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Jozini Local Municipality
(Registration number KZN272)
Trading as Jozini Local Municipality
Annual Financial Statements
for the year ended 30 June 2021

General Information

Legal form of entity	Local Municipality - Municipality in terms of section 1 of the Local Government: Municipality Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996) KZN 272
Legislation government the municipality's operations	Local Government: Municipal Finance Management Act (Act no.56 of 2003) Constitution of the Republic of south Africa (Act 108 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007) Local Government: Municipal Systems Act (Act 32 of 2000)
Nature of business and principal activities	Service Delivery - Municipality
Executive Members	DP Mabika Mayor NS Myeni Speaker NR Zulu Deputy Mayor SZ Mathenjwa EXCO Member TD Khuzwayo EXCO Member RH Gumede EXCO Member ME Ndlela EXCO Member M Mathe EXCO Member NF Mthethwa EXCO Member MZ Tembe (Posthumous) EXCO Member
Councillors	MZ Nyawo HE Myeni TR Fakude RN Ndlovu PNS Ngubane EL Gumbi DP Jobe SW Nkonyane B Nhlenyama JE Buthelezi LA Khumalo SK Mncwango SV Mathenjwa TW Zikalala B Mahaye VE Gumede V Mthethwa ML Mavundla MS Nkosi JP Mkhwamubi SS Mkhize BQ Gumede BI Msweli TM Khumalo PE Vilane

General Information

	TZ Nyawo MZ Nxumalo NL Gumbi SP Myeni PN Ngobe
Grading of local authority	Grade 3
Chief Finance Officer (CFO)	Mr MT Nkosi
Accounting Officer	Mr JA Mngomezulu
Registered office	Bottom Town Circle Street Jozini 3969
Business address	Bottom Town Circle Street Jozini 3969
Postal address	Private Bag X028 Jozini 3969
Bankers	ABSA BANK FNB BANK
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	WEICH KRIEL INCORPORATED ATTORNEYS NDWANDWE ATTORNEYS UBUNTU BUSINESS ADVISORY AND CONSULTING (PTY) LTD KHWELA ATTORNEYS MKHIZE ATTORNEYS
Municipal Contact Details	(035) 572 1292

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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
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
UIF	Unemployment Insurance Fund

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 6- 94, 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:

Mr JA Mngomezulu
Accounting Officer

Jozini Local Municipality
(Registration number KZN272)
Trading as Jozini Local Municipality
Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	7 061 686	4 025 078
Receivables from exchange transactions	4	42 536 186	35 367 919
Receivables from non-exchange transactions	5	18 462 980	12 597 231
VAT receivable	6	3 367 364	6 226 425
Prepayments	7	1 239 136	1 032 028
Cash and cash equivalents	8	66 769 222	39 948 225
		139 436 574	**99 196 906**
Non-Current Assets			
Investment property	9	79 891 232	-
Assets	10	348 791 513	317 273 174
Intangible assets	11	3 179 948	794 254
		431 862 693	**318 067 428**
Total Assets		**571 299 267**	**417 264 334**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	35 007 695	27 693 640
Consumer deposits	13	970 361	844 264
Unspent conditional grants and receipts	14	1 961 419	778 423
Provisions	15	467 029	249 941
		38 406 504	**29 566 268**
Non-Current Liabilities			
Provisions	15	11 782 618	10 294 474
Total Liabilities		**50 189 122**	**39 860 742**
Net Assets		**521 110 145**	**377 403 592**
Accumulated surplus		521 110 145	377 403 592
Total Net Assets		**521 110 145**	**377 403 592**

* See Note 55 & 54

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	16	3 821 391	3 779 135
Rental of facilities and equipment	17	1 700 220	773 155
Interest income on refuse and rental properties	18	3 484 841	3 488 469
Licences and permits	19	395 422	345 379
Recoveries	20	1 206 151	1 216 801
Other income	21	1 159 369	1 625 177
Investment revenue	22	2 890 200	4 737 275
Total revenue from exchange transactions		**14 657 594**	**15 965 391**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	27 115 842	27 963 223
Licences and Permits (Non-exchange)	24	915 707	805 760
Interest on property rates	25	11 046 941	30 370 214
Transfer revenue			
Government grants & subsidies	26	292 986 444	221 513 798
Public contributions and donations	27	85 437 548	18 146 061
Fines, Penalties and Forfeits	28	553 973	1 078 176
Total revenue from non-exchange transactions		**418 056 455**	**299 877 232**
Total revenue		**432 714 049**	**315 842 623**
Expenditure			
Employee related costs	29	(111 909 537)	(95 149 973)
Remuneration of councillors	30	(14 458 959)	(14 323 747)
Depreciation and amortisation	31	(25 624 620)	(21 815 123)
Impairments of assets	32	(2 144 561)	(48 527)
Finance costs	33	(1 003 517)	112 752
Debt Impairment	34	(10 538 041)	(37 103 471)
Inventory Consumed	35	(39 706)	(525 582)
Contracted services	36	(28 822 983)	(26 583 576)
Transfers and Subsidies	37	(24 245 885)	(16 905 315)
General Expenses	38	(69 494 630)	(51 379 075)
Actuarial Losses	15	(483 483)	(695 962)
Loss on disposal of assets	39	(241 571)	(951 633)
Total expenditure		**(289 007 493)**	**(265 369 232)**
Surplus for the year		**143 706 556**	**50 473 391**

* See Note 55 & 54

Jozini Local Municipality
(Registration number KZN272)
Trading as Jozini Local Municipality
Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	327 129 454	327 129 454
Adjustments		
Prior year adjustments 55	(199 253)	(199 253)
Balance at 01 July 2019 as restated*	**326 930 201**	**326 930 201**
Changes in net assets		
Surplus for the year	50 473 391	50 473 391
Total changes	50 473 391	50 473 391
Restated* Balance at 01 July 2020	**377 403 589**	**377 403 589**
Changes in net assets		
Surplus for the year	143 706 556	143 706 556
Total changes	143 706 556	143 706 556
Balance at 30 June 2021	**521 110 145**	**521 110 145**

Note(s)

* See Note 55 & 54

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Grants		294 169 440	221 259 999
Interest income		2 890 200	4 737 275
Vat received		2 859 061	2 133 566
Cash Received from customers		27 827 788	31 794 300
		327 746 489	259 925 140
Payments			
Employee costs		(123 082 187)	(109 473 721)
Suppliers		(120 471 328)	(116 178 533)
Finance costs		(1 003 517)	112 752
		(244 557 032)	(225 539 502)
Net cash flows from operating activities	40	**83 189 457**	**34 385 638**
Cash flows from investing activities			
Purchase of assets	10	(53 232 527)	(33 493 684)
Purchase of other intangible assets	11	(3 135 933)	(242 643)
Net cash flows from investing activities		**(56 368 460)**	**(33 736 327)**
Net increase/(decrease) in cash and cash equivalents		**26 820 997**	**649 311**
Cash and cash equivalents at the beginning of the year		39 948 225	39 298 914
Cash and cash equivalents at the end of the year	8	**66 769 222**	**39 948 225**

* See Note 55 & 54

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	3 726 000	89 000	**3 815 000**	3 821 391	**6 391**	Refer to Note 52
Rental of facilities and equipment	849 000	-	**849 000**	1 700 220	**851 220**	Refer to Note 52
Interest Income Trading	-	-	**-**	3 484 841	**3 484 841**	Refer to Note 52
Licences and permits	2 395 000	-	**2 395 000**	395 422	**(1 999 578)**	Refer to Note 52
Recoveries	-	-	**-**	1 206 151	**1 206 151**	Refer to Note 52
Other income - (rollup)	488 000	(64 000)	**424 000**	1 159 369	**735 369**	Refer to Note 52
Interest received - investment	4 270 000	370 000	**4 640 000**	2 890 200	**(1 749 800)**	Refer to Note 52
Total revenue from exchange transactions	**11 728 000**	**395 000**	**12 123 000**	**14 657 594**	**2 534 594**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	29 077 000	(1 753 000)	**27 324 000**	27 115 842	**(208 158)**	Refer to Note 52
Licences and Permits (Non-exchange)	-	-	**-**	915 707	**915 707**	Refer to Note 52
Interest, Dividends and Rent on Land	11 059 000	876 000	**11 935 000**	11 046 941	**(888 059)**	Refer to Note 52
Transfer revenue						
Government grants & subsidies	267 076 000	36 012 000	**303 088 000**	292 986 444	**(10 101 556)**	Refer to Note 52
Public contributions and donations	-	-	**-**	85 437 548	**85 437 548**	Refer to Note 52
Fines, Penalties and Forfeits	114 000	236 000	**350 000**	553 973	**203 973**	Refer to Note 52
Total revenue from non-exchange transactions	**307 326 000**	**35 371 000**	**342 697 000**	**418 056 455**	**75 359 455**	
Total revenue	**319 054 000**	**35 766 000**	**354 820 000**	**432 714 049**	**77 894 049**	
Expenditure						
Personnel	(93 533 000)	(6 845 000)	**(100 378 000)**	(111 909 537)	**(11 531 537)**	Refer to Note 52
Remuneration of councillors	(14 836 000)	-	**(14 836 000)**	(14 458 959)	**377 041**	Refer to Note 52
Depreciation and amortisation	(17 354 000)	(3 544 000)	**(20 898 000)**	(25 624 620)	**(4 726 620)**	Refer to Note 52

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
Impairment loss/ Reversal of impairments	-	-	**-**	(2 144 561)	**(2 144 561)**	Refer to Note 52
Finance costs	(1 750 000)	1 250 000	**(500 000)**	(1 003 517)	**(503 517)**	Refer to Note 52
Debt Impairment	(21 676 000)	2 013 000	**(19 663 000)**	(10 538 041)	**9 124 959**	Refer to Note 52
Inventory Consumed	(750 000)	(1 825 000)	**(2 575 000)**	(39 706)	**2 535 294**	Refer to Note 52
Contracted Services	(43 965 000)	10 131 000	**(33 834 000)**	(28 822 983)	**5 011 017**	Refer to Note 52
Transfers and Subsidies	(32 940 000)	(2 811 000)	**(35 751 000)**	(24 245 885)	**11 505 115**	Refer to Note 52
General Expenses	(66 840 000)	3 778 000	**(63 062 000)**	(69 494 630)	**(6 432 630)**	Refer to Note 52
Total expenditure	**(293 644 000)**	**2 147 000**	**(291 497 000)**	**(288 282 439)**	**3 214 561**	
Operating surplus	**25 410 000**	**37 913 000**	**63 323 000**	**144 431 610**	**81 108 610**	
Loss on disposal of assets and liabilities	-	-	**-**	(241 571)	**(241 571)**	Refer to Note 52
Actuarial loss	-	-	**-**	(483 483)	**(483 483)**	Refer to Note 52
	-	**-**	**-**	**(725 054)**	**(725 054)**	
Surplus before taxation	**25 410 000**	**37 913 000**	**63 323 000**	**143 706 556**	**80 383 556**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**25 410 000**	**37 913 000**	**63 323 000**	**143 706 556**	**80 383 556**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	**-**	7 061 686	**7 061 686**	Refer to Note 52
Receivables from exchange transactions	-	90 000	**90 000**	42 536 186	**42 446 186**	Refer to Note 52
Receivables from non-exchange transactions	55 776 000	14 883 000	**70 659 000**	18 462 980	**(52 196 020)**	Refer to Note 52
VAT receivable	-	-	**-**	3 367 364	**3 367 364**	Refer to Note 52
Prepayments	-	-	**-**	1 239 136	**1 239 136**	Refer to Note 52
Cash and cash equivalents	39 952 000	31 847 000	**71 799 000**	66 769 222	**(5 029 778)**	Refer to Note 52
	95 728 000	**46 820 000**	**142 548 000**	**139 436 574**	**(3 111 426)**	
Non-Current Assets						
Investment property	-	-	**-**	79 891 232	**79 891 232**	
Assets	333 385 000	39 250 000	**372 635 000**	348 791 513	**(23 843 487)**	Refer to Note 52
Intangible assets	793 000	2 742 000	**3 535 000**	3 179 948	**(355 052)**	
	334 178 000	**41 992 000**	**376 170 000**	**431 862 693**	**55 692 693**	
Total Assets	**429 906 000**	**88 812 000**	**518 718 000**	**571 299 267**	**52 581 267**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	45 350 000	(16 622 000)	**28 728 000**	35 007 692	**6 279 692**	Refer to Note 52
Consumer Deposit	831 000	(420 000)	**411 000**	970 361	**559 361**	Refer to Note 52
Unspent conditional grants and receipts	-	-	**-**	1 961 419	**1 961 419**	Refer to Note 52
Provisions	-	-	**-**	467 029	**467 029**	Refer to Note 52
	46 181 000	**(17 042 000)**	**29 139 000**	**38 406 501**	**9 267 501**	
Non-Current Liabilities						
Provisions	1 000 000	(18 044 000)	**(17 044 000)**	11 782 618	**28 826 618**	Refer to Note 52
Total Liabilities	**47 181 000**	**(35 086 000)**	**12 095 000**	**50 189 119**	**38 094 119**	
Net Assets	**382 725 000**	**123 898 000**	**506 623 000**	**521 110 148**	**14 487 148**	

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
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	382 725 000	123 898 000	**506 623 000**	521 110 148	**14 487 148**	

Overview of the changes between approved budget and final budget

Revenue

Property Rates: The Market value for all properties in terms of the valuation roll add up to R4.23 billion. The original budget for Property was R29 Million. A downward adjustment of R1.8 million is as a result of Appeals on Market values of properties that the Municipality lost. The final budget is now R27.3 million

Transfer and Subsidies: R1.5 million from Cecil Marks Boarder Development recalled hence the decline in transfers and subsidies to R 246 902**.**

Expenditure

Employee Related costs: The original budget is R 93.5 million and the municipality is anticipating spending R100.7 million on employee related cost the increase is due to vacant positions being filled earlier than expected, the municipality increase the original budget by R6.8 million. The addition of employees including promotions has upped the employee related costs to operational budget to Cost containment will be applied to control overtime and standby allowances.

Debt Impairment: The original budget is R21.6 million and the municipality decreased the adjustment budget to R19.6 Million. Businesses are taking advantage of incentives provided by the Municipality which incorporate 50% amnesty and interest write offs.

Depreciation: The original budget is R17.3 million and the municipality increased the Adjustment budget to R20.8 million due to additions in fixed assets.

Contracted Services: The original budget is R43.9 million and the municipality adjusted the budget down to R33.8 million as a result of implemented of cost containment measures and decreased reliance on consultants.

Other Expenditure: The original budget is R66.8 million and the municipality decreased the adjustment budget to R63 million, it excludes the poverty alleviation projects and contracted services.

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.

GRAP 1 on Presentation of Financial Statements, excluding discontinued operations and minority interests; transfer of functions and mergers;
GRAP 2 on Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting estimates
GRAP 9 on Revenue from Exchange Transactions
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events after the Reporting Date
GRAP 16 Investment property
GRAP 17 on Property, Plant and Equipment;
GRAP 19 on Provisions, Contingent Liabilities and Contingent Assets
GRAP 20 Related party Disclosure
GRAP 21 on Impairment of Non-cash-generating Assets
GRAP 23 on Non-Exchange Revenue
GRAP 24 on Presentation of Budget Information in Financial Statements;
GRAP 25 on Employee Benefits
GRAP 26 on Impairment of Cash-generating Assets
GRAP 31 on Intangible Assets
GRAP 34 Separate Financial Statements
GRAP 104 on Financial Instruments
GRAP 108 on Statutory Receivables
GRAP 109 on Accounting by Principals and Agents

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. Municipality and all values are rounded of to the nearest Rand (R0).

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 Offsetting

Assets and liabilities, revenue and expenses, shall not be offset unless required or permitted by a Standard of GRAP.

1.4 Significant judgements and sources of estimation uncertainty

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes a judgment as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.The impairment for receivables is first for individually significant receivables and then calculated on a portfolio basis, for the remaining balance, including those individually significant receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

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 municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

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 to be required to settle the present obligation at the reporting date.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

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.Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

Accounting by principals and agent

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

Additional information is disclosed in Note 57.

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.

1.5 Investment property

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

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

Accounting Policies

1.5 Investment property (continued)

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

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

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

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

Cost model

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

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property (Deprecation method is on the straight line method), which is as follows:

Item	**Average Useful life**
Property - buildings	11 years

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

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

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

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 9).

1.6 Assets

Assets 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 assets 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.

Assets is initially measured at cost.

The cost of an item of assets 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 assets 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.

Accounting Policies

1.6 Assets (continued)

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

Costs include costs incurred initially to acquire or construct an item of assets 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 assets, 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 assets, 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 assets 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 assets.

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

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

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

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

The useful lives of items of assets have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight-line	
• Landfill sities	Straight-line	15 years
• Parkhomes	Straight-line	10-55 years
• Roads and Pavements	Straight-line	10-60 years
Buildings	Straight-line	10-55 years
• Storm water drainage	Straight-line	20 years
• Parkings and Gardens	Straight-line	10 years
• Recreational Facilities	Straight-line	30 years
Plant and machinery	Straight-line	
• Grader	Straight-line	10 years
• TLB	Straight-line	10 years
Furniture and fixtures	Straight-line	
• Furniture and fixtures	Straight-line	5-15 years
• Bins and containers	Straight-line	5 years
Motor vehicles	Straight-line	
• Other Vehicles	Straight-line	5-15 years
Office equipment	Straight-line	
• Computer equipment	Straight-line	5-15 years

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

Each part of an item of assets 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.

1.6 Assets (continued)

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 assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of assets is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of assets 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 assets in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.7 Site restoration and dismantling cost

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

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

If the related asset is measured using the revaluation model:
- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

Accounting Policies

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Item	Amortisation method	Average useful life
Computer software, other	Straight-line	5 Years

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

Intangible assets are derecognised:

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

Accounting Policies

1.8 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).

1.9 Financial instruments

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

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

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

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

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

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

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

When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably.

However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

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

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

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

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

1.9 Financial instruments (continued)
Impairment and uncollectibility of financial assets

An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall apply (for financial assets carried at cost) to determine the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

It may not be possible to identify a single, discrete event that caused the impairment, since it may have been the combined effect of several events that did so. Losses expected as a result of future events, no matter how likely, are not recognised. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

(a) significant financial difficulty of the issuer or obligor;
(b) a breach of contract, such as a default or delinquency in interest or principal payments;
(c) the lender, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(d) it is probable that the borrower will enter sequestration or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

(i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or
(ii)national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, or adverse changes in market conditions that affect the borrowers in the group).

The disappearance of an active market because an entity’s financial instruments are no longer publicly traded is not evidence of impairment. A downgrade of an entity’s credit rating is not, of itself, evidence of impairment, although it may be evidence of impairment when considered with other available information.

A decline in the fair value of a financial asset below its cost or amortised cost is not necessarily evidence of impairment (for example, a decline in the fair value of an investment in a debt instrument that results from an increase in the risk-free interest rate).

In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances, for example, when a borrower is in financial difficulties and there is limited available historical data relating to similar borrowers. In such cases, an entity uses its experienced judgement to estimate the amount of any impairment loss. Similarly an entity uses its experienced judgement to adjust observable data for a group of financial assets to reflect current circumstance

Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Receivables from exchange transaction	Financial asset measured at amortised cost
Receivables from non-exchange transaction	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
Consumer deposit	Financial liability measured at amortised cost
Payables from exchange transaction	Financial liability measured at amortised cost

1.9 Financial instruments (continued)

Initial recognition

The entity recognises a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.Entity recognizes financial asset using trade date accounting

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The Municipality does not reclassify a financial instrument while it is issued or held unless it is: - combined instrument that is required to be measured at fair value; or - an investment in a residual interest that meets the requirements for reclassification. Where the Municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value. If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the Municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost. If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

I**mpairment and uncollectability of financial assets**

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

Accounting Policies

1.9 Financial instruments (continued)
of financial assets is impaired. Financial assets measured at amortised cost: If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit. Financial assets measured at cost: If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting.
The Municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality :
- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer. The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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

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

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit. If a transfer does not result in derecognition because the Municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the Municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the Municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

Accounting Policies

1.9 Financial instruments (continued)

The Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another Municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers) .

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.
Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.
A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.
In accounting for a transfer of a financial asset that does not qualify for derecognition, the Municipality does not offset the transferred asset and the associated liability

1.10 Statutory receivables

Identification

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

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

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

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

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

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.

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

Accounting Policies

1.10 Statutory receivables (continued)

- 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.
- 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.

Accounting Policies

1.10 Statutory receivables (continued)

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.

1.11 Tax

Value added taxation

The municipality is registered with SARS for VAT on the cash basis in accordance with Section 15(2)(a) of the Value Added Tax Act, No. 81 of 1991.

1.12 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.

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.

1.13 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

Accounting Policies

1.13 Inventories (continued)

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

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

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

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

[Specify judgements made]

Accounting Policies

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

Designation

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

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

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

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

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 Employee benefits

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

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

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

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

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

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

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

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

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

1.15 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

1.16 Provisions and contingencies

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

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

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

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

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

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

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

1.16 Provisions and contingencies (continued)

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

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

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

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

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

Long-service Allowance

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

The Municipality's liability is based on an actuarial valuation.The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance

Decommissioning, restoration and similar liability

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

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

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

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

1.17 Commitments

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

Capital 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, where disclosure is required by the specific standard of GRAP.

-Contracts that are entered into before the reporting date , but goods and services have yet been received are disclosed in the disclosure notes to the financial statements.

Disclosures are required in respect of unrecognised contractual commitments.

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

Accounting Policies

1.18 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

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

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

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

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

1.19 Revenue from non-exchange transactions

Revenue 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.

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

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.

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.

1.19 Revenue from non-exchange transactions (continued)

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 (noncontractual) arrangement (see the accounting policy on Statutory Receivables).

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.

1.20 Investment income

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

1.21 Accounting by principals and agents

Identification

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

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

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

Accounting Policies

1.21 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

Recognition

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

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

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

1.22 Comparative figures

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

1.23 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.

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 (as applicable).

1.24 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.

1.25 Irregular expenditure

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

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

Irregular expenditure as defined in section 1 of the MFMA is irregular expenditure”, in relation to a municipality or municipal entity, means
(a) expenditure incurred by a municipality or municipal entity 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;
(b) expenditure incurred by a municipality or municipal entity 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 that Act;
(c) 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 No. 20 of 1998); or
(d) 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 entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

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

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

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

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.t

Accounting Policies

1.26 Budget information

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

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

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

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

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

1.27 Related parties

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

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

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

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

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

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

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

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

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

1.28 Events after reporting date

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

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

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

Accounting Policies

1.28 Events after reporting date (continued)

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

1.29 Prior year adjustments

Restatements are effected to prior period comparatives resulting in the reclassification of prior period disclosure when the presentation or classification of items in the annual financial statements is amended. The nature and reason for the reclassification are disclosed.t

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 104 (amended): Financial Instruments

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

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

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

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

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

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

3. Inventories

	2021	2020
Boreholes	6 015 183	3 124 876
Water tank stands	499 150	399 150
Water tanks	547 353	501 052
	7 061 686	**4 025 078**

The municipality purchased Jojo tanks and installed Boreholes and water tank stands on behalf of the Umkhanyakude District municipality which will be transferred to the District municipality.

4. Receivables from exchange transactions

	2021	2020
Consumer debtors- Housing	1 329 981	546 020
Consumer debtors - Refuse	41 206 205	34 821 899
	42 536 186	**35 367 919**

Statutory receivables general information

Transaction(s) arising from statute

There are no statutory receivables disclosed in the above receivables from exchange transactions.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. Receivables from exchange transactions (continued)

Trade and other receivables pledged as security

No Trade and other receivables were pledged as security for overdraft facilities.

Trade and other receivables past due but not impaired

Trade and other receivables which are past due and are not considered to be impaired is made up of government debt..

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

1 month past due	20 496	22 684
2 months past due	21 836	22 168
3 months past due	21 025	21 869
4 months and more past due	2 709 627	2 570 169

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. Receivables from exchange transactions (continued)

Trade and other receivables impaired

As of 30 June 2021, trade and other receivables-Refuse of R 53 875 138 (2020: R 49 426 985) were impaired and provided for.

The amount of the provision was R (12 668 934) as of 30 June 2021 (2020: R 14 605 086).

The ageing of these loans is as follows:

Gross balances		
Refuse	53 875 138	49 426 985
Housing Rental	1 329 981	546 020
	55 205 119	**49 973 005**

Less: Allowance for impairment		
Refuse	(12 668 934)	(14 605 086)

Net Balance		
Refuse	41 206 204	34 821 899
Housing Rental	1 329 981	546 020
	42 536 185	**35 367 919**

Included in above is recoverables from exchange transactions		
Refuse	53 875 138	49 426 985
Housing rental	1 329 981	546 020
	55 205 119	**49 973 005**

Refuse		
Current (0-30 Days)	356 410	361 023
31 -60 Days	261 294	289 346
61 - 90 Days	257 860	283 238
91 - 120 Days	256 198	278 430
121 - 365 Days	52 743 376	48 214 948
	53 875 138	**49 426 985**

Housing rental		
Current (0- 30 Days)	397 094	15 711
31 - 60 Days	100 151	40 108
61 - 90 Days	79 387	42 957
91 - 120 Days	76 161	13 195
121 - 365 Days	677 188	434 049
	1 329 981	**546 020**

Reconciliation of provision for impairment Refuse

Opening balance	(14 605 086)	(13 331 243)
Provision for impairment	1 936 152	(1 273 843)
	(12 668 934)	**(14 605 086)**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. Receivables from exchange transactions (continued)

Provision for doubtful debts is calculated by categorising the outstanding into six:

Category A are government properties, No provision is made for them.
Category B are those irregular payers, and the debt is between 31 and 60 days.The provision is made at 20% excluding business category.
Category C are those irregular payers, and the debt is between 61 and 90days. The provision is made at 50% excluding business category.
Category D are those irregular payers, and the debt is between 91 and 120 days. The provision is made at 70% excluding business category.
Category E are those irregular payers, and the debt is between 121 and 150 days. The provision is made at 70% excluding business category.
Category F are those irregular payers, and the debt is more than 151 days. The provision is made at 100% excluding business category.

Business category is calculated by categorising the outstanding into:
Category A are those irregular payers and and the debt is between 31 and 60 days. The provision is made at 0% .
Category B are those irregular payers, and the debt is between 61 and 90 days. The provision is made at 50%.
Category C are those irregular payers, and the debt is between 91 and 120 days. The provision is made at 50%.
Category D are those irregular payers, and the debt is between 121 and 150 days. The provision is made at 80%.
Category E are those irregular payers, and the debt is more than 151 days. The provision is made at 80%

5. Receivables from non-exchange transactions

Fines	157 565	136 454
Insurance refunds	9 000	9 000
Staff and payroll debtors	3 163	172 621
Refunds from supplier	4 548 351	4 237 024
Consumer debtors - Rates	13 744 901	8 042 132
	18 462 980	**12 597 231**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	13 744 902	8 042 132
Fines	157 565	136 454
	13 902 467	**8 178 586**
Financial asset receivables included in receivables from non-exchange transactions above	**4 560 513**	**4 418 645**
Total receivables from non-exchange transactions	18 462 980	12 597 231

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Property rates are governed by The Local Government: Municipal Property Rates Act 6 of 2004. Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act, No. 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa.

Determination of transaction amount

Property rates values are calculated based on market value of properties as per applicable valuation roll. Traffic fines charged are determined by The National Road Traffic Offence Charge Book.

Interest or other charges levied/charged

Interest is charged on long outstanding statutory debtors(Property rates) at a rate of 1.59% per month.

No interest is charged on long outstanding statutory debtors (Fines)

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

Provision for doubtful debts is calculated by categorising the outstanding into six:

Category A are government properties, No provision is made for them.
Category B are those irregular payers, and the debt is between 31 and 60 days.The provision is made at 20% excluding business category.
Category C are those irregular payers, and the debt is between 61 and 90days. The provision is made at 50% excluding business category.
Category D are those irregular payers, and the debt is between 91 and 120 days. The provision is made at 70% excluding business category.
Category E are those irregular payers, and the debt is between 121 and 150 days. The provision is made at 70% excluding business category.
Category F are those irregular payers, and the debt is more than 151 days. The provision is made at 100% excluding business category.

Business category is calculated by categorising the outstanding into:
Category A are those irregular payers and and the debt is between 31 and 60 days. The provision is made at 0% .
Category B are those irregular payers, and the debt is between 61 and 90 days. The provision is made at 50%.
Category C are those irregular payers, and the debt is between 91 and 120 days. The provision is made at 50%.
Category D are those irregular payers, and the debt is between 121 and 150 days. The provision is made at 70%.
Category E are those irregular payers, and the debt is more than 151 days. The provision is made at 80%.

Discount rate applied to the estimated future cash flows

No discount rate applied and no estimated future cash flows, the amounts presented on the debtors age analysis present values which have already factored in the time value of money.

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R761 586 (2020: R1 368 708) were past due but not impaired.

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

	2021	2020
1 month past due	265 731	454 538
2 months past due	213 837	457 824
3 months past due	282 019	717 590

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

5. Receivables from non-exchange transactions (continued)

Factors the entity considered in assessing statutory receivables past due but not impaired

Debt on government properties is considered as recoverable.

Reconciliation of provision for impairment for statutory receivables

Opening balance	(149 497 210)	(116 047 395)
Provision for impairment- Property rates	(1 107 573)	(33 449 815)
Fines	(8 361 835)	(7 875 846)
Write off of interest for July 2018 to June 2019	17 076 460	-
Write off of Interest for July 2019 to June 2020	20 802 262	-
Interest write-off government accounts	13 648 118	-
	(107 439 778)	**(157 373 056)**

Receivables from non-exchange transactions pledged as security

No other receivables from non-exchange transactions were pledged as security for overdraft facilities.

Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are past due are not considered to be impaired are comprised of Government debt..

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

1 month past due	265 731	454 538
2 months past due	213 837	457 824
3 months past due	282 019	717 590
4 months and more past due	16 151 781	23 325 481

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2021, other receivables from non-exchange transactions-Rates of R 112 822 844 (2020: R 157 539 343) were impaired and provided for.

The amount of the provision- Rates was R (99 077 943) as of 30 June 2021 (2020: R 149 497 210).

The amount of the provision- Fines was R 8 361 835 as of 31 May 2021 (2019: R 7 875 846)

The ageing of these balance is as follows:

Gross balances		
Rates	112 822 844	157 539 343
Fines	8 519 400	8 012 300
Staff and payroll debtors	3 163	172 621
Insurance refunds	9 000	9 000
Refunds from supplier	4 548 351	4 237 024
	125 902 758	**169 970 288**

Less: Allowances for impairment		
Rates	(99 077 943)	(149 497 210)
Fines	(8 361 835)	(7 875 826)
	(107 439 778)	**(157 373 036)**

Net balance		
Rates	13 744 902	8 042 132
Fines	157 565	136 454
Staff and payroll debtors	3 163	172 621
Insurance refunds	9 000	9 000
Refunds from supplier	4 548 351	4 237 024
	18 462 981	**12 597 231**

Included in above is receivables from non-exchange transactions(taxes and transfers		
Rates	112 822 844	157 539 343
Fines	8 519 400	8 012 300
Staff and payroll debtors	3 163	172 621
Insurance refunds	9 000	9 000
Refunds from supplier	4 548 351	4 237 024
	125 902 758	**169 970 288**

Rates		
Current(0-30 days)	3 305 602	2 833 777
31-60 days	3 023 810	2 555 883
61-90 days	4 091 184	2 374 825
91-120 days	2 500 700	3 574 341
121-365 days	99 901 548	146 200 517
	112 822 844	**157 539 343**

Fines		
Current(0-30 days)	92 100	60 680
31-60 days	48 700	15 400

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

5. Receivables from non-exchange transactions (continued)

61-90 days	18 300	30 500
91-120 days	57 000	33 180
121-365 days	8 303 300	7 872 540
	8 519 400	**8 012 300**

Business and commercial

Current(0-30 days)	2 088 223	1 709 682
31-60 days	1 258 795	1 375 381
61-90 days	1 544 256	1 310 155
91-120 days	1 109 810	1 681 720
121-365 days	35 781 616	39 540 462
	41 782 700	**45 617 400**

Staff and payroll debtors

>365 days	3 163	172 621

Government

Current(0-30 days)	(261 284)	397 095
31-60 days	265 731	449 057
61-90 days	213 837	345 606
91-120 days	282 019	685 385
121-365 days	16 151 781	23 325 481
	16 652 084	**25 202 624**

Residential

Current(0-30 days)	746 333	423 146
31-60 days	923 669	412 541
61-90 days	1 518 873	398 952
91-120 days	516 662	669 811
121-365 days	38 434 501	33 812 352
	42 140 038	**35 716 802**

Agricultural and other

Current(0-30 days)	732 331	303 854
31-60 days	575 616	318 904
61-90 days	814 218	320 112
91-120 days	592 210	537 426
121-365 days	15 444 920	44 397 887
	18 159 295	**45 878 183**

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

Opening balance	(149 497 210)	(116 047 395)
Provision for impairment	(1 107 573)	(33 449 815)
Write off of interest for July 2018 to June 2019	17 076 460	-
Write off of Interest for July 2019 to June 2020	20 802 262	-
Interest write-off government accounts	13 648 118	-
	(99 077 943)	**(149 497 210)**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

5. Receivables from non-exchange transactions (continued)

Provision for doubtful debts is calculated by categorising the outstanding into six:

Category A are government properties, No provision is made for them.
Category B are those irregular payers, and the debt is between 31 and 60 days.The provision is made at 20% excluding business category.
Category C are those irregular payers, and the debt is between 61 and 90days. The provision is made at 50% excluding business category.
Category D are those irregular payers, and the debt is between 91 and 120 days. The provision is made at 70% excluding business category.
Category E are those irregular payers, and the debt is between 121 and 150 days. The provision is made at 70% excluding business category.
Category F are those irregular payers, and the debt is more than 151 days. The provision is made at 100% excluding business category.

Business category is calculated by categorising the outstanding into:
Category A are those irregular payers and and the debt is between 31 and 60 days. The provision is made at 0% .
Category B are those irregular payers, and the debt is between 61 and 90 days. The provision is made at 50%.
Category C are those irregular payers, and the debt is between 91 and 120 days. The provision is made at 50%.
Category D are those irregular payers, and the debt is between 121 and 150 days. The provision is made at 80%.
Category E are those irregular payers, and the debt is more than 151 days. The provision is made at 80%.

Main events and circumstances that led to impairment reversal:

The council took a resolution to stop charging interest on government accounts.Reversal of interest have been levied/write-off

The council also took a resolution to write-off interest on interest that was charged in prior years.

6. VAT receivable

VAT	3 367 364	6 226 425

7. Prepayments

The municipality made an early payment to SALGA for membership fees to take advantage of a 3.5% discount.

The municipality made an early payment to Caseware Africa for the use of Caseware licences for the following financial year.

The municipality made an early payment to RIS Vehicle Hire for the use of a Vehicle.

Prepaid expense		
SALGA Membership	1 098 103	1 032 028
Casware Licence	93 204	-
RIS VEHICLE HIRE	47 835	-
	1 239 142	**1 032 028**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	41 757	42 231
Bank balances	18 966 576	14 761 481
Short-term deposits	47 760 889	25 144 513
	66 769 222	**39 948 225**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2021	30 June 2020	30 June 2019	June 30, 2021	30 June 2020	30 June 2019
FNB BANK - Main Account 62024185432	3 552 961	12 670 613	20 756 455	3 552 961	12 670 613	20 756 455
ABSA BANK - Opeartional Account -406 -962-4954	15 413 615	2 138 752	9 388 390	15 413 615	2 090 868	9 275 348
Grinrod BANK - Investment 11000034006	127 253	123 170	9 031 845	127 253	123 170	9 031 845
Grinrod BANK - Investment 11000032450	5 047 012	8 414 061	-	5 047 012	8 414 061	-
Grinrod BANK - Investment 110000150005	1 048 891	1 015 235	-	1 048 891	1 015 235	-
FNB BANK - Investment 62406733164	44 493	232 005	219 567	44 493	232 005	219 567
FNB BANK - Investment 62424077403	316 651	1 213	1 149	316 651	1 213	1 149
STD BANK - Investment 288741042032	5 166 120	-	-	5 166 120	-	-
FNB BANK - Investment 62588270612	10 063 549	15 351	14 551	10 063 549	15 351	14 551
INVESTEC- Investment 1100435870501	5 184 815	-	-	5 184 815	-	-
ABSA BANK - Investment 2078608636	5 175 602	5 070 735	-	5 175 602	5 070 735	-
STD BANK - Investment 268741042030	5 371 326	5 081 447	-	5 371 326	5 081 447	-
STD BANK - Investment 268741042033	5 166 119	5 191 296	-	5 166 119	5 191 296	-
FNB BANK - Investment 74892649938	5 049 058	-	-	5 049 058	-	-
Cash on hand	-	-	-	41 757	42 231	-
Total	**66 727 465**	**39 953 878**	**39 411 957**	**66 769 222**	**39 948 225**	**39 298 915**

9. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	79 891 232	-	79 891 232	-	-	-

Reconciliation of investment property - 2021

	Opening balance	Donations	Total
Investment property	-	79 891 232	79 891 232

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

9. Investment property (continued)

Reconciliation of investment property - 2020

Pledged as security

No assets are pledged as security:

Investment property in the process of being constructed or developed

No Investment property are in the process of being constructed or developed.

Details of property

Ndumo Rental stock
The department of Human settlement donated Rental property at Ndumo to the municipality. The municipality gerenates Rental Revenue from these properties.

Property Location: -26.9194422, 32.2574201 Property Name: Indumo Rental Stock Property Description: Residential Property [Flats] Property Status: Completed [No Work-In Progress] Property Fair Value: R79 891 232 [Donated Asset]		
- Fair value 30 June 2021(Donated)	79 891 232	-

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.

Engineers Details:

An evalution of the property was performed by Powacons Engineering Consulting ,MN PAWANDIWA PR, Eng Engineering Council Registration No: 20130017

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Notes to the Annual Financial Statements

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10. Assets

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	20 169 318	(3 668 033)	16 501 285	18 796 771	(2 852 197)	15 944 574
Plant and machinery	10 887 424	(3 094 163)	7 793 261	5 181 815	(2 139 012)	3 042 803
Furniture and fixtures	4 305 590	(2 796 960)	1 508 630	4 752 200	(2 585 666)	2 166 534
Motor vehicles	10 747 494	(7 157 119)	3 590 375	9 498 017	(6 044 217)	3 453 800
IT equipment	4 071 881	(2 139 196)	1 932 685	4 034 380	(2 122 374)	1 912 006
Infrastructure	254 152 964	(161 792 749)	92 360 215	240 653 378	(153 712 444)	86 940 934
Community	278 445 984	(53 340 922)	225 105 062	242 871 247	(39 058 724)	203 812 523
Total	**582 780 655**	**(233 989 142)**	**348 791 513**	**525 787 808**	**(208 514 634)**	**317 273 174**

Notes to the Annual Financial Statements

Figures in Rand

10. Assets (continued)

Reconciliation of assets - 2021

	Opening balance	Additions	Donations	Disposals	Transfers in	Transfers out	Depreciation	Impairment loss	Total
Buildings	15 944 574	1 452 297	-	(6 448)	489 800	(489 800)	(889 138)	-	16 501 285
Plant and machinery	3 042 803	5 793 022	-	(39 613)	-	-	(1 002 951)	-	7 793 261
Furniture and fixtures	2 166 534	293 635	-	(125 668)	-	-	(825 871)	-	1 508 630
Motor vehicles	3 453 800	1 249 477	-	-	-	-	(1 112 902)	-	3 590 375
IT equipment	1 912 006	880 892	-	(69 843)	-	-	(790 370)	-	1 932 685
Infrastructure	86 940 934	13 499 588	-	-	199 800	(199 800)	(8 046 627)	(33 680)	92 360 215
Community	203 812 523	30 063 626	5 546 317	(1)	30 387 016	(30 387 016)	(12 206 522)	(2 110 881)	225 105 062
	317 273 174	**53 232 537**	**5 546 317**	**(241 573)**	**31 076 616**	**(31 076 616)**	**(24 874 381)**	**(2 144 561)**	**348 791 513**

Notes to the Annual Financial Statements

Figures in Rand

10. Assets (continued)

Reconciliation of assets - 2020

	Opening balance	Additions	Donations	Write-off	Transfers received	Transfers out	Adjustment	Depreciation	Impairment loss	Total
Buildings	15 628 142	955 145	-	-	5 941 821	(5 941 821)	-	(638 713)	-	15 944 574
Plant and machinery	3 669 409	207 750	-	(145 890)	-	-	25 473	(713 939)	-	3 042 803
Furniture and fixtures	2 096 755	860 723	-	(200 148)	-	-	109 596	(700 392)	-	2 166 534
Motor vehicles	3 312 160	1 365 000	-	(220 343)	-	-	51 342	(1 054 359)	-	3 453 800
IT equipment	1 322 103	1 149 005	-	(72 711)	-	-	43 580	(529 971)	-	1 912 006
Infrastructure	83 270 407	10 852 878	-	-	9 084 193	(9 084 193)	-	(7 182 351)	-	86 940 934
Community	178 936 281	18 103 183	18 146 061	(312 541)	-	-	(361 154)	(10 650 780)	(48 527)	203 812 523
	288 235 257	**33 493 684**	**18 146 061**	**(951 633)**	**15 026 014**	**(15 026 014)**	**(131 163)**	**(21 470 505)**	**(48 527)**	**317 273 174**

Pledged as security

No assets are pledged as security:

Write offs comprise of assets which could not be verified and are being investigated by management.

Compensation received for losses on property, plant and equipment – included in operating profit.

Motor Vehicles	296 451	272 852

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

10. Assets (continued)

Property, plant and equipment in the process of being constructed or developed taking longer than anticipated to complete

Work in progress taking longer than anticipated to complete		
Ngonyameni Hall	4 996 778	4 996 778
KwaJobe Youth Centre Paving	679 098	679 098
Machobeni Hall	6 988 152	6 988 152
Magwangu Community Hall	-	7 845 706
Munywane Sports-Field	-	7 038 908
Mthonjeni Sports-Field	-	3 718 686
	12 664 028	**31 267 328**

Ngonyameni Hall- The project started in 2016, R4 996 778 was spent on the project and no funds were further spent on the project in the 2017/18 financial year.An investigation was conducted and concluded. At the conclusion of the investigation subsequent consequence management has taken place,the municipality is in the process of recovering the amount spent on the project and a debtor has already been raised.

Kwajobe Youth Centre Paving, the project start in 2017/18 financial year and has experienced snags and budget.

Machobeni Hall- The project was started in the 2017/18 financial year, Poor performance from main contractor and the municipality is in the process to terminate the contract.

Magwangu Community Hall - the projection started in 2016(phase one) , the project was delayed due to the projects having due to two phases.

Munywane sports-field- Poor performance from main contractor who ended up ceding the work to a new contractor.

Mthonjeni Sports-field, The project was delayed due to community unrest, the contract was chased away by community members.t

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	2 181 648	49 556 578	-	51 738 226
Additions/capital expenditure	13 350 611	29 504 641	1 423 797	44 279 049
Transferred to completed items	(199 800)	(30 387 016)	(489 800)	(31 076 616)
	15 332 459	**48 674 203**	**933 997**	**64 940 659**

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	1 365 406	32 012 549	5 237 276	38 615 231
Additions/capital expenditure	10 318 820	17 905 183	704 545	28 928 548
Adjustment	(418 385)	(361 154)	-	(779 539)
Transferred to completed items	(9 084 193)	-	(5 941 821)	(15 026 014)
	2 181 648	**49 556 578**	**-**	**51 738 226**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

10. Assets (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		
Community buildings	5 066 778	1 025 245
Infrastructure	2 668 055	2 671 201
Plant and equipment	14 434	95 665
	7 749 267	**3 792 111**

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.

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

Notes to the Annual Financial Statements

Figures in Rand

11. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5 252 192	(2 072 244)	3 179 948	2 116 260	(1 322 006)	794 254

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	794 254	3 135 933	(750 239)	3 179 948

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Reversal of Amortisation	Amortisation	Total
Computer software, other	757 835	242 643	138 394	(344 618)	794 254

Pledged as security

No Intangible assets pledged as security:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

12. Payables from exchange transactions

Trade payables	4 811 834	4 275 983
Retention	13 881 393	11 711 786
Leave pay	10 216 698	8 044 382
13th Cheque	2 326 416	1 803 495
Debtors with credit balances	1 908 220	352 141
Other payables	(62 955)	(43 621)
Surety	1 926 089	1 549 474
	35 007 695	**27 693 640**

The 13th Cheque is payable on the anniversary of the employee's date of employment with the Municipality. The annual bonus is calculated monthly as per the formula at the ordinary salary rate earned during each relevant month and accumulated and paid to the employee.

A Municipality pays every employee, for each month that the employee was paid or entitled to be paid in respect of each completed 12 months of service with such municipality. In the event that the employer a prorated share of bonus for the period of the year that he/she worked.

In terms of the performance agreements, employee's contract of employment, Local Government performance Regulations 2006 and the Jozini Remuneration Policy, management (Section 57 mangers) are entitled to the payment of a performance bonus that is equivalent to the score obtained during performance appraisal.

Leave pay relates to accrual for unused leave at year-end. The leave is expected to be taken over the next financial year and is calculated based on employee total cost to company.

13. Consumer deposits

Land stand deposits	712 703	712 703
Unallocated deposits	221 604	97 987
Hall Refunds	36 054	33 574
	970 361	**844 264**

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Ubuhle besiko cultural village	69 700	69 700
Development of Recycling centre	10 730	10 730
Fresh Product Market Grant	73 002	73 002
Implementation of Pound	48 418	48 418
Housing Grant	76 073	76 073
Land use scheme	-	500 000
Building Plan Grant	-	500
Mkhuze Information Centre Grant	101 556	-
Integrated National Electrification Programme Grant	1 581 940	-
	1 961 419	**778 423**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

14. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	778 423	7 663 199
Additions during the year	101 129 980	50 096 000
Income recognition during the year	(58 816 444)	(50 349 798)
Municipal Emergency Housing and Housing grant not recognised in revenue	(32 712 480)	(6 630 978)
INEP Grant not recognised in revenue	(8 418 060)	-
	1 961 419	**778 423**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

15. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Landfill sites	6 523 509	630 677	7 154 186
Long service award provision	4 020 906	1 074 555	5 095 461
	10 544 415	**1 705 232**	**12 249 647**

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Landfill sites	6 946 617	(423 108)	6 523 509
Long service award provision	2 778 204	1 242 702	4 020 906
	9 724 821	**819 594**	**10 544 415**

	2021	2020
Non-current liabilities	11 782 618	10 294 474
Current liabilities	467 029	249 941
	12 249 647	**10 544 415**

Landfill sites

The provision for rehabilitation of landfill sites relate to the legal obligation to rehabilitate the landfill sites used for waste disposal in accordance with the National Environmental management Act 107 of 1998 and Environmental Conservation Act No 73 of 1989. It is calculated as the present value of the expenditure expected to be required to settle the future obligation to rehabilitate the landfill sites.

The discount rate used reflect the current market assessment of the time value of money and the risks specific to the liability. The valuation for the provision of the landfill sites was reviewed by an independent landfill site and environmental specialist.

The landfill site report was performed by Pawacons Engineering consultants and has 2.5 years remaining at the June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

15. Provisions (continued)

The existing Mkuze Landfill Site is situated just outside Mkuze town. The Waste Disposal Site receives “general waste”.

Discount rate

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used.

For this landfill, the rate associated with the maximum period of 10 years was used, i.e.,4,7% above CPI.

Assumption 2020-2021
CPI 4,90%
Discount rate 4,50%
Net effect 4,70%

Long service awards

Long service awards Jozini offers bonuses for every 5 years of completed service from 5 years to 45 years. Below are actuarial assumption relating to calculation of the defined contribution plan liability.

Actuarial Assumptions	**2021**	**2020**
Discount rate	9.52%	9.57%
CPI	5.54%	4.41%
Salary increase rate	6.53%	5.41%
Net Discount rate	2.80%	3.95%
	24.39%	**23.34%**

Long service awards	**2021**	**2020**
Opening Balance	4 020 906	2 778 204
Service cost	550 250	487 291
Interest cost	372 841	230 356
Actuarial loss	483 483	695 962
Benefits paid	(332 019)	(170 907)
	5 095 461	**4 020 906**

15. Provisions (continued)

GRAP 25 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 8.20 years.

At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2021 is 9.52% per annum, and the yield on inflation-linked bonds of a similar term was about 3.30% per annum. This implies an underlying expectation of inflation of 5.51% per annum ([1 + 9.52% - 0.5%] / [1 + 3.30%] - 1).

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.54% 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 2.80% per annum ([1 + 9.52%] / [1 + 6.54%] - 1).

In addition to the salary assumption arrived at in the previous page,the following promotional increase were applied at the following ages:

Age Band	Promotional Increase 2 021	Promotional Increase 2 020
20-24	5.00%	5.00%
25-29	4.00%	4.00%
30-34	3.00%	3.00%
35-39	2.00%	2.00%
40-44	1.00%	1.00%
	15%	**15%**

1. During the 2020/21 financial year Jozini employees accrued an extra year of service and as a result the liability increased by R550,250.
2. Interest cost over the valuation period results in an increase in the liability by R372,841.
3. Some employees attained milestones during the valuation period and this resulted in bonus payment of R249,941 which reduced the accrued liability by the same margin.
4. The net discount rate changed from 3.95% to 2.80% during the valuation period. The accrued liability is inversely related to the net discount. As such the decrease in the net discount resulted in an increase in the accrued liability.
5. Movements in the staff employed by Jozini, resulted in an increase to the accrued liability.
6. The salary increases of 4.00% anticipated as at 1 July 2021 resulted in an increase to the accrued liability.
7. The miscellaneous items in the data resulted in a decrease to the liability by R269,116. Factors that make up the miscellaneous items are changes to membership composition, data changes from the previous valuation, and variations from demographic assumptions (i.e. rates of withdrawal).

16. Service charges

	2021	2020
Solid waste	3 821 391	3 779 135

17. Rental of facilities and equipment

	2021	2020
Facilities and equipment		
Rental of facilities	1 700 220	773 155

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

18. Interest income on refuse and rental properties

Interest income on Refuse	3 395 474	3 430 867
Interest income on rental properties	89 367	57 602
	3 484 841	**3 488 469**

19. Licences and permits (exchange)

Trading	25 222	7 739
Road and Transport	370 200	337 640
	395 422	**345 379**

20. Recoveries

Staff Recoveries	1 206 151	1 216 801

21. Other income

Cemetery and Burial	10 773	-
Landing Fees	-	11 723
Photocopies and faxing	2 728	4 861
Insurance Refund	296 451	663 139
Sale of tender documents	293 172	414 311
Advertisements	11 900	31 141
Application fees for land usage	33 913	18 452
Building plan approval	34 904	6 402
Clearance certificates	3 422	2 175
Recycling of waste	9 719	741
Interest from Refund from supplier	311 328	311 328
Skills development levy refund	151 059	160 904
	1 159 369	**1 625 177**

22. Investment revenue

Interest revenue		
Bank	671 686	1 069 933
Short Term Investments and call accounts	2 218 514	3 667 342
	2 890 200	**4 737 275**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

23. Property rates

Rates received

Residential	1 389 645	1 542 041
Business and commercial	14 996 234	15 719 821
State	10 014 112	9 987 476
Agricultural	715 851	713 089
Public service infrastructure	-	796
	27 115 842	**27 963 223**

Valuations

Residential	244 034 200	244 963 200
Business,Commercial,Tourism and Industrial	1 182 204 000	1 352 001 000
State	1 030 966 569	1 075 627 521
Municipal	53 470 952	9 873 000
Place of worship	10 362 000	10 362 000
Protected areas	434 008 681	330 748 681
Public service infrastructure	5 429 000	5 429 000
Rural Communal land	306 813 000	306 813 000
Agriculture	481 039 000	511 808 000
	3 748 327 402	**3 847 625 402**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The next general valuation will come into effect on 1 July 2024

24. Licences and permits (non-exchange)

Road and Transport	915 707	805 760

25. Interest on Property Rates

Interest - Receivables- Property rates	11 046 941	30 370 214

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

26. Government grants and subsidies

Operating grants		
Equitable share	234 170 000	171 164 000
Expanded Public Works Program	2 746 000	3 217 000
Financial Management Grant	2 800 000	2 435 000
Community Library Service Grant	5 186 000	6 186 000
Ngwenya community centre	-	225 798
Disaster Management Grant	-	864 000
Land Use Scheme	500 000	-
Building Plan Grant	-	28 000
Mkuze Information Centre	1 398 444	-
	246 800 444	**184 119 798**
Capital grants		
MIG	46 186 000	37 394 000
	292 986 444	**221 513 798**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	58 816 444	50 349 798
Unconditional grants received	234 170 000	171 163 999
	292 986 444	**221 513 797**

Equitable Share

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

Ubuhle besiko cultural grant

Balance unspent at beginning of the year	69 700	69 700

Conditions still to be met - remain liabilities (see note 13).

Development of recycling centre grant

Balance unspent at beginning of the year	10 730	10 730

Conditions still to be met - remain liabilities (see note 14).

Fresh Products Market Grants

Balance unspent at beginning of year	73 002	73 002

Conditions still to be met - remain liabilities (see note 14).

Implementation of Pound Grant

Balance unspent at beginning of year	48 418	48 418

Conditions still to be met - remain liabilities (see note 14).

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

26. Government grants and subsidies (continued)

Housing Grant

Balance unspent at beginning of the year	76 073	6 707 051
Current-year receipts	14 876 091	-
Housing Grant not recognised in Revenue	(14 876 091)	-
The grant was withheld by treasury	-	(6 630 978)
	76 073	**76 073**

Conditions still to be met - remain liabilities (see note 14).

Land Use Scheme Grant

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

Conditions still to be met - remain liabilities (see note 14).

Building Plan Grant

Balance unspent at beginning of the year	500	28 500
Conditions met - transferred to revenue	-	(28 000)
Amount repaid to Treasury	(500)	-
	-	**500**

Conditions still to be met - remain liabilities (see note 14).

Expanded Public Works Program

Current-year receipts	2 746 000	3 217 000
Conditions met - transferred to revenue	(2 746 000)	(3 217 000)
	-	**-**

Financial Management Grant

Current-year receipts	2 800 000	2 435 000
Conditions met - transferred to revenue	(2 800 000)	(2 435 000)
	-	**-**

Municipal Emergency Housing Grant

Current-year receipts	17 721 275	-
Conditions met - transferred to revenue	(17 721 275)	-
	-	**-**

Library Grant

Current-year receipts	5 186 000	6 186 000
Conditions met - transferred to revenue	(5 186 000)	(6 186 000)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

26. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 14).

Ngwenya Community Centre Grant

Balance unspent at beginning of year	-	225 798
Conditions met - transferred to revenue	-	(225 798)
	-	**-**

Municipal Infrastructure Grant

Current-year receipts	46 186 000	37 394 000
Conditions met - transferred to revenue	(46 186 000)	(37 394 000)
	-	**-**

Mkuze Information Centre

Current-year receipts	1 500 000	-
Conditions met - transferred to revenue	(1 398 444)	-
	101 556	**-**

Conditions still to be met - remain liabilities (see note 14).

Disaster Management Grant

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

Integrated National Electrification Programme Grant

Current-year receipts	10 000 000	5 000 000
Conditions met - transferred to revenue	(8 418 060)	(5 000 000)
	1 581 940	**-**

Conditions still to be met - remain liabilities (see note 14).

27. Public contributions and donations

Property Plant and Equipment from 3rd parties	85 437 548	18 146 061

Public donations contributions comprise of:

Investment property relates to Rental property at Ndumo donated by The Department of Human settlement.

Community assets Relates to Mkuze Information Centre and Ngwenya Community centre donated by

Public donation of property plant and equipment		
Investment property	79 891 232	-
Community assets	5 546 316	18 146 061
	85 437 548	**18 146 061**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Fines, Penalties and Forfeits

Pound Fees Fines	15 873	13 476
Municipal Traffic Fines	538 100	1 064 700
	553 973	**1 078 176**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

29. Employee related costs

Basic	68 827 075	57 452 442
Bonus	4 802 253	3 901 957
Medical aid - company contributions	6 043 118	4 890 145
UIF	493 067	421 158
WCA	30 710	25 900
Leave pay provision charge	2 849 007	2 941 674
Overtime payments	4 484 054	4 874 053
Long-service awards	550 250	487 291
Acting allowances	380 901	225 606
Car allowance	10 726 623	9 053 544
Housing benefits and allowances	879 486	837 391
Standby Allowance	2 115 834	2 345 115
Cellular & Telephone Allowances	54 300	139 219
Pension	9 672 859	7 554 478
	111 909 537	**95 149 973**

Remuneration of municipal manager

Annual Remuneration	799 066	687 202
Backpay	-	20 330
Contributions to UIF, Medical and Pension Funds	89 614	78 943
Rural Allowance	88 695	75 404
Cellphone Allowance	-	15 000
Car Allowance	180 000	150 000
Housing Allowance	240 000	200 000
Subsistence Allowance	-	1 800
Toll fee	-	1 440
Reimbursement travel	64 627	90 845
	1 462 002	**1 320 964**

Remuneration of chief finance officer

Annual Remuneration	787 346	730 029
Backpay	-	29 297
Contribution to UIF, Medical and Pension Funds	36 216	37 241
Rural Allowance	72 823	67 817
Cellphone Allowance	-	16 500
Travel Allowance	-	238 779
Car Allowance	252 981	150 000
Housing Allowance	-	200 000
Subsistence allowance	-	1 800
Toll fee	-	1 440
Reimbursement	6 997	90 845
	1 156 363	**1 563 748**

Remuneration of Corporate services

Annual Remuneration	786 939	609 622
Car Allowance	253 388	200 000
Cellphone Allowance	-	13 500
Contributions to UIF, Medical and Pension Funds	34 668	26 069
Rural Allowance	72 823	56 674
Backpay	-	29 297
Reimbursement travel	-	48 603

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

29. Employee related costs (continued)

Subsistence allowance	-	2 000
Toll fee	-	705
Leave pay	-	22 038
	1 147 818	**1 008 508**

Remuneration of Director of Technical Services

Annual Remuneration	346 776	968 808
Cellphone Allowance	6 000	18 000
Subsistence Allowance	-	3 600
Contributions to UIF, Medical and Pension Funds	12 703	36 632
Rural Allowance	24 274	67 817
Back pay	-	29 297
Acting Allowance	-	10 891
Reimbursement Travel	7 476	70 023
Leave Paid	137 875	-
	535 104	**1 205 068**

The Director of Technical Services resigned on 31 October 2020 , the position was vacant at year end.

Remuneration of Director of Community services

Annual Remuneration	1 040 327	968 808
Subsistence Allowance	-	2 400
Rural Allowance	72 823	67 817
Contributions to UIF, Medical and Pension Funds	36 742	37 770
Cellphone Allowance	-	16 500
Reimbursement Travel	80 058	66 166
Backpay	-	29 297
	1 229 950	**1 188 758**

Remuneration of Director Strategic and Development Planning

Annual Remuneration	658 280	586 761
Travel	238 780	238 780
Cellphone Allowance	-	16 500
Reimbursement travel	10 864	44 156
Backpay	-	29 297
Subsistence Allowance	-	3 150
Toll fee	258	581
Rural Allowance	72 823	143 268
Contribution to UIF, Medical and Pension Funds	179 511	102 828
	1 160 516	**1 165 321**

30. Remuneration of councillors

Mayor	901 659	901 659
Deputy Mayor	729 488	718 929
Exco Members	2 557 391	2 330 211
Speaker	731 888	724 981
Councillors	9 538 533	9 647 967
	14 458 959	**14 323 747**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

30. Remuneration of councillors (continued)

In-kind benefits

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

The Executive Committee Members are paid as part-time.

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

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

31. Depreciation and amortisation

Assets	24 874 381	21 470 505
Intangible assets	750 239	344 618
	25 624 620	**21 815 123**

32. Impairment of assets

Impairments		
Assets	2 144 561	48 527

33. Finance costs

Trade and other payables	-	80 000
Landfill site	630 676	(423 108)
Long service award	372 841	230 356
	1 003 517	**(112 752)**

34. Debt impairment

Debt impairment	(342 590)	35 953 184
Bad debts written off	10 880 631	1 150 287
	10 538 041	**37 103 471**

35. Inventory consumed

Consumables	39 706	525 582

36. Contracted services

Outsourced Services		
Administrative and Support Staff	1 995 900	50 265
Animal Care	724 405	509 757
Burial Services	1 048 362	734 068
Cleaning Services	926 369	739 680
Clearing and Grass Cutting Services	-	128 026
Refuse Removal	402 850	143 076
Consultants and Professional Services		
Business and Advisory	8 519 164	10 110 856
Infrastructure and Planning	3 421 454	1 398 582
Legal Cost	772 382	1 044 456

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

36. Contracted services (continued)

Contractors		
Artists and Performers	-	73 500
Catering Services	3 033 288	3 115 383
Electrical	881 274	3 763 668
Employee Wellness	221 165	790 871
Event Promoters	192 268	25 607
Maintenance of Buildings and Facilities	1 690 870	2 671 201
Maintenance of Equipment	6 017	95 665
Maintenance of Infrastructure	4 865 615	1 025 245
Traffic and Street Lights	-	57 870
Stage and Sound Crew	121 600	105 800
	28 822 983	**26 583 576**

Reclassification: Auditors remuneration is reclassified from general expenditure to contracted services

37. Transfers subsidies paid

Transfers and subsidies paid		
Bursaries (Non-Employee)	822 379	801 375
Transfer to District	60 233	468 731
Poverty Relief	23 363 273	15 635 209
	24 245 885	**16 905 315**

Bursaries (Non-Employee) reclassified from General expenditure

Indigent Relief reclassified to General expenses.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

38. General expenses

Accommodation cost	873 307	1 986 949
Achievements and Awards	-	28 300
Advertising, Publicity and Marketing	6 486 097	1 161 155
Bank charges	227 979	120 356
Bursaries Employees	-	138 627
Cleaning	-	360
Daily allowances	319 725	333 180
Drivers Licences & Permits	34 498	121 412
Electricity	2 917 875	2 976 440
Events	194 900	458 540
Expanded Public Works Participation	11 430 740	9 994 859
Fuel and oil	6 536 947	5 274 880
Hire	2 833 850	1 388 297
Toll Gate Fees	5 569	15 748
IT expenses	1 010 431	123 811
Incidental Costs	4 816	19 262
Indigent Relief	6 569 657	1 759 396
Insurance	1 168 347	718 032
Learnership and Internship	70 681	102 020
Postage and courier	2 504	22 501
Printing and stationery	3 018 955	2 531 675
Protective clothing	4 228 220	2 866 442
Radio & TV Transmissions	803 722	238 355
Remuneration for ward committees	3 456 000	3 506 879
Servitudes & Land Surveys	726 308	50 990
Signage	406 852	373 029
Skills Development Fund	900 051	759 721
Subscriptions and membership fees	1 383 487	1 104 289
Telephone and fax	7 315 961	5 541 721
Travel - local	4 474 957	5 437 052
Travel Agency and Visa's	1 833 897	1 920 900
Vehicle Tracking	258 297	303 897
	69 494 630	**51 379 075**

Reclassification: promotions and sponsorship reclassified to advertising

Reclassification: Auditors remuneration is reclassified to contracted services.

Bursaries (Non-Employee) reclassified to Transfers and subsidies paid.

Indigent Relief reclassified from Transfer and subsidies paid.

Other expenses was unbundled to other expenditure accounts:Vehicle Tracking , Servitudes & Land Surveys, Radio and TV transmissions, Toll gate fees, subscriptions and membership fees and Travel-local.

39. Loss on disposal of asset and liabilities

Loss on disposal of assets and liabilities	241 571	951 633

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

40. Cash generated from operations

Surplus	143 706 556	50 473 391
Adjustments for:		
Depreciation and amortisation	25 624 620	21 815 123
loss on disposal of assets	241 571	951 633
Actuarial losses	483 483	695 962
Impairment loss	2 144 561	48 527
Debt impairment	(342 590)	35 944 661
Bad debts written off	10 880 631	1 158 810
Movements in provisions	1 221 743	123 632
Public Donation	(85 437 548)	(18 146 061)
Changes in working capital:		
Inventories	(3 036 608)	(4 025 078)
Receivables from exchange transactions	(7 168 267)	(4 704 186)
Debt Impairment	(10 538 041)	(37 103 471)
Receivables from non-exchange transactions	(5 865 749)	4 793 629
Prepayments	(207 108)	(1 032 028)
Payables from exchange transactions	7 314 049	(2 406 817)
VAT	2 859 061	(7 329 964)
Consumer Deposit	126 097	12 651
Unspent conditional grants and receipts	1 182 996	(6 884 776)
	83 189 457	**34 385 638**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	67 783 866	30 969 764
• Operational expenditure- INEP	4 643 672	5 549 705
	72 427 538	**36 519 469**

Total capital commitments		
Already contracted for but not provided for	72 427 538	36 519 469

Authorised operational expenditure

Total commitments

Total commitments		
Authorised capital expenditure	72 427 538	36 519 469

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 655 392	-
- in second to fifth year inclusive	2 345 138	-
	4 000 530	**-**

The total future minimum sublease payment expected to be received under non-cancellable sublease	4 000 530	-

Operating lease payments represent rentals payable by the municipality for certain of its Photocopy machines . Leases are negotiated for an average term of 3 years and rentals are fixed for an average of three years.No annual escalations per agreement No contingent rent is payable.

Rental expenses relating to operating leases		
Monthly Rental payments	137 949	-

42. Contingencies

Matter	Name of Claimant	Progress of claim	2021 Possible liability	2020 Possible liability
Vat Services	Preson Investment (PTY) Ltd t/a Chain concept	Matter accordingly set down for trial on 4 and 5 November 2019	3 500 000	3 500 000
Labour dispute	John Fitzgerald Kuhlekonke khumalo	Awaiting a date from the Labour Court	150 000	150 000
Claims for damages to Vehicle arising from pothole	Victoria Makhosazana Zakaza	Matter stayed,will notify if any further action is taken	30 346	30 346
	-	-	**3 680 346**	**3 680 346**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

43. Related parties

Related party balances

Transactions with Key management		
Councillors	14 458 959	14 323 746
Municipal Manager and Section 56 Personnel	6 691 753	5 889 625

Remuneration of management

Executive committee members

Refer to note 29 Councillors Remuneration.

Councillors

Refer to note 29 "Remuneration of councillors"

Executive management

*Refer to note 28 on "Employee related costs"

44. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality’s income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

44. Risk management (continued)

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality’s reputation .

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met .

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

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 .

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transaction	35 007 695	-	-	-
Consumer Deposits	970 361	-	-	-

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transaction	27 663 640	-	-	-
Consumer Deposits	844 264	-	-	-

44. Risk management (continued)

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.

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents-The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with major institutions. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables-Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates rendered to them.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

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

Financial instrument	2021	2020
Receivables from exchange transactions	42 536 186	35 367 919
Receivables from non-exchange transaction	4 560 513	4 418 645
Prepayments	1 173 453	1 014 180
Cash and cash equivalents	66 713 515	39 948 225
Payables from exchange transaction	(34 920 889)	(27 663 640)
Consumer deposits	(970 361)	(844 264)

Market risk

Figures in Rand	2021	2020

44. Risk management (continued)

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows:

Financial Assets	Classification
Current investments	
30 day deposits	Financial Assets at amortised cost
Trade receivables from exchange transactions & non-exchange transactions	
Consumer debtors	Financial Assets at amortised cost
Other debtors	Financial Assets at amortised cost
Bank, Cash and Cash Equivalents	
Bank Balances Financial	Assets at amortised cost
Cash on hand	At fair Value

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale..

45. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 521 110 145 and that the municipality's total liabilities exceed its assets by R 521 110 145.

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.

46. Events after the reporting date

No events after reporting period were identified.

47. Unauthorised expenditure

	2021	2020
Opening balance as previously reported	140 184 851	99 059 517
Opening balance as restated	**140 184 851**	**99 059 517**
Add: Expenditure identified - current	24 286 001	41 125 334
Less: Financial year 2015/16 - authorised by council	(17 790 911)	-
Less: Financial year 2016/17- authorised by council	(37 697 458)	-
Less: Financial year 2017/18 - authorised by council	(29 237 102)	-
Less: Financial year 2018/19 - authorised by council	(14 334 046)	-
Less: Financial year 2019/20 - authorised by council	(41 125 334)	-
Less: Financial year 2020/2021 - authorised by council	(24 286 001)	-
Closing balance	**-**	**140 184 851**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

47. Unauthorised expenditure (continued)

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

Non-cash	6 321 834	26 913 897
Cash	17 964 167	14 211 437
	24 286 001	**41 125 334**

Analysed as follows: non-cash

Depreciation and amortisation	4 757 457	4 116 934
Loss on disposal of property, plant and equipment	241 570	951 633
Debt impairment	-	21 100 841
Impairment	335 807	48 527
Actuarial losses	483 483	695 962
Finance cost	503 517	-
	6 321 834	**26 913 897**

Analysed as follows: cash

Employee Related cost	11 531 537	3 740 588
Remuneration of Councillors	-	545 681
General expenditure	6 432 630	5 374 509
Inventory Consumed	-	525 581
Inventory	-	4 025 078
	17 964 167	**14 211 437**

48. Irregular expenditure

Opening balance as previously reported	439 834 640	436 943 948
Opening balance as restated	**439 834 640**	**436 943 948**
Add: Irregular Expenditure - current	12 286 705	1 846 054
Add: Irregular Expenditure - prior period	6 554 450	13 029 238
Add: Irregular expenditure splitting	19 796 477	10 042 665
Add: Reason for deviation not satisfactory	-	9 557 346
Add: No tax clearance certificate	-	175 150
Less: Amount written off - Current	-	(31 750 691)
Less: Amount Recovered	-	(9 070)
Add: Payroll- Security Guards with no finger prints	1 823 276	-
Closing balance	**480 295 548**	**439 834 640**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

48. Irregular expenditure (continued)

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

Cases under investigation

Non compliance with section 36	12 286 705	1 846 054
Payroll- Security Guards with no finger prints	1 823 276	-
Bid Committees not constituted correctly	6 554 450	13 029 238
No tax clearance certificate	-	175 150
Splitting of orders	19 796 477	10 042 665
Reason for deviation not satisfactory	-	9 557 346
	40 460 908	**34 650 453**

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 31 750 691 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

2019-20	-	31 750 691

49. Fruitless and wasteful expenditure

	2021	2020
Opening balance as previously reported	13 318 043	13 318 043
Opening balance as restated	**13 318 043**	**13 318 043**
Add: Expenditure identified - current	77 739	-
Closing balance	**13 395 782**	**13 318 043**

Fruitless and wasteful expenditure is to be investigated.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

50. 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.

Multiple items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviations		
Opening Balance	28 042 745	27 152 154
Current year	22 812 463	890 591
	50 855 208	**28 042 745**

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 014 186	2 063 361
Amount paid - current year	(1 014 186)	(2 063 361)
	-	-

Audit fees

Current year subscription / fee	2 153 977	2 647 444
Amount paid - current year	(2 153 977)	(2 647 444)
	-	-

PAYE and UIF

Opening balance	26 348	-
Current year subscription / fee	20 469 786	19 808 036
Amount paid - current year	(20 519 439)	(19 834 384)
	(23 305)	**(26 348)**

Medical Aid Deductions		
Current year subscription / fee	7 849 058	6 172 281
Amount paid - current year	(7 849 058)	(6 172 281)
	-	-

Pension

Opening balance	3 419	193 157
Current year subscription / fee	14 642 043	11 407 549
Amount paid - current year	(14 645 462)	(11 604 125)
	-	**(3 419)**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

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

VAT

VAT receivable	3 367 364	6 226 425

VAT output payables and VAT input receivables are shown in note 6.

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 R	Outstanding more than 90 days R	Total R
Councillor ML Mavundla	8 729	56 609	65 338
Councillor RH Gumede	3 553	13 428	16 981
	12 282	**70 037**	**82 319**

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor RH Gumede	2 046	9 587	11 633
Councillor ML Mavundla	5 124	44 636	49 760
Councillor SS Macwele	279	768	1 047
	7 449	**54 991**	**62 440**

59.Awards to close family members [SCM Regulation Number 45]

In terms of section 45 of the Municipal Supply Chain Management Regulations the municipality must disclose the particulars of any award of more than R2000 to a person who is a spouse , child or parent in the service of the state or has been in the service of the state in the previous 12 months .

Name- Capacity in which that person is in the service of the state		
CLLR RH GUMEDE- EXCO Member-Supply of Jojo Tanks	182 285	-
K S MBATHA- Fleet Management Officer- Supply of stationery	29 750	-
	212 035	**-**

52. Budget differences

Material differences between budget and actual amounts

52. Budget differences (continued)

REVENUE FROM EXCHANGE TRANSACTIONS

Service Charges-Customers were added to the Municipal customer base and this resulted in a higher than previously anticipated revenue

Rental of facilities and equipment-Ndumo rental Stock started operating in November 2020 adding to the rent that we were billing for the Thusong services centre.

Interest received (trading) -Interest was not budgeted for because of the policy direction that we are taking, for instance we are already having a council resolution stopping interest billing on government debt. We are also contemplating to obtain a council resolution to stop interest billing as a relief on businesses and residents due to the adverse impact of COVID-19 and community riots on the economy.

Licences and permits -Covid-19 has adversely impacted on this source of revenue as the traffic station was closed because of positive cases, for a couple of months during the financial year under audit. The public was not under pressure to apply for licences as regulations were eased because of covid-19 and people were permitted to use expired licences.

Recoveries -Recoveries were inadvertently not budgeted for as we were under the impression that cell phones were soft locked; however, because of technical challenges people could exceed limits and hence recoveries were effected from their salaries, especially councillors.

Other Income-The sale of tender documents among other negligible sources of income were higher than anticipated in the current year and by a certain extent a prudent approach in budgeting culminates in under-budgeting.

Interest on Investments- Covid-19 has culminated in a decline in interest on investments, from about 8% to 4%, hence a notable decline on interest on investments.

REVENUE FROM NON-EXCHANGE TRANSACTIONS

Property Rates-Appeals on special valuations of properties have caused a decline on billing as customers won the appeals.

Public Contributions and Donations- The Department of Arts and Culture has also handed over libraries to the Municipality.

EXPENDITURE

Personnel-Accrual on bonuses at R4.8 Million, leave pay provision charge at R2.8 Million, long service awards provision charge at R0.6 Million were not budgeted for. More than 60 new posts were filled and this resulted to an increase in the salary bill and company contributions such as pension. The notch progression at 2.4% has resulted in a further increase in the employee related costs. Disasters such E-LOUIS and Covid-19 have compelled the Municipality to engage workers on an overtime basis as employees had to attend to disaster-stricken families, hence an increase in overtime and standby allowances; albeit management's efforts to curb such expenditure.

Remuneration of Councilors-The budget incorporated the anticipated hike in the upper limits for councillors. No gazette to that effect was issued in the year under audit, hence actual is less than budget.

Depreciation and amortisation-New assets were acquired during the financial year and the budget did not incorporate such.

Impairment loss-Impairment loss was not budgeted for.

Finance Costs-The finance costs on Landfill site and long service awards were higher than anticipated.

Debt Impairment-Actual amount is higher than that of the budget as the budget was based on historical data. Gross debtors decreased in the current year resulting in provision for doubtful debts' proportionate decrease comparatively.

52. Budget differences (continued)

Inventory Consumed-The budget incorporated anticipated Covid-19 related expenditure on assets that we would later on hand over to the District, however we cancelled a big chunk of the anticipated expenditure.

Contracted Services-We are reducing our reliance on consultants and we are presently using the assistance of National Treasury who gave us human resource and skills transfer is underway in the Finance Department. VAT filing services were previously outsourced.

Transfers and Subsidies-Operation Sukuma sakhe underspent as expenditure focus diverted to Covid-19 related expenditure like indigent relief.

General Expenses-Expenditure such as advertising, expanded public works participation, fuel and oil, protective clothing, indigent relieve, promotions and sponsorship, telephone and fax have escalated because of Covid-19.

Actuarial loss-Actuarial loss was not budgeted for as it emanates from the assessment by actuaries at the end the of the year.

Inventories-The Municipality is in a process of transferring bore holes, water tank stands, a process that has protracted for longer than anticipated due to political instability at Umkhanyakude District Municipality; the intended recipient.

Receivables from exchange transaction-The huge variance of R42.2 Million is as a result of under-budgeting.

Receivables from non-exchange transactions-The allowance for credit losses was under-budgeted for.

VAT receivable-Was not budgeted for.

Prepayment-SALGA affiliation was paid in advance to take advantage of a discount which was made available on early payment, hence not budgeted for.

Cash and cash equivalents-Cash and cash equivalents as 30 June 2021, was a little less than budgeted due to among other things, the prepayment at R1.2 Million and March VAT refunds which were not yet paid as at 30 June 2021.

Investment in Property-Was not budgeted for, particularly Ndumo Rental Stock.

Property Plant and Equipment-MIG projects funds were diverted to Covid-19 expenditure and hence additions were less than budgeted.

Payables from Exchange transactions-Trade and other payables, retention, leave pay provision and surety were more than budgeted.

53. COVID Related Expenditure

	2021	2020
COVID Expenditure		
Chemical toilets	-	16 764
Personal protective equipment	-	1 686 107
Feeding of homeless /food distribution	-	619 570
Mayoral Slot	-	12 141
Overtime	-	32 048
Sanitization of office building	-	1 215 336
Tankering of water	4 894 780	5 778 106
Travel and subsistence	-	131 073
Employee Cost	782 725	-
Community and Awareness Campaign	188 284	-
	5 865 789	**9 491 145**

The municipality incurred COVID related expenditure of R9 491 145 for 2020 ,R 5 865 789 for 2021 . This expenditure was reported to Provincial Treasury timously as required by Provincial Treasury.

Notes to the Annual Financial Statements

53. COVID Related Expenditure (continued)

The expenditure disclosed above has been recorded correctly in each class of expenditure and this is additional disclosure to provide the users with additional information in terms of COVID expenditure.

54. Prior period errors

Property, plant and equipment

Ndumo Paving was adjusted as a result of a duplication in the prior year. The Duplication was subsequently adjusted in the fixed asset register. Assets previously write-off in the prior years have subsequently been found and a Reversal of the assets write off has been processed. Deprecation has also been adjusted for these assets.

Intangible Assets

Reversal of amortisation overstated in the prior year.

Receivables from non-exchange transactions

Council recommended interest write-off for government accounts in 2019/20 financial year. In the current year, an error was discovered in that interest on accounts for the department of Rural Development was not reversed. The reversal was processed in the prior year and resulted in the opening balance of receivables from Non-exchange decreasing by R582,048 in 2019/20 financial year.

Receivables from non-exchange transactions

Adjustment to property rates was made as these were billed incorrectly in the prior years.

Vat Receivable

Output Vat adjustment on adjustment to Refuse debtor as a result of Reversal of the revenue billed resulted in a decrease of R1,503 in service charges.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

54. Prior period errors (continued)

Payables from exchange transactions

Adjustment in other payables relating to payroll suspense accounts now updated

Consumer deposits

Unallocated deposits that had not been allocated in prior years have been identified and allocated to the correct accounts.

Service charges

In the current financial year, it was discovered that a debtor was erroneously charged for refuse collection in the prior year. Reversal of the revenue billed resulted in a decrease of R1,503 in service charges.

Other income

Unallocated deposits that had not been allocated in prior years have been identified and allocated to the correct accounts.

Property rates

Through supplementary Valuation objection process, an error was discovered in that the properties falling under protected area were billed for property rates. In the current year, these properties which were classified as Agriculture category have now be reclassified to Protected Area on the new Valuation Roll. Protected Areas are exempted from levying Property rates. Property rates billing for 2019/20 amounting to R63,634 had to be reversed resulting in decrease of property rates revenue.

Interest on Property rates

Through supplementary Valuation objection process, an error was discovered in that the properties falling under protected area were billed for property rates. In the current year, these properties which were classified as Agriculture category have now be reclassified to Protected Area on the new Valuation Roll. Protected Areas are exempted from levying Property rates. Interest Billing for 2019/20 amounting to R70,096 had to be reversed resulting in decrease of interest revenue for property rates.

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

Statement of financial position		
Assets	-	(131 300)
Intangible assets	-	191 418
Receivables from exchange transactions	-	1
Receivables from non-exchange transactions	-	(582 048)
VAT Receivable	-	49 262
Prepayments	-	17 848
Consumer deposits	-	407 089
Payables from exchange transactions	-	(357 200)
Opening Accumulated Surplus	-	(199 253)

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

54. Prior period errors (continued)

Statement of financial performance		
Service charges	-	(1 503)
Other income	-	375 780
Property rates	-	(63 634)
Interest on Property rates	-	(70 096)
Depreciation and amortisation	-	(30 379)
General expenses	-	49 156
Contracted services	-	(315 200)
Loss on disposal of assets	-	91 653
Surplus for the year	-	35 777

Property, plant and equipment		
Audited amount	-	317 630 374
Ndumo Paving Adjustment	-	(361 290)
Recognition of depreciation	-	(217 598)
Reversal of Asset write-off in 2018/19	-	221 688
	-	**317 273 174**

Receivables from exchange transactions		
Audited amount	-	35 367 918
Consumer debtors - refuse	-	(15 199)
Credit balances- Refuse	-	15 200
	-	**35 367 919**

VAT Receivable		
Audited amount	-	6 177 163
Output VAT on refuse	-	1 982
VAT input on payables	-	47 280
	-	**6 226 425**

Receivables from non-exchange transactions		
Audited amount	-	13 179 279
Consumer debtors- rates	-	(640 383)
Credit balances- Rates	-	58 336
	-	**12 597 232**

Consumer deposits		
Unallocated deposit Audited	-	1 251 353
Allocation of unallocated deposits	-	(407 089)
	-	**844 264**

Payables from exchange transactions		
Audited amount	-	27 512 115
Debtors with credit balances	-	73 535
Accrual raised	-	362 479
Other payables - misallocation	-	(284 489)
	-	**27 663 640**

Service charges		
Audited amount	-	3 780 638
Refuse reversal	-	(1 503)

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

54. Prior period errors (continued)

	-	**3 779 135**

Other income		
Audited amount	-	1 249 397
Refunds allocated	-	375 780
	-	**1 625 177**

Property rates		
Audited amount	-	28 026 857
Property rates reversal	-	(63 634)
	-	**27 963 223**

Interest on Property rates		
Audited amount	-	30 440 310
Interest reversal	-	(70 096)
	-	**30 370 214**

Depreciation and amortisation		
Audited amount	-	21 856 357
Correction of prior year error - Recognition of depreciation	-	(385 851)
	-	**21 470 506**

General expenses		
Audited amount	-	53 093 253
Reclassification	-	(1 665 022)
Audit fees	-	(49 156)
	-	**51 379 075**

Loss on disposal of assets		
Audited amount	-	951 633

Prepayments		
Audited amount	-	1 014 180
Prepayment of Vodacom	-	17 848
	-	**1 032 028**

Intangible assets		
Audited amount	-	602 942
Reversal of Accumulated Amortisation 18/19	-	138 394
Reversal of overstated Amortisation 19/20	-	53 025
	-	**794 361**

55. Prior-year adjustments

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

Statement of financial position

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

55. Prior-year adjustments (continued)

2020

	Note	As previously reported	Correction of error	Restated
Property plant and equipent	10	317 630 374	(131 300)	317 499 074
Receivables from non-exchange transaction	5	13 179 279	(582 047)	12 597 232
Intangible assets	11	602 942	191 418	794 360
Receivables from exchange transaction	4	35 367 918	1	35 367 919
Prepayment	7	1 014 180	17 849	1 032 029
VAT Receivables	6	6 177 163	49 262	6 226 425
Consumer deposit	13	(1 251 353)	407 089	(844 264)
Payables from exchange transactions	12	(27 512 115)	(151 525)	(27 663 640)
Opening accmulated surplus or deficit		(377 858 853)	199 253	(377 659 600)
		(32 650 465)	**-**	**(32 650 465)**

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	16	3 780 638	(1 503)	-	3 779 135
Other income	21	1 249 397	375 780	-	1 625 177
Property rates	23	28 026 857	(63 634)	-	27 963 223
Interest on property rates	25	30 440 310	(70 096)	-	30 370 214
Contracted services	36	(23 645 333)	(315 200)	(2 623 043)	(26 583 576)
Transfers and subsidies	37	(17 863 336)	-	958 021	(16 905 315)
Depreciation and amortisation	31	(21 856 357)	(30 379)	-	(21 886 736)
General expenses	38	(53 093 253)	49 156	1 665 022	(51 379 075)
Loss on disposal	39	(951 633)	91 653	-	(859 980)
Surplus for the year		**(53 912 710)**	**35 777**	**-**	**(53 876 933)**

Reclassifications

Certain comparative figures have been reclassified.

The effects of the reclassification are as follow.

Contracted services

		-
Reclassified Audit Fees from General expenses to contracted services	R 2 647 443	

General Expenditure

		-
Reclassified Indigent Relief from transfers and subsidies to General expenditure	R 1 759 396	-
Reclassified Audit Fees from General expenses to contracted services	R 2 647 443	-
Reclassified Bursary- non employees from General expenses to contracted services	R 801 375	

Transfers and subsidies

		-	
Reclassified Indigent Relief from transfers and subsidies to General expenditure	R 1 759 396		-
Reclassified Bursary- non employees from General expenses to contracted services	R 801 375		

56. Change in estimate

Assets

Asset Class	Depreciation previously reported	Revised depreciation	Impact on future periods
Furniture and Fixtures	967 779	(825 871)	141 908
IT Equipment	1 097 464	(790 370)	307 094
Motor Vehicles	1 334 014	(1 112 902)	221 112
Plant and Machinery	1 004 512	(1 002 951)	1 561
Infrastructure	8 034 032	(8 033 689)	343
Intangible assets	114 578	(61 553)	53 025
	12 552 379	**(11 827 336)**	**725 043**

The municipality has reassessed the useful lives of property, plant and equipment which resulted in certain asset's remaining useful lives to change from 5 to 7 years on average. These usefull lives has been re-assessed in line with GRAP 17 para 56 & 57 requirements as the condition of the assets had improved or declined based on assessments undertaken during the reporting period and others were approaching the end of their previously expected useful life. The effect of the change in accounting estimate has resulted in an increase in depreciation amounting to R 672 018 for the current period. The impact of increase and decrease in each class is indicated in the table below. The municipality will also continue to re-assess useful lives of these useful lives at the end of each accounting period.

The municipality reassessed the useful lives of Intangible assets which resulted in certain asset's remaining useful lives to change from 5 to 9 years on average.The effect of the change in accounting estimate has resulted in an increase in depreciation amounting to R 53 025 for the current period.

57. Accounting by principals and agents

Details of the arrangement are as follows:

The Municipality is party to an arrangement with the Department of Energy in respect to the funding and implementation of the Integrated National Electrification Programme over the period Current year 1 April 2020 to 31 March 2021 and prior year 1 April 2019 to 31 March 2020.

The Municipality is party to an arrangement with the Department of Human Settlement for the provision of temporary shelter assistance to households affected by disasters.The disaster incidents occurred in October 2019

57. Accounting by principals and agents (continued)

Entity as agent

Integrated National Electrification Programme

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements The Department of Energy has allocated a budget for the capital requirements of the Integrated National Electrification Programme, for transfer to the relevant municipalities in order to meet the target on electrification backlogs in the targeted communities.

The Department upon receipt of the funds allocated from the National Treasury as contained in DoRA, transferred the funds to the Municipality which amount shall not exceed current year R10 000 000 and Prior year R5 000 000.The funds will only be transferred once the Municipality has furnished the Department with an approved Project list, which accords with the cash flow schedules as contemplated in this Agreement.

Exercise control over the original documentation, by keeping proper records of all the documents which are to be retained for audit purposes. All process shall be in accordance With MFMA and/or PFMA; Take all reasonable steps necessary, to ensure the program is implemented effectively and efficiently Retain any income accruing from any customers connected to the electricity.

Ensure that the Programme is executed in line with the approved INEP policies and guidelines, The Parties acknowledge that the INEP policies and guidelines are bulky and therefore will not be attached to this Agreement as an annexure; but record their intention to be bound to the INEP policies and guidelines, as amended from time to time; Ensure that houses are already built and occupied before electrification project can commence, where houses are not in existence or unoccupied the Department will not be liable for theft and vandalism of the electrification.

Emergency Housing Grant

The purpose of the Municipal Emergency Housing Grant Framework is to 'provide funding to municipalities for the provision of temporary shelter assistance to households affected by disasters.

The Department of Human Settlements has processed the application and concluded as follows:

Approve the or the provision of 275 temporary shelters at a cost of R 64 441 per unit amounting to R17 721 275 which should be in accordance with the National Housing Code prescripts

The Department will engage National Treasury to request disbursement of the first tranche of the said funds amounting to R10 632 765.00 for 165 temporary shelters (approximately 60% of the total number). Once the funds are disbursed, you are required to invoke your emergency procurement procedures in undertaking this project as required by the Division of Revenue Act. The second tranche of the balance will be transferred once the expenditure on the first tranche reaches

Liabilities and corresponding rights of reimbursement recognised as assets

An amount of 1,581,940 was unspent relating to amounts received from National Treasury for Integrated National Electrification Programme allocated by The Department of Energy.

No Liabilities incurred on behalf of the principal(s) that have been recognised by the Municipality.
No Corresponding rights of reimbursement that have been recognised as assets.