employee benefit obligation	6	3 137 595	2 486 593
Provisions	12	22 082 993	21 279 599
		25 220 588	**23 766 192**
Total Liabilities		**49 209 898**	**62 340 022**
Net Assets		**379 552 998**	**317 883 827**
Accumulated surplus		379 552 998	317 883 827
Total Net Assets		**379 552 998**	**317 883 827**

* See Note 41 & 40

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	15	624 360	624 360
Donations received	24	126 638	-
Licences and permits	18	3 237 150	2 291 920
Commissions received	16	154 121	91 728
Rental income	19	395 302	380 484
Other income	20	350 055	1 006 784
Interest received - investment	21	1 995 584	4 675 157
Total revenue from exchange transactions		**6 883 210**	**9 070 433**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	21 771 606	21 114 011
Interest on Rates - Debtors		-	678 165
Transfer revenue			
Government grants & subsidies	23	271 423 069	195 397 799
Fines, Penalties and Forfeits	17	1 047 350	876 900
Total revenue from non-exchange transactions		**294 242 025**	**218 066 875**
Total revenue		**301 125 235**	**227 137 308**
Expenditure			
Employee related costs	25	(76 253 220)	(72 060 486)
Remuneration of councillors	26	(12 988 462)	(13 025 998)
Depreciation and amortisation	27	(24 584 452)	(23 096 814)
Impairments	28	(1 294 512)	(1 427 656)
Finance costs	29	(1 953 209)	(2 305 434)
Lease rentals	35	(2 806 020)	(2 901 127)
Debt Impairment	30	(7 771 628)	(5 974 581)
Inventory consumed	7	(1 750 068)	(2 747 636)
Assets write off	31	(367 001)	(2 539 836)
Contracted services	32	(49 774 079)	(46 869 260)
Transfers and Subsidies	34	(13 887 501)	(6 098 658)
Covid 19 expenditure	7	(1 996 740)	(2 525 725)
Operational cost	33	(43 616 526)	(45 487 401)
Total expenditure		**(239 043 418)**	**(227 060 612)**
Actuarial gains/losses	6	(412 646)	(56 716)
Surplus for the year		**61 669 171**	**19 980**

* See Note 41 & 40

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	315 553 884	315 553 884
Adjustments		
Prior year adjustments	2 309 963	2 309 963
Balance at 01 July 2019 as restated*	**317 863 847**	**317 863 847**
Changes in net assets		
Surplus for the year	19 980	19 980
Total changes	19 980	19 980
Restated* Balance at 01 July 2020	**317 883 827**	**317 883 827**
Changes in net assets		
Surplus for the year	61 669 171	61 669 171
Total changes	61 669 171	61 669 171
Balance at 30 June 2021	**379 552 998**	**379 552 998**

Note(s)

* See Note 41 & 40

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers and other		16 997 730	27 348 904
Grants		272 043 366	209 684 000
Interest income		1 995 584	4 675 157
Other receipts		3 542 586	2 569 848
		294 579 266	244 277 909
Payments			
Employee costs		(89 247 618)	(85 086 484)
Suppliers		(129 383 340)	(115 923 398)
Interest Paid		(1 953 209)	(336 772)
		(220 584 167)	(201 346 654)
Net cash flows from operating activities	36	**73 995 099**	**42 931 255**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(54 159 157)	(29 356 337)
Proceeds from sale of assets	3	-	1 496 475
Purchase of other intangible assets	4	(26 498)	(375 256)
Net cash flows from investing activities		**(54 185 655)**	**(28 235 118)**
Net decrease in cash and cash equivalents		**19 809 444**	**14 696 137**
Cash and cash equivalents at the beginning of the year		64 348 250	49 652 113
Cash and cash equivalents at the end of the year	10	**84 157 694**	**64 348 250**

* See Note 41 & 40

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Refuse Removal	453 254	171 106	**624 360**	624 360	**-**	
Donations received	-	-	**-**	126 638	**126 638**	
Licences and permits	5 593 446	(2 756 098)	**2 837 348**	3 237 150	**399 802**	Note 48.1
Commissions received	31 319	137 708	**169 027**	154 121	**(14 906)**	Note 48.2
Rental income	394 020	(1 307)	**392 713**	395 302	**2 589**	
Other income	474 750	(331 172)	**143 578**	350 055	**206 477**	Note 48.3
Interest received - Investment	7 178 812	(5 596 743)	**1 582 069**	1 995 584	**413 515**	Note 48.4
Total revenue from exchange transactions	**14 125 601**	**(8 376 506)**	**5 749 095**	**6 883 210**	**1 134 115**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	20 676 181	(1 218 532)	**19 457 649**	21 771 606	**2 313 957**	
Interest on rate debtors	967 707	-	**967 707**	-	**(967 707)**	
Transfer revenue						
Government grants	238 848 000	33 310 067	**272 158 067**	271 423 069	**(734 998)**	
Fines	3 200 488	(2 356 330)	**844 158**	1 047 350	**203 192**	Note 48.5
Total revenue from non-exchange transactions	**263 692 376**	**29 735 205**	**293 427 581**	**294 242 025**	**814 444**	
Total revenue	**277 817 977**	**21 358 699**	**299 176 676**	**301 125 235**	**1 948 559**	
Expenditure						
Employee related cost	(90 663 618)	14 396 137	**(76 267 481)**	(76 253 220)	**14 261**	Note 48.6
Remuneration of councilors	(13 878 096)	889 000	**(12 989 096)**	(12 988 462)	**634**	
Depreciation and amortisation	(26 171 181)	1 405 374	**(24 765 807)**	(24 584 452)	**181 355**	
Impairment loss	-	(1 295 000)	**(1 295 000)**	(1 294 512)	**488**	
Finance costs	(106 000)	(1 854 000)	**(1 960 000)**	(1 953 209)	**6 791**	Note 48.8
Operating lease expense	(600 000)	(2 227 463)	**(2 827 463)**	(2 806 020)	**21 443**	
Debt Impairment	(5 129 757)	(2 641 990)	**(7 771 747)**	(7 771 628)	**119**	Note 48.7
Inventory consumed	(1 750 000)	(1 000)	**(1 751 000)**	(1 750 068)	**932**	
Assets Written - Off	-	(905 000)	**(905 000)**	(367 001)	**537 999**	Note 48.9
Contracted service	(29 152 960)	(20 624 640)	**(49 777 600)**	(49 774 079)	**3 521**	
Transfer and Subsidies	(2 384 000)	(11 519 047)	**(13 903 047)**	(13 887 501)	**15 546**	
COVID-19 expenditure	-	(1 999 000)	**(1 999 000)**	(1 996 740)	**2 260**	Note 48.11
Operational cost	(39 802 366)	(3 898 998)	**(43 701 364)**	(43 616 526)	**84 838**	
Total expenditure	**(209 637 978)**	**(30 275 627)**	**(239 913 605)**	**(239 043 418)**	**870 187**	
Operating surplus	**68 179 999**	**(8 916 928)**	**59 263 071**	**62 081 817**	**2 818 746**	
Actuarial gains/losses	-	(415 000)	**(415 000)**	(412 646)	**2 354**	
Surplus before taxation	**68 179 999**	**(9 331 928)**	**58 848 071**	**61 669 171**	**2 821 100**	
Surplus for the year excluding capital expenditure	**68 179 999**	**(9 331 928)**	**58 848 071**	**61 669 171**	**2 821 100**	
Capital Expenditure	(68 100 000)	9 126 752	**(58 973 248)**	(54 729 052)	**4 244 196**	Note 49.1

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Comparison of Budget and Actual amounts	**79 999**	**(205 176)**	**(125 177)**	**6 940 119**	**7 065 296**	

Accounting Policies

Figures in Rand	Note(s)	2021	2020

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables

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

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

The calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

Provisions, contingent liabilities

Management’s judgment is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material, the using cost of capital.
Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Provisions for Landfill site

The entity has an obligation to rehabilitate it's landfill site in terms of it's licence stipulations. Provision is made for this obligation based on the size/ extent of the land to be rehabilitated and the rehabilitation period.

Useful lives of waste and water network and other assets

The useful lives of assets are based on management’s estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. This was performed on an individual basis as well as per service-identifiable categories across all classes.

Effective interest rate

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

Allowance for doubtful debts

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

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 as follow

- 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.

Additional information is disclosed in Note 53.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures 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.

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.

Post retirement benefit

The cost of long services awards benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	20 -30 years
Boreholes	Straight-line	20 years
Mobile clinics	Straight-line	30 years
Furniture and fixtures	Straight-line	7 - 10 years
Motor vehicles	Straight-line	5 -7 years
Office equipment	Straight-line	3 - 7 years
IT equipment	Straight-line	3 - 7 years
Creche	Straight-line	30 years
Infrastructure	Straight-line	3 - 30 years
Roads and Paving	Straight-line	20 years
Roads and Water	Straight-line	3 - 10 years
Gravel roads	Straight-line	10 years
Community Halls	Straight-line	30 years
Bins and containers	Straight-line	15 years
Libraries	Straight-line	30 years
Fence	Straight-line	5 - 10 years
Gates	Straight-line	5 - 10 years
Jojo Tanks	Straight-line	30 years
Park facilities	Straight-line	10 years
Landfill sites	Straight-line	30 years
Leased Office Equipment	Straight-line	5 years
Specialised vehicles	Straight-line	10 years
Special Plant and Equipment	Straight-line	10 - 15 years
Street lights	Straight-line	10 - 25 years

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

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

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

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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).

1.5 Intangible assets

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

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

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

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

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.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	5 years
Other Intangible assets	Straight-line	3 years

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

1.5 Intangible assets (continued)

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

1.6 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.

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

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

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

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

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

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

A financial 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.

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.

Accounting Policies

1.6 Financial instruments (continued)

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

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

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

Accounting Policies

1.6 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Receivables and exchange transactions	Financial asset measured at amortised cost
Receivables and non-exchange transactions	Financial asset measured at amortised cost
VAT Receivables	Financial asset measured at amortised cost

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

Class	Category
Unspent conditional grants	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.
The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.
Financial instruments are measured initially at fair value plus in case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to acquisition or issue.
Transaction costs on financial instruments at fair value through surplus or loss are recognised in surplus or loss.

Subsequent measurement

Financial instruments at fair value are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or loss for the period.
Financial assets and liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets; (individually for all significant debtors account and collectively for other debtors with similar credit risk characteristics), other than those at fair value, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.
For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.
Impairment losses are recognised in surplus or loss.
Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.
Reversals of impairment losses are recognised in surplus or loss.

1.7 Statutory receivables

Identification

1.7 Statutory receivables (continued)

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

1.7 Statutory receivables (continued)

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

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

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

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

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

Derecognition

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

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

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

1.8 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.

1.8 Leases (continued)

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.

1.9 Inventories

Inventories comprise current assets, consumption or distribution during the ordinary course of business.

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

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their present location and condition.

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

Inventories held for sale in the ordinary course of business are valued at the lower of cost and net realisable value , or where unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Inventories held for consumption, distribution, consumables stores, raw materials, are valued at lower of cost or net replacement cost.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The first-in-first-out method is the basis of allocating costs to inventories, except for water balance which is determined at weighted average cost at the reporting date based on the water volume in the network on hand.

Redundant and slow-moving inventories are identified and written down to the estimated net realisable value, and are recognised as an expense in the period in which the write-down or loss occurs. Inventories identified for write-down/write-off, but for which a council resolution, to authorise the write-down/write-off, has not yet been obtained, is provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

Accounting Policies

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

- 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.

1.11 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

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

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Accounting Policies

1.12 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 .

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.

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 38.

Accounting Policies

1.12 Provisions and contingencies (continued)

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.

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

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).

1.13 Revenue from exchange transactions (continued)

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 the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest income

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.

1.14 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.

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.

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.

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.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Measurement

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

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

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

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

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.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality’s operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.15 Investment income

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

1.16 Borrowing costs

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

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

1.17 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 Contractors on behalf of the principal and for the benefit of the principal.

Accounting Policies

1.17 Accounting by principals and agents (continued)

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that 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.

1.18 Comparative figures

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

1.19 Unauthorised expenditure

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

Accounting Policies

1.19 Unauthorised expenditure (continued)

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

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

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

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

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

Irregular expenditure, in relation to a municipality, means-

- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of this Act and which has not been condoned in terms of section 170;25
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of the Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act 30 No. 20 of 1998) or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in 35 terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

1.22 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.

1.23 Budget information

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

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

The approved budget is prepared on a accrual basis.

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

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

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

1.24 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.

Accounting Policies

1.24 Related parties (continued)

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.

1.25 Events after reporting date

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

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

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

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

1.26 Use of an estimate

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.27 Offsetting

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

Accounting Policies

1.28 Retention

Retention is also commonly called retainage and is a term referring to the percentage of payment held back from a construction contract.

This is a financial term and the owners of a building, or those who are paying for its work to be done, take the lead in drawing up and enforcing the retention plan. General contractors sometimes have retention plans as well

Retention is a percentage of the amount certified as due to the contractor on an interim certificate, that is deducted from the amount due and retained by the client.

The purpose of retention is to ensure that the contractor properly completes the activities required of them under the contract. Retention can also be applied to nominated sub-contractors, and the main contractor may also apply retention to domestic sub-contractors.

Often the percentage of retention ranges from 5% to 10% depending on:

a) The risk of the project, if the risk of failure is high then the percentage will be at maximum 10%.
b) The experience of the awarded contractor, if the contractor has minimum experience of the work to be executed then the percentage will be maximum 10%.

Half of the amount retained is released on certification of practical completion ('substantial completion' for Institution of Civil Engineers (ICE) contracts) and the remainder is released upon certification of making good defects (or 'final statement' for design and build contracts such as Joint Contracts Tribunal (JCT).

Interim certificates should make clear the amount of retention and a statement should also be prepared showing retention for nominated sub-contractors. The contract may require that retention is kept in a separate bank account and that this is certified to contractors. In this case, the client will generally keep any interest paid on the account.

1.29 Commitments

Items are classified as commitments where the municipality commits itself into future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- Approved and contracted commitments;
- Where the expenditure has been approved and the contract has been awarded at the reporting date; and
- Where disclosure is required by specific GRAP standard.

The municipality will disclose authorised capital expenditure, that which has been approved and contracted for. Outstanding operating lease commitments owing by the municipality and the periods in which payments fall due will also be disclosed.

Commitments are disclosed under note 37 of the annual financial statements.

Accounting Policies

1.30 Contracted Services

Contracted Services are distinguish between Outsourced Services, Contractors and Professional and Special Services.

Outsourced Services

The municipality should have the capacity and expertise to carry out certain services, but for some reasons not utilising their own staff. The reasons might include temporary incapacity or the outsourcing of services to save costs. In evaluating the classification of outsourced services it should be established whether the services being procured could have been provided by the municipality itself. It could also be that the municipality ordinarily has the expertise to provide the service but temporarily could not do so or to save costs.

Consultants and Professional Services

Consulting services refer to specialist services and skills provided that are required for the achievement of a specific objective, with the aim of providing expert and professional advise on a time and material basis. It is unnecessary to maintain these skills in-house, since they are required on a once-off or temporary basis. Therefore a consultant is a professional person appointed by the department to provide technical and specialist advise or to assist with he design and implementation of specific projects/programs. The legal status of this person can be an individual a partnership or a corporation. The fact that a consultant is defined as a professional person implies that the consultant is professionally qualified. The provision of advise or service is in line with a contractual arrangement. Remuneration is usually based on an hourly fee or a fixed fee for a product/deliverable. This category consists of groups for "Business and Advisory Services", "Infrastructure and Planning", "Laboratory" and "Legal Service".

Contractors

Contractors are required to provide services that are not the core business of the municipality. It is normally not cost effective to maintain these skills within the department. Contractors include costs associated with the use of contracted individuals or businesses on projects or tasks. This does not include amounts payable to contractors in respect of provision of services such as cleaning and security even if a staff element can be identified.

1.31 Value Added Tax (VAT)

The municipality accounts for VAT on cash basis.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 108: Statutory Receivables	01 July 2020	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2022	Impact is currently being assessed
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2022	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2021	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2021	Unlikely there will be a material impact

3. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	-	-	-	658 992	(658 992)	-
Buildings	39 229 594	(14 477 534)	24 752 060	39 033 094	(13 168 623)	25 864 471
Infrastructure assets	427 639 619	(135 920 770)	291 718 849	391 887 576	(129 355 043)	262 532 533
Other property, plant and equipment	31 017 181	(14 858 483)	16 158 698	25 820 849	(10 263 066)	15 557 783
Total	**497 886 394**	**(165 256 787)**	**332 629 607**	**457 400 511**	**(153 445 724)**	**303 954 787**

Reconciliation of property, plant and equipment - 30 June 2021

	Opening balance	Additions	Additions through WIP	Donated assets	WIP Transfers recieved	WIP Transfers	Write off	Change in estimate	Reallocation	Depreciation	Impairment loss	Total
Buildings	25 864 471	196 500	362 460	-	-	(362 460)	-	-	-	(1 308 911)	-	24 752 060
Infrastructure assets	262 532 533	-	52 260 589	-	69 085 098	(68 722 638)	(169 043)	298 288	(1 823 466)	(20 448 000)	(1 294 512)	291 718 849
Other property, plant and equipment	15 557 783	1 339 608	-	126 638	-	-	(197 816)	-	1 823 466	(2 490 981)	-	16 158 698
	303 954 787	**1 536 108**	**52 623 049**	**126 638**	**69 085 098**	**(69 085 098)**	**(366 859)**	**298 288**	**-**	**(24 247 892)**	**(1 294 512)**	**332 629 607**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Additions through WIP	Correction of error	WIP Transfers received	WIP Transfers	Change in accounting estimate	Write off	Depreciation	Impairment loss	Total
Land	658 992	-	-	(658 992)	-	-	-	-	-	-	-
Buildings	27 160 297	-	-	-	-	-	-	-	(1 295 826)	-	25 864 471
Infrastructure assets	262 763 369	-	23 015 180	(837 483)	8 513 068	(8 513 068)	1 045 088	(2 521 767)	(19 504 198)	(1 427 656)	262 532 533
Other property, plant and equipment	11 233 777	6 341 157	-	-	-	-	-	(18 069)	(1 999 082)	-	15 557 783
	301 816 435	**6 341 157**	**23 015 180**	**(1 496 475)**	**8 513 068**	**(8 513 068)**	**1 045 088**	**(2 539 836)**	**(22 799 106)**	**(1 427 656)**	**303 954 787**

Pledged as security

There was no property, plant and equipment pledged as security.

Specialised assets

Included in the property, plant and equipment is sanitizer trailer specially purchased to help curb the spread of pandemic COVID-19. The sanitizer trailers is used by the municipality to disinfect office space and other related areas where from time to time is required.:

Sanitizer trailers	-	175 000

It is expected that the machinery will be utilised for the duration of the pandemic, and beyond

Figures in Rand	2021	2020

3. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

	2021	2020
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure - Multipurpose Centre	33 541 085	24 042 985
Infrastructure- Community Halls	-	16 403 764
Infrastructure- Market Stalls	1 043 470	-
Infrastructure - Roads	17 483 011	28 175 515
Youth Enterprise	887 971	887 971
	52 955 537	**69 510 235**

	2021	2020
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Manguzi Multipurpose	33 541 085	24 042 985
Manguzi Multipurpose Centre is a multi year project, we have recently appointed the new contractor to complete the project that was surrendered by previous contractor. There were further delays that prompted the work to carried over to 2021/22 financial period, and the project is expected to be completed by 30 June 2022		
KwaMbila Community hall	-	16 403 764
This project was capitilised.		
	33 541 085	**40 446 749**

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	28 082 866	41 334 719	-	69 417 585
Additions/capital expenditure	41 719 019	10 541 570	362 460	52 623 049
Transferred to completed items	(52 318 874)	(16 403 764)	(362 460)	(69 085 098)
	17 483 011	**35 472 525**	**-**	**52 955 536**

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	11 813 145	43 423 240	55 236 385
Additions/capital expenditure	22 203 145	812 043	23 015 188
Transferred to completed items	(5 933 424)	(2 579 644)	(8 513 068)
Impairments	-	(320 920)	(320 920)
	28 082 866	**41 334 719**	**69 417 585**

Figures in Rand	2021	2020

3. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	2021	2020
Contracted Services - Plumbing	375 880	197 000
Contracted services - G5 Material	544 465	1 791 900
Contracted services - G7 Material	1 129 828	1 807 640
Contracted - Hiring Excavator	381 800	-
Contracted Service - Hiring of Grader	130 000	150 000
TLB hire	928 640	-
Tipper truck	871 790	-
Potholes	179 975	-
Small machine maintenance	88 291	-
Concrete slab repair	90 000	-
Service Septic Tanks	-	188 000
Honey sucking	219 500	-
Tree Cutting	-	705 107
Aircon Regas	237 443	132 600
Water pump	-	23 800
Electrical	87 500	23 780
Contracted Service - Motor Vehicle	5 095 884	3 723 744
Water tanker	179 900	-
Painting	16 501	42 800
Road markings	189 521	-
Security gate repair	179 550	-
Main building renovations	565 543	1 589
Computer repair	51 990	77 013
Container maintenance	1 050	-
Storm water repair	160 000	-
	11 705 051	**8 864 973**

Repairs and Maintenance		
Employee related cost	582 044	322 441

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.

4. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 175 449	(1 582 923)	592 526	2 149 093	(1 246 362)	902 731

Reconciliation of intangible assets - June 2021

	Opening balance	Additions	Write off	Amortisation	Total
Computer software	902 731	26 498	(143)	(336 560)	592 526

Reconciliation of intangible assets - June 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	825 183	375 256	(297 708)	902 731

Pledged as security

There were no intangible assets pledged as security:

Figures in Rand	2021	2020

5. Operating lease liability

Current liabilities	-	(11 410)
Minimum lease payment due:		
- within one year	-	551 028

Operating lease payments have been 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 have been recognised as an operating lease liability.

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of two years and rentals vary in terms of a contract of the lease. Certain leases are subject to escalation at a rate of 5% over the lease period. No restrictions are imposed by lease arrangements.

Lease term has came to an end for this financial period.

6. Employee benefit obligations

In line with the guidelines of the Bargaining Council, the municipalty remunerates its employees for the long services rendered to the municipality. The estimates of the present obligation are determined through the use of the Actuarial expertise. Such estimates are reviewed annually at end of the finacial year. The finance cost and actuarial gains or losses are recogised direclty in the statement of financial performance.

The municipality offers bonuses for every 5 years of completed service from 10 to 45 years. Long service accumulated leave must be taken within one year of receiving such leave or wholly or partially cashed. In most cases, employees choose to exercise the option to wholly convert their accumulated leave bonus into cash.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

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

	2021	2020
Carrying value		
Opening balance	(2 518 382)	(2 373 151)
Service cost	(332 688)	(348 149)
Interest cost	(254 753)	(210 739)
Expected benefit payment	150 053	470 373
Actuarial (gain)/loss	(412 646)	(56 716)
	(3 368 416)	**(2 518 382)**
Non-current liabilities	(3 137 595)	(2 486 593)
Current liabilities	(230 821)	(31 789)
	(3 368 416)	**(2 518 382)**

Assumptions used at the reporting date:
Discount rates used

	2021	2020
General Inflation Rate	9.74%	10.18%
Consumer Price Index (CPI)	5.61%	4.97%
Real Rate	6.61%	5.97%
Net discount rate	6.91%	3.97%

Figures in Rand	2021	2020

6. Employee benefit obligations (continued)

Members withdrawn from services: (Average for males and females)

Age 20	12,00 %	12,00 %
Age 25	6,60 %	6,60 %
Age 30	5,10 %	5,10 %
Age 35	3,60 %	3,60 %
Age 40	2,60 %	2,60 %
Age 45	1,80 %	1,80 %
Age 50	1,10 %	1,10 %
	-	-

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

Opening balance	(2 518 382)	(2 373 151)
Service cost	(332 688)	(348 149)
Interest cost	(254 753)	(210 739)
Benefits paid	150 053	470 373
Actuarial loss/(gain)	(412 646)	(56 716)
	(3 368 416)	**(2 518 382)**

Net expense recognised in the statement of financial performance

Current service cost	332 688	348 149
Interest cost	254 753	210 739
Actuarial (gains) losses	412 646	56 716
Settlement	(150 053)	(470 373)
	850 034	**145 231**

Demographic and Decrement Assumption

Assumptions used at the reporting date:

20	12,00 %	12,00 %
25	6,60 %	6,60 %
30	5,10 %	5,10 %
35	3,60 %	3,60 %
40	2,60 %	2,60 %
45	1,80 %	1,80 %
50	1,10 %	1,10 %

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

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2020 the duration of liabilities was 8.78 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 29 June 2021 is 9.74% per annum, and the yield on inflation linked bonds of a similar term was about 3.44% per annum. This implies an underlying expectation of inflation of 5.61% per annum ([1 + 9.74% - 0.5%] / [1 + 3.44%] - 1).

We have assumed that salary inflation would exceed general inflation by 1.0% per annum, i.e. 6.61% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.94% per annum ([1 + 9.74%] / [1 + 6.61%] - 1).

6. Employee benefit obligations (continued)

Valuation assumptions

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

	30 June 2021	30 June 2020
Discount rate	9.74%	10.18%
CPI	5.61%	4.97%
Salary increase rate	6.61%	5.97%
Net discount rate	2.94%	3.97%

Valuation Method

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases.

The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

7. Inventories

Opening	189 463	188 694
Inventory purchased	3 839 657	5 274 130
Inventory consumed	(1 750 068)	(2 747 636)
Covid-19 consumables	(1 996 740)	(2 525 725)
	282 312	**189 463**

Inventory consist of stationery, cleaning materials and consumable materials. Stock take was conducted at 30 June 2021 to determine the quantity and value of inventory at hand.

Inventories was assessed for redundancy and abnormal wastage. No obsolete inventory was discovered.

COVID-19 Inventory

Since the COVID-19 was declared a national disaster, there have been numerous measures put in place to curb its rapid spread and the provision of assistance to those less fortunate. In response to the COVID-19 pandemic municipalities have incurred increased expenditures, namely:-

- Purchase of personal protective equipment such as masks
- Hygiene items such as sanitizers
- Protective clothing
- Fumigation chemicals
- Surgical gloves and wipers

8. Receivables from exchange transactions

Gross balances		
Creditors Overpayment	-	149 865
Employee Debtors	15 322	5 113
Debtors Refuse	1 302 382	896 630
Debtors - Rentals	695 659	407 440
Prepayment	731 344	106 547
Other Debtors	110 908	195 598
	2 855 615	**1 761 193**

Figures in Rand	2021	2020

8. Receivables from exchange transactions (continued)

Less: Allowance for impairment		
Refuse debtors	(1 018 561)	(678 028)
Rentals debtors	(523 458)	(270 027)
	(1 542 019)	**(948 055)**

Net balance		
Creditors Overpayment	-	149 865
Employee Debtors	15 322	5 113
Debtors - Refuse	283 821	218 602
Debtors - Rentals	172 201	137 413
Prepayment	731 344	106 547
Other debtors	110 908	195 598
	1 313 596	**813 138**

Creditors Overpayment		
> 365 days	-	149 865

Debtors PMU		
Current (0 -30 days)	15 322	5 113

Debtors Refuse		
Current (0 -30 days)	107 716	113 931
31 - 60 days	47 882	54 091
61 - 90 days	42 144	38 319
91 - 120 days	42 144	38 319
121 - 365 days	1 062 496	651 970
	1 302 382	**896 630**

Rental		
Current (0 -30 days)	70 078	64 092
31 - 60 days	32 248	28 152
61 - 90 days	32 248	27 875
91 - 120 days	32 248	26 862
121 - 365 days	528 838	254 859
	695 660	**401 840**

Prepayment		
> 365 days	731 344	106 547

Other		
Current (0 -30 days)	110 908	195 598

Summary of debtors by customer classification

Reconciliation of allowance for impairment		
Balance at beginning of the year	(948 055)	(434 106)
Contributions to allowance	(593 964)	(513 949)
	(1 542 019)	**(948 055)**

Figures in Rand	2021	2020

8. Receivables from exchange transactions (continued)

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2021, 257 924 (2020: 260 491) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	97 664	95 971
2 months past due	80 130	82 271
3 months past due	80 130	82 249

9. Receivables from non-exchange transactions

Gross balances		
Consumer debtors - Rates	53 444 904	47 713 658
Fines	7 966 741	7 112 691
	61 411 645	**54 826 349**
Less: Allowance for impairment		
Consumer debtors - Rates	(45 091 756)	(39 923 663)
Fines	(6 532 727)	(4 887 206)
	(51 624 483)	**(44 810 869)**
Net balance		
Consumer debtors - Rates	8 353 148	7 789 995
Fines	1 434 014	2 225 485
	9 787 162	**10 015 480**

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

Rate Debtors		
Opening balance	(39 923 663)	(38 106 072)
Allowance for impairment - Rate debtors	(5 168 093)	(1 817 590)
	(45 091 756)	**(39 923 662)**
Traffic fines		
Opening balance	(4 887 205)	(4 413 898)
Allowance for impairment	(1 645 522)	(473 307)
	(6 532 727)	**(4 887 205)**
Net balance	**(51 624 483)**	**(44 810 867)**

Fines		
Current (0 -30 days)	423 760	378 332
31 - 60 days	314 013	280 350
61 - 90 days	519 199	463 540
91 - 120 days	491 589	438 890
121 - 365 days	6 216 704	5 551 579
	7 965 265	**7 112 691**

Figures in Rand	2021	2020

9. Receivables from non-exchange transactions (continued)

Summary of debtors by customer classification

Business		
Current (0 -30 days)	975 107	987 770
31 - 60 days	348 109	355 080
61 - 90 days	354 971	402 374
91 - 120 days	343 639	401 792
121 - 365 days	21 210 202	18 017 634
	23 232 028	20 164 650
Less: Allowance for impairment	(21 371 516)	(17 944 995)
	1 860 512	**2 219 655**

Government and ITB		
Current (0 -30 days)	434 338	367 231
31 - 60 days	215 372	181 363
61 - 90 days	215 372	181 363
91 - 120 days	215 372	180 079
121 - 365 days	26 666 250	24 359 235
	27 746 704	25 269 271
Less: Allowance for impairment	(21 411 717)	(19 980 717)
	6 334 987	**5 288 554**

Household and Agriculture		
Current (0 -30 days)	109 282	121 190
31 - 60 days	32 192	60 595
61 - 90 days	32 192	60 528
91 - 120 days	32 192	38 147
121 - 365 days	2 260 234	1 940 731
	2 466 092	2 221 191
Less: Allowance for impairment	(2 308 522)	(1 997 951)
	157 570	**223 240**

Total		
Current (0 -30 days)	1 518 727	1 476 191
31 - 60 days	595 673	655 584
61 - 90 days	602 644	644 265
91 - 120 days	591 203	620 018
121 - 365 days	50 136 686	44 317 600
	53 444 933	47 713 658
Less: Allowance for impairment	(45 091 756)	(39 923 663)
	8 353 177	**7 789 995**

Total debtor past due but not impaired		
1 month past due	810 967	1 094 970
2 month past due	708 959	543 076
3 month past due	595 552	538 052
	2 115 478	**2 176 098**

Receivables from non-exchange transactions past due but not impaired Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired.

At 30 June 2021, R2 115 478 - (2020:R2 176 098) were past due but not impaired.

Figures in Rand	2021	2020

9. Receivables from non-exchange transactions (continued)

Statutory receivables general information

The municipality had the following statutory receivables where the Framework for Preparation and Presentation of Financial Statement have been applied, for the following recognition:

Consumer debtors - Rates	53 444 904	47 713 658
Fines	7 966 741	7 112 691
Less: Impairment consumer debtors - rates	(45 091 756)	(39 923 663)
Less: Impairment fines	(6 532 727)	(4 887 206)
	9 787 162	**10 015 480**

Transaction(s) arising from statute

Rates - Municipal Property Rate Act (MRP Act) section states that local municipality may levy a rate on properties in its are

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

Determination of transaction amount

Rates - Rates amount are determined in terms of Section 11 of MPR Act and the approved rates policy of municipality.

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

Interest or other charges levied/charged

Rates - Interest is charged on outstanding rate

Fines - No interest is charged on outstanding fines

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

Statutory receivable are subsequently measured at amortised cost. For statutory receivables, this includes the effect of impairments.

GRAP 104 tells us that an impairment of a financial asset is calculated as being the difference between the expected future cash flows and their present (discounted) value.

This means another discounting calculation, distinct from any discounting calculations that may have been required to determine fair value at initial recognition.

An impairment calculation is forward-looking and one must therefore use the number of days that the particular financial asset is still expected to be outstanding based on the best information available at year-end. For this estimation it will be best to use a combination of key indicators that will provide a list of debtors that are most likely to be impaired.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash on hand	6	2 000
Bank balances	65 601 085	50 391 796
Short-term deposits	18 447 952	13 890 937
Cash in Transit	108 650	63 517
	84 157 693	**64 348 250**

Figures in Rand	2021	2020

10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
First National Bank - Current Account Hluhluwe - 62025236408	65 842 001	50 766 908	36 620 012	65 601 086	50 391 796	36 528 403
First National Bank - Call Account Hluhluwe - 62055161146	2 003 958	-	-	2 003 958	-	-
First National Bank - Call Account Hluhluwe - 62266899825	1 375 114	1 348 858	1 347 591	1 375 114	1 348 858	1 347 591
First National Bank - Call Account Hluhluwe - 74275256516	5 276 843	5 063 093	4 721 471	5 276 843	5 063 093	4 721 471
Standard Bank - Call Account Empangeni - 068824491	21 161	20 638	19 727	21 161	20 638	19 727
Nedbank - Call Account Richardsbay - 28702097	37 775	36 835	35 044	37 775	36 835	35 044
First National Bank - Call Account Hluhluwe - 62424086785	2 007 427	516	516	2 007 427	516	516
First National Bank - Fixed Deposit Account - 74622621601	7 725 673	7 420 998	6 940 955	7 725 673	7 420 998	6 940 955
Total	**84 289 952**	**64 657 846**	**49 685 316**	**84 049 037**	**64 282 734**	**49 593 707**

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2021	2020
COGTA - Small Town Rehabilitation	162 260	162 260
Arts and Culture	100 000	100 000
Manguzi Road Project	17 307	17 307
Urban Development	907 195	907 195
Manzengwenya Project	7 500	7 500
M A P	251 168	251 168
Phelandaba Development Grant	178 600	178 600
Nhlange Lake Restaurant	5 600	5 600
KwaTembe Concrete Project	86 111	86 111
Mbazwana and Munguzi Hubs	160 000	160 000
MIG	1 694 448	15 370 231
Finance Management Grant	-	112 598
Town planning	110 653	110 653
Wall to Wall Scheme	-	96 800
Border Development	-	1 138 240
Sports Ground	-	4 500
	3 680 842	**18 708 763**

Movement during the year

	2021	2020
Balance at the beginning of the year	17 639 112	4 422 562
Additions during the year	41 509 696	43 667 000
Income recognition during the year	(55 467 966)	(29 380 799)
	3 680 842	**18 708 763**

Figures in Rand	2021	2020

12. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Interest cost	Utilised during the year	Additions	Total
Skhemelele landfill site	9 630 450	778 622	(1 224 641)	-	9 184 431
Mbazwana landfill site	5 666 921	512 177	-	133 494	6 312 592
Thandizwe landfill site	7 147 264	645 655	-	164 794	7 957 713
Performance bonus	570 051	-	(506 712)	443 373	506 712
	23 014 686	**1 936 454**	**(1 731 353)**	**741 661**	**23 961 448**

Reconciliation of provisions - 2020

	Opening Balance	Interest cost	Utilised during the year	Additions	Total
Skhemelele landfill site	8 792 491	837 959	-	-	9 630 450
Mbazwana landfill site	4 780 845	423 898	-	462 178	5 666 921
Thandizwe landfill site	6 029 722	534 631	-	582 911	7 147 264
Performance bonuses	524 574	-	(524 574)	570 051	570 051
	20 127 632	**1 796 488**	**(524 574)**	**1 615 140**	**23 014 686**

	2021	2020
Non-current liabilities	22 082 993	21 279 599
Current liabilities	1 878 455	1 735 087
	23 961 448	**23 014 686**

The current portion is made up of provision for bonuses 2021: (R 506 712) 2020: (R 570 051) and Skhemelele landfill site 2021: (R 1 706 712) 2020: (R 9 630 450).

Performance bonuses

A section 57 bonus provision is also provided for. The bonus is performance based, and is dependant on a performance assessment. The timing of the bonus is uncertain.

Environmental rehabilitation provision

The municipality operates two Landfill sites, which are Thandizwe and Mbazwana.

Skhemelele is in the process of being closed down.

Figures in Rand	2021	2020

12. Provisions (continued)

The Municipality estimated rehabilitation cost are R24 679 377 (2020: R22 444 635) to restore the landfill site at the end of its useful life, estimated to be 17 years from the date of revaluation. The amount of rehabilitation is dependent on future costs technology, inflation and site consumption. The discount rate of the provision was 8.830% (2020: 8.085%).

The financial implication of rehabilitating the landfill site was determined by the independent practitioner engineer Zin Waste and Landfills.

The date on which Zin Waste and Landfills valued landfill sites was 30 June 2021. The landfill sites are revalued every four years.

During the financial period there was a change in rehabilitation cost for Mbazwana and Thandizwe Landfill Site, that resulted in an increase in the underlying assets and provision of R133 494 and R164 794 respectively.

Skhemelele Landfill Site is in the process of being rehabilitated. Detailed design for the closure of the site as laid out in the Environmental Management Programme (EMPr). The closure and rehabilitation activities will comply with the Minimum Requirements for Waste Disposal by Landfill (Second Edition, 1998). In compliance with the requirements for a communal landfill, during closure of the existing landfill the following activities will be conducted:

Closure

Depending on the volume of waste on site, the waste must be consolidated and taken to a licensed landfill facility or the waste must be consolidated and capped on site;
- Reshaping and recontouring of borrow pits so that they are no longer a safety hazard must take place;
- Placement of a “no dumping” notice at the site; and,
- Closing and locking the gate to the site so that no illegal dumping can take place.

13. Payables from exchange transactions

Trade payables	1 628 839	884 998
Accrued leave pay	6 263 792	5 251 051
Accrued bonus	1 553 171	1 433 721
Retention Creditors	7 485 424	5 618 187
Other creditors	104 697	93 802
Debtors with credit balance	9 532	19 358
Public works	-	190 992
	17 045 455	**13 492 109**

Ageing trade and other payables

Current (0 -30 days)	1 594 964	603 576
30 - 60 days	-	104 285
60 - 90 days	118 783	165 498
90 -120 days	26 000	18 197
120+ days	-	12 800
less: Creditors with debit balances	(110 908)	(19 358)
	1 628 839	**884 998**

14. VAT payable

VAT payables	1 153 737	539 978

15. Services charges

Refuse removal	624 360	624 360

Figures in Rand	2021	2020

16. Commission received

Motor licensing	145 762	91 728
Commision received	8 359	-
	154 121	**91 728**

17. Fines, Penalties and Forfeits

Traffic Fines	1 047 350	876 900

18. Licences and permits

Traffic income	3 237 150	2 291 920

19. Rental Income

Rental income	394 867	380 484
Hall hire	435	-
	395 302	**380 484**

20. Other income

Business Licensing	1 200	1 400
Sundry income	148 643	144 523
Library Income	35 521	29 002
Tender Documents	153 917	224 781
Property clearance revenue	1 696	3 600
Building plans revenue	5 478	5 478
Impound fees	3 600	-
Law enforcement fines	-	3 000
Arts and Culture refund	-	595 000
	350 055	**1 006 784**

21. Investment revenue

Interest revenue		
Bank	1 438 569	3 790 610
Investments	557 015	884 547
	1 995 584	**4 675 157**

Figures in Rand	2021	2020

22. Property rates

Rates

Residential	656 040	655 578
Commercial	6 543 314	6 407 035
State	14 269 640	14 269 640
Property trust	1 431 000	1 431 000
Less: Income forgone	(1 128 388)	(1 649 242)
	21 771 606	**21 114 011**

Valuations

Residential / Hospitality	131 200 000	131 200 000
Business and Commercial	754 030 000	741 730 000
Public service purposes	1 010 500 000	1 010 500 000
State trust Land	572 400 000	572 400 000
Vacant land	49 361 000	-
Protected Area	164 500 000	164 500 000
Place of Worship	6 300 000	6 300 000
Public service infrastructure	1 570 000	1 570 000
	2 689 861 000	**2 628 200 000**

Property valuations is performed every 5 years. The last general valuation roll came into effect on 1 July 2019. Annual valuations are processed on an annual basis to take into account changes in individual property value due to alterations and subdivisions.

A tariff of R0,0025 (2020: R0,0025) is applied to property valuations of ITB to determine assessment rates. The billing remained constant from previous year.

Business Properties are billed at R0.0087 (2020: R0,0087) per Rand for a period. Hospitality will be included in this category.

Residential Properties are billed at R0,0077 (2020: R0,0077) per Rand for a period.

Public Service Properties are billed at R0,0154 (2020: R0,0154) per Rand for a period.

Agricultural Properties are billed at R0,0025 (2020: R0,0025) per Rand for a period.

Protected Area and Public Benefit Organisations are valuated but exempt from billing.

The new general valuation was implemented on 01 July 2019.

Figures in Rand	2021	2020

23. Government grants and subsidies

Operating grants

Equitable share	214 885 452	166 017 000
Financial Management Grant	1 900 000	1 787 402
EPWP Grant	2 952 000	3 525 000
Library Grant	2 672 000	2 460 000
Skhemelele Nodal	-	406 000
Disaster management grant	-	864 000
Electrification grant - COGTA	1 138 240	-
Enviromental grant	96 800	-
Town Planning Grant	-	481 252
Sports Grounds	4 500	29 000
Border Development	-	251 040
	223 648 992	**175 820 694**

Capital grants

Municipal Infrastructure Grant	47 774 077	19 577 105
	271 423 069	**195 397 799**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	57 162 414	30 450 450
Unconditional grants received	214 885 452	166 017 000
	272 047 866	**196 467 450**

Equitable Share

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

COGTA -Small Town Rehabilitation

Balance unspent at beginning of year	162 260	162 260

Conditions still to be met - remain liabilities (see note 11).

Spatial Development

Balance unspent at beginning of year	100 000	100 000

Conditions still to be met - remain liabilities (see note 11).

Project Consolidate Manguzi

Balance unspent at beginning of year	17 307	17 307

Conditions still to be met - remain liabilities (see note 11).

Library Grant

Current-year receipts	2 672 000	2 460 000
Conditions met - transferred to revenue	(2 672 000)	(2 460 000)
	-	**-**

Figures in Rand	2021	2020

23. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 11).

Urban Development Grant

Balance unspent at beginning of year	907 195	907 195

Conditions still to be met - remain liabilities (see note 11).

Manzengwenya Project

Balance unspent at beginning of year	7 500	7 500

Conditions still to be met - remain liabilities (see note 11).

Municipal Assistance Program (MAP)

Balance unspent at beginning of year	251 168	251 168

Conditions still to be met - remain liabilities (see note 11).

Phelandaba Development Grant

Balance unspent at beginning of year	178 600	178 600

Conditions still to be met - remain liabilities (see note 11).

Nhlange Lake Restaurant

Balance unspent at beginning of year	5 600	5 600

Conditions still to be met - remain liabilities (see note 11).

Kwa Tembe Concrete Project

Balance unspent at beginning of year	86 111	86 111

Conditions still to be met - remain liabilities (see note 11).

Mbazwana and Manguzi Hubs

Balance unspent at beginning of year	160 000	160 000

Conditions still to be met - remain liabilities (see note 11).

MIG

Balance unspent at beginning of year	15 370 231	29 336
Current-year receipts	34 276 000	34 918 000
Conditions met - transferred to revenue	(47 774 077)	(19 577 105)
Transfer to equitable share	(177 706)	-
	1 694 448	**15 370 231**

Conditions still to be met - remain liabilities (see note 11).

FMG

Figures in Rand	2021	2020

23. Government grants and subsidies (continued)

Balance unspent at beginning of year	112 598	-
Current-year receipts	1 900 000	1 900 000
Conditions met - transferred to revenue	(1 900 000)	(1 787 402)
Transfer to equitable share	(112 598)	-
	-	**112 598**

Conditions still to be met - remain liabilities (see note 11).

EPWP

Balance unspent at beginning of year	-	-
Current-year receipts	2 952 000	3 525 000
Conditions met - transferred to revenue	(2 952 000)	(3 525 000)
	-	**-**

Tourism and Environmental Affairs Grant

Balance unspent at beginning of year	-	4
Conditions met - transferred to revenue	-	(4)
	-	**-**

Town planning grant

Balance unspent at beginning of year	110 653	591 905
Conditions met - transferred to revenue	-	(481 252)
	110 653	**110 653**

Conditions still to be met - remain liabilities (see note 11).

Skhemelele nodal grant

Balance unspent at beginning of year	96 800	502 800
Conditions met - transferred to revenue	(96 800)	(406 000)
	-	**96 800**

Conditions still to be met - remain liabilities (see note 11).

Border Development

Balance unspent at beginning of year	1 138 240	1 389 280
Conditions met - transferred to revenue	(1 138 240)	(251 040)
	-	**1 138 240**

Conditions still to be met - remain liabilities (see note 11).

Sports ground

Balance unspent at beginning of year	4 500	33 500
Conditions met - transferred to revenue	(4 500)	(29 000)
	-	**4 500**

Conditions still to be met - remain liabilities (see note 11).

Figures in Rand	2021	2020

23. Government grants and subsidies (continued)

Disaster management grant

Current-year receipts	-	864 000
Conditions met - transferred to revenue	-	(864 000)
	-	**-**

24. Public contributions and donations

Public contributions and donations	126 638	-

Figures in Rand	2021	2020

25. Employee related costs

Basic salary	52 187 535	49 816 793
Cellphone Allowance	1 102 148	903 310
Performance Bonus	441 602	615 527
Medical aid - company contributions	2 514 335	2 290 026
UIF	359 161	360 195
Leave pay provision charge	1 252 071	1 222 271
Overtime payments	2 444 709	2 393 468
Long-service awards	587 441	542 183
13th Cheques	3 129 861	2 899 061
Acting allowances	137 124	45 380
Car allowance	4 378 404	3 816 000
Standby Allowance	1 071 645	1 010 402
GroupLife Insurance	527 297	497 942
SALGBC - Levies	15 692	17 186
Rural Allowance	621 881	633 153
Pension	5 482 314	4 997 589
	76 253 220	**72 060 486**

Remuneration of Municipal Manager (NP Gamede)

Annual Remuneration	1 169 406	1 169 406
Car Allowance	180 000	180 000
Performance Bonuses	119 900	134 887
Contributions to UIF, Levies and Pension Funds	29 794	28 727
Cellphone allowance	32 400	32 400
Rural Allowance	116 941	116 941
	1 648 441	**1 662 361**

Remuneration of Chief Finance Officer (N.P.E Myeni)

Annual Remuneration	997 316	997 316
Car Allowance	162 000	162 000
Performance Bonuses	103 657	116 614
Contributions to UIF, Medical and Pension Funds	25 841	24 936
Cellphone allowance	27 600	27 600
Rural Allowance	108 798	108 798
	1 425 212	**1 437 264**

Remuneration of Corporate and Human Resources (N.V.F Msane)

Annual Remuneration	997 316	997 316
Car Allowance	162 000	162 000
Performance Bonuses	103 657	116 614
Contributions to UIF, Medical and Pension Funds	25 848	24 923
Cellphone allowance	27 600	27 600
Rural Allowance	108 798	108 798
	1 425 219	**1 437 251**

Remuneration of Community Director (S.Shange)

Annual Remuneration	835 477	835 477
Car Allowance	162 000	162 000
Performance Bonuses	87 634	117 913
Contributions to UIF, Medical and Pension Funds	20 885	23 859
Rural Allowance	83 548	83 548
Cellphone	22 100	14 400

Figures in Rand	2021	2020

25. Employee related costs (continued)

Backpay	18 700	-
	1 230 344	**1 237 197**

Remuneration of Director Technical Services (M.S Qwabe)

Annual Remuneration	635 170	864 397
Car Allowance	121 500	162 000
Performance Bonuses	96 491	103 347
Contributions to UIF, Medical and Pension Funds	153 851	170 639
Leave pay	160 557	-
Cellphone allowance	20 700	27 600
Rural Allowance	70 723	94 298
	1 258 992	**1 422 281**

Figures in Rand	2021	2020

26. Remuneration of councillors

Mayor	905 259	905 529
Deputy Mayor	733 088	733 088
Exco Members	2 022 965	2 022 965
Speaker	733 088	733 088
Councillors	5 055 749	2 543 414
Travel Allowance	2 300 373	4 533 914
Cellphone and data allowance	1 237 940	1 554 000
	12 988 462	**13 025 998**

Mayor Cllr N.S Mthethwa		
Annual Remuneration	645 644	622 881
Car Allowance	215 215	207 627
Backpay	-	30 351
Cellphone Allowance	40 800	40 800
Mobile data	3 600	3 600
SDL	7 185	6 923
	912 444	**912 182**

Deputy Mayor Cllr F.G Mlambo		
Annual Remuneration	516 516	498 306
Car Allowance	172 172	166 102
Backpay	-	24 281
Cellphone Allowance	40 800	40 800
Mobile data	3 600	3 600
SDL	5 310	5 365
	738 398	**738 454**

Speaker Cllr B.T Tembe		
Annual Remuneration	516 516	498 306
Car Allowance	172 172	166 102
Cellphone Allowance	40 800	40 800
Data Allowance	3 600	3 600
Backpay	-	24 281
SDL	5 383	5 302
	738 471	**738 391**

Exco Members Cllr B.N Ntsele		
Annual Remuneration	270 145	260 620
Car Allowance	90 048	86 873
Backpay	-	9 525
SDL	3 442	3 385
Data Allowance	3 600	3 600
Cellphone allowance	40 800	40 800
	408 035	**404 803**

Exco Member Cllr S.N Tembe		
Annual Remuneration	270 145	260 620
Car Allowance	90 048	86 873
Cellphone Allowance	40 800	40 800
Data Allowance	3 600	3 600
Backpay	-	9 525
SDL	3 249	3 203
	407 842	**404 621**

Figures in Rand	2021	2020

26. Remuneration of councillors (continued)

Exco Member Cllr M.D Mathenjwa

Annual Remuneration	270 145	260 620
Car Allowance	90 048	86 873
Cellphone Allowance	40 800	40 800
Data Allowance	3 600	3 600
Backpay	-	9 525
SDL	3 273	3 251
	407 866	**404 669**

Exco Member Cllr Z.M Mhlongo

Annual Remuneration	270 145	260 620
Car Allowance	90 048	86 873
Cellphone Allowance	40 800	40 800
Data Allowance	3 600	3 600
Backpay	-	9 525
SDL	3 234	3 331
	407 827	**404 749**

Exco Member Cllr M.Z Mhlongo

Annual Remuneration	270 145	260 620
Car Allowance	90 048	86 873
Cellphone Allowance	40 800	40 800
Data Allowance	3 600	3 600
Backpay	-	9 525
SDL	3 447	3 530
	408 040	**404 948**

In-kind benefits

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

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has three full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards.

The Executive Mayor has two full-time bodyguards.

27. Depreciation and amortisation

Property, plant and equipment	24 247 892	22 799 106
Intangible assets	336 560	297 708
	24 584 452	**23 096 814**

Figures in Rand	2021	2020

28. Impairment of assets

Impairments		
Impairment fixed assets	1 294 512	1 427 656
Certain Property, Plant and Equipment were considered for Impairment in the current period due to lack of maintenance.		

The main classes of assets affected by impairment losses are:

Sportsfields

Prior Year

There's lack of maintenance on the local sportfields. It has been visible through verification that soccer fields are not maintained and possibly vandalism on the facilities. Impairment was recommended until facilities are maintained

Municipality has assessed infrastructure assets for impairment. The impairment assessment takes into account both external and internal source of information that indicated that these assets to be impaired. With the advent of the COVID-19 we considered:
- evidence of physical damage
- significant long term changes that have occurred in the way or extent to which the assets is used

Current Year.

Public clinics and creches that were constructed to be utilsed by communities were vandalised.

29. Finance costs

Interest overdue accounts	16 755	336 620
Other interest	1 936 454	1 968 814
	1 953 209	**2 305 434**

30. Debt impairment

Contributions to debt impairment provision	7 407 578	2 290 897
Bad debts written off	364 050	3 683 684
	7 771 628	**5 974 581**

31. Asset Write Off

Property Plant and Equipment write off	366 858	2 539 836
Intangible assets	143	-
	367 001	**2 539 836**

When management conducted verification some of the assets could not be verified.

Figures in Rand	2021	2020

32. Contracted services

Outsourced Services		
Administrative and Support Staff	728 562	268 892
Burial Services	106 025	167 590
Catering Services	7 238 657	11 216 275
Clearing and Grass Cutting Services	1 297 396	1 069 487
Internal Auditors	2 908 982	3 738 630
Litter Picking and Street Cleaning	216 683	-
Medical Waste Removal	-	270 000
Professional Staff	534 698	514 746
Refuse Removal	-	345 567
Researcher	1 007 383	1 062 155
Security Services	9 506 287	8 319 370
Drivers Licence Cards	731 816	780 847
Consultants and Professional Services		
Business and Advisory	5 759 969	3 932 697
Infrastructure and Planning	1 095 660	676 742
Legal Cost	759 746	1 264 449
Contractors		
Aerial Surveillance	-	201 600
Artists and Performers	745 380	500 000
Catering Services	224 300	179 300
Employee Wellness	-	154 500
First Aid	-	63 160
Fire Services	110 320	34 672
Graphic Designers	190 000	137 900
Maintenance of Buildings and Facilities	1 340 473	708 745
Maintenance of Equipment	5 548 339	3 805 542
Maintenance of Roads	4 826 440	4 050 587
Medical Services	-	4 500
Pest Control and Fumigation	2 562 540	1 672 367
Photographer	31 000	98 800
Transportation	385 133	681 500
Sports and Recreation	1 594 840	651 850
Stage and Sound Crew	323 450	296 790
	49 774 079	**46 869 260**

Figures in Rand	2021	2020

33. Operational cost

Advertising	288 908	405 166
Auditors remuneration	1 782 998	1 735 787
Bank charges	146 182	108 196
Entertainment	600	67 200
Fines and penalties	-	226 523
Gifts and promotions	5 997 709	5 952 241
Hire charges	16 142 058	16 766 112
Insurance	1 090 577	543 478
Community development events	2 583 225	2 416 390
IT expenses	539 228	1 736 626
Fleet expense	77 493	72 037
Marketing	229 730	26 394
Promotion and sponsorship	-	557 999
Medical expenses	131 527	67 960
Motor vehicle expenses	157 422	38 559
Fuel and oil	2 262 163	2 156 297
Postage and courier	32 973	96 146
Printing and stationery	656 900	211 099
Gender Awareness	-	62 800
Software expenses	1 372 933	238 230
Telephone and fax	9 592	5 860
Transport	109 900	353 500
Training	1 082 935	934 055
Travelling and accommodation	1 832 570	2 426 629
Water and electricity	847 420	1 661 409
Uniforms	964 900	325 873
Tourism development	-	5 460
Skills development levy	648 604	621 751
Travel allowance	1 857 571	3 222 824
Ward committees	2 485 200	2 442 800
Burial support	285 208	2 000
	43 616 526	**45 487 401**

Figures in Rand	2021	2020

34. Transfers and subsidies

School support	719 793	146 221
Social Relief	4 572 337	2 690 984
Bereavement assistance	5 421 692	1 534 123
Disaster supplies	3 173 679	1 727 330
	13 887 501	**6 098 658**

The COVID-19 pandemic has had a significant impact on the day to day lives of individuals and organizations at large around the world. In South Africa, the threat of COVID-19 necessitated Government to declare it a National Disaster and since then Government has implemented measures to mitigate the threat of COVID-19 on the lives of the citizens as well as on the economy.

During this lockdown period:
- services have been limited where public facilities have closed for prolonged or short periods of time;
- there has been a demand for medical services, water, sanitation and temporary settlements from government;
- revenue and debt collections have decreased because people are unable to work thereby increasing the risk of non-payment of services;

Since the COVID-19 was declared a national disaster, there have been numerous measures put in place to curb its rapid spread and the provision of assistance to those less fortunate. In response to the COVID-19 pandemic, municipalities have incurred increased expenditures, namely:-
- Purchase of personal protective equipment such as masks
- Hygiene items such as sanitizers

Disaster supplies

Items of disaster supplies were acquired during the pandemic to assist curb the spread of the virus. These items include: Reflector jackets, Disaster relief tents, LED lamps, First Aid kits, Blankets, Chemicals and Overalls.

Bereavement assistance

35. Lease rental on operating lease

Photocopy machines and phones		
Rental amount	2 806 020	2 901 127

Figures in Rand	2021	2020

36. Cash generated from operations

	2021	2020
Surplus	61 669 171	19 980
Adjustments for:		
Depreciation and amortisation	24 584 452	23 096 814
Donated assets	(126 639)	-
Assets write off	367 001	2 539 836
Impairment loss	1 294 512	1 427 656
Debt impairment	7 771 628	5 974 581
Operating lease liability	(11 410)	(4 654)
Employee benefit provision	850 034	145 231
Movements in provisions	946 762	2 887 054
Other movements	(662 304)	(5 673 485)
Changes in working capital:		
Inventories	(92 849)	(769)
Receivables from exchange transactions	(1 095 898)	(614 893)
Other receivables from non-exchange transactions	(6 583 849)	2 821 164
Payables from exchange transactions	3 553 344	469 523
VAT	613 759	(3 497 511)
Unspent conditional grants and receipts	(15 027 921)	14 286 197
INEP Liability	(4 054 694)	(945 469)
	73 995 099	**42 931 255**

Figures in Rand	2021	2020

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• KwaMbila Blacktop Access Road	-	2 974 004
• Posini to Library Road	362 554	9 442
• Manzengwenya Gravel Road	-	109 735
• Mqobela access road	-	252 878
• Kwashodi Gravel Road	139 377	-
• Othungwini access road	-	205 473
• Mashabane Access Road	-	491 883
• Moses Zikhali Access Road	-	301 170
• IYK Tarred Road	-	1 159 716
• Mlamula Jikijela Electrification	4 575 030	564 318
• Mahlungulu Electrification	-	1 701 057
• Manguzi electrification	2 087 856	158 078
• Kwashodi Electrification	-	2 339 546
• Manguzi Multipurpose	6 246 598	-
• Thandizwe blacktop	1 884 820	-
• Kosi Bay Fish Project	1 650 010	-
	16 946 245	**10 267 300**

Total capital commitments		
Already contracted for but not provided for	16 946 245	10 267 300

Authorised operational expenditure

Already contracted and provided for		
• Official Orders	4 979 665	-

Total operational commitments		
Already contracted for but not provided for	4 979 665	-

This committed expenditure relates to infrastructure, community and electrification projects and will be financed by government grants.

Figures in Rand	2021	2020

38. Contingencies

38.1. DUDUZILE MKHIZE AND 28 OTHERS; UMHLABUYALINGANA MUNICIPALITY
We successfully opposed the unfair dismissal dispute at SALGBC.
Aggrieved by the arbitration award; Duduzile Mkhize and others applied for a review application and that application is still pending before the Labour Court.
Future legal costs are estimated at R150 000
Liability for back-pay in the event the award is set aside is estimated at R2 688 000

38.2 NIMROD NGUBANE AND 65 OTHERS// UMHLABUYALINGANA MUNICIPALITY

This matter relates to the alleged unlawful termination of contracts of employment. It is pending in the Labour Court.

Financial liability
In the event the Applicants become successful the estimated back-pay would be an amount of R5 896 800
Future legal costs are estimated at R90 000

38.3 Department of Labour

This is the potential liability for assessment to be done by Department of Labour on returns due in terms of Compensation for Occupational Injuries and Disease Act (COIDA)The Department of Labour is claiming R 99 206 560.83 from the Municipality in respect of outstanding returns in terms of Compensation of Occupational Injuries and Diseases Act (COIDA). The Municipality has applied for the reassessment of the amount but the Commissioner for Compensation of Occupational Injuries and Diseases declined to accept the bid for reassessment.

Negotiations are ongoing with Commissioner and the and Labour Court for re-assessment. Legal Cost will amount to R800 000.

Figures in Rand	2021	2020

39. Related parties

Relationships
Management remuneration — Refer to note 26
Council remuneration — Refer to note 27

Supplier name	Person in relationship	Name of the business where there are partners	Relationship to person in service of municipality	Name of person	Position	Expenditure (Payments) - current year
	1					-
Ezonsundu trading 4	P Tembe		Business partner	Busi Tembe	SPEAKER	1 265 960
Kosi bay hippo lodge and resort	P Tembe		Business partner	Busi Tembe	SPEAKER	198 500
Sembo security and trading	J Mkhize	Isinamuva Agricultural C0-Operative	Business partner	Thabo Magagula	COUNCILLO R	30 000
Kwangwanase taxi association primary co-operative limited	J Manzini	Ethembeni Jabulani	Business partner	Themba Crosalence Ngwezi	TLB DRIVER	23 000
Nomkhasi trading	J Mlambo	Mgadeni Irrigation Scheme Primary Co-operative	Business partner	Mpiyakhe Mhlongo	COUNCILLO R	21 165
Shenge group holdings	P Mpontshane	Sikwenza Kwenzeke Primary Co-Operative	Business partner	Themba Douglas Mlambo	SPECIAL PROGRAMS MANAGER	32 500
Asimzame construction and projects	M Tembe	Ubambiswan o Manageme nt Services	Business partner	Busi Tembe	SPEAKER	196 500
Isiqalosamanguni enterprise	S Qwabe	Phemba Mthonga Group Primary Co-operative	Business partner	Senzo Zwane	SECRETARY : MAYOR	91 170
Qubisa mnguni enterprise	B Qwabe	Asisiwani Construction Primary Co-Operative	Business partner	Fihuwe ngubane	GENERAL WORKER	19 400
						1 878 195

40. Prior period error Property, plant and equipment

Property, plant and equipment were written off incorrectly. During verification it was identified that aseets existed and were in the municipslity premises.

The municipality has corrected its financial statements to comply with the requirement of GRAP 17 on Property, Plant and Equipment regarding the recognition of Land, this has resulted in a prior period error due to incorrectly recognising land.The correction has been accounted for retrospectively.

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

Figures in Rand	2021	2020

Figures in Rand	2021	2020

40. Prior period error Property, plant and equipment (continued)

Other PPE	Reported 2020	Restated 2020	Reported 2019	Restated 2019	Total
Machinery - Opening balance	-	-	10 638 660	11 233 777	595 117
Land	-	-	658 992	-	658 992
KwaMbila Community Hall	-	-	17 241 246	16 403 764	837 483
VAT Payable	-	-	400 459	526 081	125 622
Posini Library Tarred Road	-	-	5 845 022	5 752 374	92 649
	-	**-**	**34 784 379**	**33 915 996**	**2 309 863**

Statement of Financial Performance	Reported 2020	Restated 2020	Reported 2019	Restated 2019	Total
Machinery - Accumulated depreciation	(1 948 756)	(1 999 082)	-	-	(50 326)
Depreciation/Accumulated surplus	-	-	23 046 488	23 096 814	50 326
	(1 948 756)	**(1 999 082)**	**23 046 488**	**23 096 814**	**-**

Statement of Changes in Net Assets	Reported 2019	Restated 2020	Total
Accumulated surplus	317 572 843	318 826 952	1 254 109

41. Prior period error Other Statement of financial position items

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

1. Inventories

Medical examination was classified as COVID -19 consumables as opposed to ralted expenditure for COVID - 19. Management has reclassified the expenditure correctly

2. Rental income

Contract with Vodacom for rental of market space was concluded late, but backdated to financial preriod 2019/20**.**

3. Trade payables.

Invoices from certain suppliers were received late.

Statement of financial position

2020

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions		700 991	5 600	706 591
Trade payables		(837 743)	(47 255)	(884 998)
VAT payable		(404 301)	3 842	(400 459)
		(541 053)	**(37 813)**	**(578 866)**

Statement of financial performance

41. Prior period error Other Statement of financial position items (continued)

2020

	Note	As previously reported	Correction of error	Restated
Rental income		375 615	4 869	380 484
Covid 19 inventory		(2 587 565)	61 840	(2 525 725)
Medical expenses		(6 120)	(61 840)	(67 960)
Advertising		(383 293)	(21 873)	(405 166)
Travelling and accomodation		(925 446)	(8 609)	(934 055)
Disaster supplies		(1 715 130)	(12 200)	(1 727 330)
Surplus for the year		**(5 241 939)**	**(37 813)**	**(5 279 752)**

Errors

Categories of rates were incorrectly classified in the prior year.

The following prior period errors adjustments occurred:

Valuations

Heading	**Restated 2020**	**Previously Reported 2020**
Residential / Hospitality	131 200 000	131 200 000
Business and Commercial	741 730 000	741 730 000
State	-	934 400 000
Public services purpose	1 010 500 000	-
Municipality	-	76 100 000
State trust land	572 400 000	-
Protected Area and Trust Land	164 500 000	736 900 000
Place of Worship	6 300 000	6 300 000
Public service infrastructure	1 570 000	1 570 000
	2 628 200 000	**2 628 200 000**

Provisions

Short term portion of provision for Skhemelele landfill site was disclosed incorrectly.

Provisions	**Restated 2020**	**Previously reported 2020**
Non-current liabilities	21 279 599	12 814 185
Current liabilities	1 735 087	10 200 501
	23 014 686	**23 014 686**

Reclassifications

The following reclassifications adjustment occurred:

42. Comparative figures

Certain comparative figures have been reclassified.

Municipalities have short term investments, however last year we have disclosed two categories of investments.

Figures in Rand	2021	2020

42. Comparative figures (continued)

Cash and cash equivalents	**Adjusted 2020**	**Previously reported 2020**
Short -term deposits	13 890 939	6 469 940
Fixed deposits	-	7 420 998
	13 890 939	**13 890 938**

Reconciliation of property, plant and equipment 2020	**Adjusted 2020**	**Previously reported 2020**
WIP Transfer	8 513 068	-
WIP Transfer recieved	(8 513 068)	-
	-	**-**

Reconciliation of Work-in-Progress 2020	**Included within Infrastructure**	**Included within Community**	**Total**
Previously reported			
Opening balance	44 034 746	12 039 113	56 073 859
Additions/capital expenditure	812 026	22 295 803	23 107 829
Transferred to completed items	(2 579 644)	(5 933 424)	(8 513 068)
Impairments	-	(320 903)	(320 903)
	42 267 128	**28 080 589**	**70 347 717**

Reconciliation of Work-in-Progress 2020 (Restated)	**Included within Infrastructure**	**Included within Community**	**Total**
Currently reported			
Opening balance	43 423 240	11 813 135	55 236 375
Additions/capital expenditure	812 027	22 295 803	23 107 830
Transferred to completed items	(2 579 644)	(5 933 424)	(8 513 068)
Impairments	(320 920)	-	(320 920)
	41 334 703	**28 175 514**	**69 510 217**

Statement of Financial Position	**Restated 2021**	**Reported 2020**	**Total**
Other PPE	15 557 783	15 012 992	544 791
Inventory purchases	5 274 130	5 335 970	61 840
Covid 19 consumables	(2 525 725)	(2 587 565)	(61 840)
	18 306 188	**17 761 397**	**544 791**

Credit risk

Financial instruments	**Currently reported 2021**	**Previously reported 2020**
Receivables from non-exchange transactions	-	10 015 480

Figures in Rand	2021	2020

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.

The table below analyses the municipality’s financial liabilities balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

Current liabilities		
Trade and other payables from exchange transactions	17 045 455	13 492 109
Unspent conditional grants	1 986 394	17 639 112
	19 031 849	**31 131 221**

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.

Consumer debtors comprise of a large number of ratepayers dispersed across different sectors and geographical areas. Management evaluated credit risk relating to customers on an ongoing basis. Credit exposure is managed by application of the municipality's policies regarding credit control and debt collection. The municipality has made a provision for doubtful debts in accordance to its policies. The carrying amount of financial assets is the maximum exposure to credit risk in relation to these assets.

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

Financial instrument	30 June 2021	30 June 2020
Receivables from exchange transactions	582 252	706 591
Cash and cash equivalents	84 157 693	64 348 251

Refer to note 8 for ageing of receivables as well as note 10 for further disclosure of cash and cash equivalents.

Market risk

Interest rate risk

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

44. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of 379 552 998 and that the municipality's total assets exceed its liabilities by 379 552 998.

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.

Figures in Rand	2021	2020

44. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions. The municipality has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 30 June 2021 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the municipality for future periods.

During April 2020, large number municipality major trade customers closed businesses following the outbreak of COVID-19 and related global responses have caused material disruptions to businesses leading to an economic slowdown. Of the R47 713 658 receivables from these customers, the municipality expects to recover less than R10 015 480. The allowances for expected credit losses for these receivables was R39 923 663 as at 30 June 2020. During 2020/21 financial period receivables there are customers of R53 444 933, the allowance for expected credit losses is R45 091 756 as at 30 June 2021.

There are no significant changes in the extent or manner in which the assets are used or is expected to be used. Plant and Machinery assets idled for a period of two months and that was considered not significant period for productive capacity.

Majority of the businesses are recovering from the pandemic.

45. Unauthorised expenditure

Opening balance as previously reported	-	6 313 535
Opening balance as restated	**-**	**6 313 535**
Less: Amount written off - prior period	-	(6 313 535)
Closing balance	**-**	**-**

Council approved that unauthorised expenditure be written off

46. Fruitless and wasteful expenditure

Opening balance as previously reported	338 170	3 384
Opening balance as restated	**338 170**	**3 384**
Add: Expenditure identified - current	963 105	-
Add: Expenditure identified - prior period	16 297	338 170
Less: Amount written off - current	(338 170)	(3 384)
Closing balance	**979 402**	**338 170**

Council approved fruitless and wasteful expenditure to be written off
Current year fruitless and wasteful expenditure was a results of work to be reperfomed by contractor due to poor quality of work done by subcontractors.

Figures in Rand	2021	2020

47. Irregular expenditure

Opening balance as previously reported	30 423 059	1 781 250
Opening balance as restated	**30 423 059**	**1 781 250**
Add: Irregular Expenditure - current	3 544 806	1 473 380
Add: Irregular Expenditure - prior period	21 557 058	30 423 059
Less: Amounts recoverable - prior period	-	(1 781 250)
Less: Amount written off - current	(51 980 117)	(1 473 380)
Closing balance	**3 544 806**	**30 423 059**

Figures in Rand	2021	2020

47. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
BAC not properly constituted	SCM policies to be reviewed to be in line with SCM regulations and be consistent	30 423 059	-
BAC not properly constituted		21 557 058	-
MBD4 form not signed	Investigation to be conducted, and will be reported to the council.	396 740	-
Competitive bidding not followed	Investigation to be conducted, and will be reported to the council.	3 148 065	-
		55 524 922	**-**

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R30 423 059 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Contracts that were awarded during last financial period where BAC was not properly consituted overlapped to the current financial period. The expenditure incurred was investigated and the council adopted the commitee recommendation to write off the amount of R 21 557 058.

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 088 169	1 083 200
Amount paid - current year	(1 088 169)	(1 083 200)
	-	-

Figures in Rand	2021	2020

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

Audit fees

Current year subscription / fee	1 782 998	1 735 787
Amount paid - current year	(1 782 998)	(1 735 787)
	-	-

PAYE and UIF

Current year subscription / fee	14 386 312	13 404 794
Amount paid - current year	(14 386 312)	(13 404 794)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	8 002 586	7 274 114
Amount paid - current year	(8 002 586)	(7 274 114)
	-	-

VAT

VAT payable	1 153 737	539 978

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

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Busisiwe Tembe	12 497	12 398	24 895
Simon Nxumalo	7 490	2 610	10 100
	19 987	**15 008**	**34 995**

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Busisiwe Tembe	4 190	8 177	12 367
Simon Nxumalo	765	809	1 574
	4 955	**8 986**	**13 941**

During the year the following Councillors’ had arrear accounts outstanding for more than 90 days.

Figures in Rand	2021	2020

49. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

49.1 Licenses and permits revenue increased by 41% when compared to the prior year because the previous financial year was affected by National Lockdown of the country as a result of COVID-19 outbreak

49.2 In the prior year there were no donations received and current year donations received were from Department of Arts and Culture

49.3 Commission received increased by 68% when compared to the prior year because there was an increase in the percentage of the commission to be received.

49.4 Other income has decreased by 34% when compared to the prior year because in the prior year there was a refund from Department of Arts and Culture.

49.5 Interest received from Investments decreased by 42% because of low interest rates were effected by the banks as a result of COVID-19 outbreak that affected the economy negetively in the country.

49.6 Traffic fines revenue increased because in the prior year the country was placed under national lockdown and most traffic officials were also on quarantine after they were infected with COVID-19

49.7 Employee related costs increased by 5% when compared to the prior year because of the wage increaments implemented in July 2021.

49.8 Depreciation and amortisation increased by 7% in the current year because more projects were completed and capitalised in the current year since other projects were not completed in the prior year due to Covid challenges and other challenges faced by the municipality.

49.9 Debt impairment increased by 27% when compared to the prior year because most rate payers could not afford to pay for their accounts due to COVID -19 outbreak that forced most businesses to close during national lockdown which affected the economy of the country and the municipality had to increase the provision for bad debts.

49.10 Finance costs decreased by 84% because there is a huge decrease on interest on overdue accounts when compared to the prior year which was a result of SARS late payment

49.11 Assets write off decreased when compared to the prior year because there were few assets that had to be written off as a result of the re-construction of Manguzi Multipurpose Centre.

49.12 Inventory consumed decreased by 36% when compared to the prior year

49.13 Contracted services increased by 6% when compared to the prior year

49.14 Transfers and subsidies increased by more than 100% when compared to the prior year because of the negetive effects of COVID 19. The municipality had to assist poor families through social relief programes by buying food parcels, school support programes , bereavement assistance and disaster supplies.

50. Actual capital expenditure versus budgeted capital expenditure

50**.1** Capital expenditure increased by 82% when compared to prior year capital expenditure because in the prior year there was a lot of projects that were not completed and those projects were completed in the current year

Figures in Rand	2021	2020

51. Deviation from supply chain management regulations

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

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

The deviations for the current year, with the prior years' deviation shown for comparison, are summarised below:

Recommended supplier	220 473	539 033
Emergencies	-	172 607
	220 473	**711 640**

52. Budget differences

Material differences between budget and actual amounts

Figures in Rand	2021	2020

52. Budget differences (continued)

1. Service charges
Service charges increased because it was underbudgeted in the original budget

2. Licences and permits

Licenses and permits decreased because the original budget was overstated and had to be decreased after looking at the performance of this revenue stream for first 6 months of the financial year

3. Commission received

Commissions received was increased in the adjustment budget because it was understated in the original budget

4**. Interest on investment**

Interest on investments was decreased because it was overstated in the original budget after looking at the performance of the sort term deposits acccounts and all municipal bank accounts for the 6 montsh period

5**. Other revenue**

Other revenue was decreased because of the low perfomance of this catergory for the first six months of the financial year

6**. Government grants**

Government grants increased because National Treasury increased the Equitable Share allocation for our municipality and the increase was also affected by the approval of roll overs of conditional grants

7**. Traffic fines**

Traffic fines original budget was decreased in the adjustment because it was overstated and most traffic officers were not working properly due to that other officers were infected with COVID-19 and they were in quarantine.

8**. Employee related costs**

Employee related costs original budget was decreased in the adjustment budget as it was overstated and it included the provision for job evaluation outcome

9**. Debt impairment**

Debt impairment has increased in the adjustment budget because of it has been observed that the payment trend on our debtors shows that more debtors will not afford to pay for their accounts because they have been affected negatively by the COVID 19 pandemic.

10. Depreciation.

Depreciation was decreased because it was overstated in the original budget

11. Contracted services

Contracted services increased because the municipality received additional funds for equitable share to address COVID-19 challenges and it resulted in the increase of contracted services.

12. Transfers and subsidies

Transfers and subsidies increased because the municipality received additional funds for equitable share to address COVID-19 challenges and it resulted in the increase on transfers and subsidies

Figures in Rand	2021	2020

52. Budget differences (continued)

18. Operational costs

Operational costs increased because the municipality received additional funds for equitable share to address COVID-19 challenges and it resulted in the increase on operational costs

53. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Details of the arrangment(s) are as follows:

Municipality has entered into agreement to facilitate the expansion and rehabilitation of the electricity grid, the objective of this agreement is to enhance the Electrification Programme on long term national energy requirements that shall be met through clearly established national electrification principles, to ensure that resource allocation contributes to sustainable development and enhance empowerment to communities and to provide electricity to unelectrified household.

Obligations of the municipality

The municipality shall:

- ensure compliance with all statutory requirements stipulated in the DoRA
- the municipality shall not spend any allocated funds in arrears where they are not licensed to distribute electricity
- manage the programme as well as design and implementation of those projects that form the objective of this agreement
- take all reasonable steps necessary to ensure the programme is implemented effectively and efficiently

Entity as agent

Liabilities and corresponding rights of reimbursement recognised as assets

Liabilities incurred on behalf of the principal(s) that have been recognised by the municipality are listed below

Corresponding rights of reimbursement that have been recognised as assets are listed below.

	2021	2020
COGTA Electrification		
Balance unspent at beginning of year	3 589 546	5 000 000
Liability recognised	(3 589 546)	(1 410 454)
	-	**3 589 546**

	2021	2020
INEP Electrification		
Balance unspent at beginning of year	465 149	163
Current-year receipts	10 500 000	19 000 000
Liability recognised	(10 965 149)	(18 535 014)
	-	**465 149**

	2021	2020
Projects undertaken by municipality		
Mahlungulu Phase 2 Electrification	10 965 149	798 943
Jikijela Electrification	-	10 435 682
Manguzi Electrification	-	7 300 389
	10 965 149	**18 535 014**