Greater Giyani Municipality
Audited Annual Financial Statements
for the year ended 30 June 2021

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Greater Giyani Municipality is a municipality performing functions set out in the Constitution (Act 108 of 1996). Providing services to the community as covered in the jurisdiction.
Mayoral committee	
Mayor	Cllr Shibambu Basani Agnes
Speaker	Cllr Hlungwani Mafemani Patrick
Chief Whip	Cllr Mashale Masenyani Richard
Exco Member	Cllr Ndaba Khensani Harmony Pretty (Corporate and Shared Services)
Exco Member	Cllr Manganyi Khazamula Abraham (Finance)
Exco Member	Cllr Baloyi Tintswalo Elizabeth (Infrastructure)
Exco Member	Cllr Mabulana Peter Sello (Office of the Mayor)
Exco Member	Cllr Mboweni Agrey Ernest (Health and Social Development)
Exco Member	Cllr Mthombeni Africa Mavhayisi (Water Sanitation and Energy)
Exco Member	Cllr Mabunda Elisa Nkhensani (Planning and LED)
Exco Member	Cllr Makhubele Hlupheka Winnie (Sports Arts and Recreation)
Exco Member	Cllr Mathebula Sasavona Salva (Public Roads and Transport)
MPAC Chairperson	Cllr Mabasa Rhulani Oral
	Cllr Baloyi Douglas Emmanuel
	Cllr Mthombeni Mchacha William
	Cllr Makhubele Sophie
	Cllr Malungana Elia
	Cllr Makhubele Thankyou Mbhizo
	Cllr Valoyi Xavelela Judith
	Cllr Hlungwana Trompies Steven
	Cllr Kubayi Sevha Solomon
	Cllr Kobane Gezani Eric
	Cllr Mthombeni Tsakani Noria (Deceased)
	Cllr Ndlovu Tiyani Lawrance
	Cllr Mokoseni Fumani Clarence
	Cllr Mokgobi Phillip Thomane
	Cllr Masenyani Adolph
	Cllr Chauke Mukhacani Juring
	Cllr Mhlongo Mashau Calvin
	Cllr Mthombeni Amukelani Florah
	Cllr Khosa Jabulani Samuel
	Cllr Mahlawule Soyaphi Calvin
	Cllr Manganyi Tintswalo Constance
	Cllr Rikhotso Hlayiseka Roger
	Cllr Mashele Basani Ivy
	Cllr Gaveni Bridget
	Cllr Ngobeni Risimati Edward
	Cllr Rikhotso Risimati Christopher
	Cllr Khosa Ringeta Sally
	Cllr Maluleke Noel
	Cllr Mkansi Xigiya Ben
	Cllr Mthombeni Sizeka George
	Cllr Mashimbye Dzuni Calvin

General Information

	Cllr Shivuri Daison Tinyiko Cllr Makhubele Masenyani Jackson Cllr Zitha Thandazo Christinah Cllr Shimange Fazi Mikateko Irene Cllr Khadlhela Nomsa Rachel Cllr Zitha Thandi Cllr Baloyi Nyiko Nyumisani Cllr Siweya Cynthia Masingita Cllr Maluleka Tinyiko Rose Cllr Sekgobela Reginah Ntsako Cllr Chaka Thomas Patrick Cllr Madzunye Nhlamulo Mavis Cllr Hlungwani Mabandla Patrick (Resigned) Cllr Shivambu Hasani Richard Cllr Zitha Nyiko Johannah Cllr Mazivuko Patrick Cllr Nkuna Soyaphi Robert Cllr Mathevula Mthakathi Prince Cllr Makamu Mafakhale Alpheus
Grading of local authority	3
Accounting Officer	M M Chauke
Chief Finance Officer (CFO)	D Mhangwana
Business address	BA 59 Civic Centre Giyani CBD 0826
Postal address	Private Bag X9559 Giyani 0826
Bankers	ABSA Giyani Branch
Auditors	Auditor General South Africa (AGSA)
Level of assurance	These audited annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The annual financial statements were compiled by: D Mhangwana-Chief Financial Officer

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

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AC	Audit Committee
AGSA	Auditor General of South Africa
AO	Accounting Officer
ASB	Accounting Standards Board
CFO	Chief Financial Officer
COIDA	Compensation for Occupational Injuries and Diseases Act
COVID-19	Coronavirus 2019
CPI	Consumer Price Index
EPWP	Expanded Public Works Program
FMG	Finance Management Grant
GRAP	Financial Management Grant
IAS	International Accounting Standards
IASB	International Accounting Standard Board
INEG	Integrated National Electrification Grant
IT	Information Technology
LGSETA	Local Goverment Sector Education and Training Authority
LSA	Long Service Awards
MDRG	Municipal Disaster Relief Grant
MFMA	Municipal Finance Management Act
MSCOA	Municipal Standards Charts Of Accounts
MIG	Municipal Infrastructure Grant
PAYE	Pay As You Earn
PEMA	Post Employment Medical Aid
SDL	Skills Development Levy
SME	Small Medium Enterprise
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

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 audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited 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 audited annual financial statements and was given unrestricted access to all financial records and related data.

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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

The audited annual financial statements set out on page 9 - 95, 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:

M. M. Chauke
Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2021.

Audit committee members and number of meetings attended

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

Audit committee responsibility

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

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

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the audited annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

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

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the accounting officer of the municipality during the year under review. It was however noted that…………………………… (e.g. suspense accounts were not cleared on a monthly basis).

Evaluation of audited annual financial statements

The audit committee has:

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

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

Internal audit

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

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Audit Committee Report

Date: ________________________________

Report of the Auditor General

To the Provincial Legislature of Greater Giyani Municipality

Auditor General South Africa (AGSA)

31 August 2021

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2021.

1. Review of activities

Main business and operations

The municipality is engaged in greater giyani municipality is a municipality performing functions set out in the constitution (act 108 of 1996). providing services to the community as covered in the jurisdiction. and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached audited annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of 1 185 506 899 and that the municipality's total assets exceed its liabilities by 1 185 506 899.

The audited 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.

3. Subsequent events

During and post financial year the municipality experienced a number of Covid-19 cases and offices were closed for 16 combined number of days post financial year, this has an impact on the operation of the municipality taking into account that different Covid-19 levels necessitated that the municipality operates on a rotational basis based on the approved Covid-19 approved operational plan.

The Municipality had a contractual relationship with Eternity Star Investment 231CC in 2019 for the construction of new landfill site for an amount of R 8 140 279. The matter ended up in court mainly due to poor workmanship and the service provider concedes. On the 5th September 2021 the Municipality was notified by its bank ABSA that they have received a warrant of execution from the Sheriff of the court to attach an amount of R 10 931 266, 27 (capital and interest) which came as a surprise to management since according to records the municipality has through its attorneys of record filed a notice to apply for the judgment to be rescinded. The municipality is awaiting the hearing of the application for leave to appeal the dismissal of its application to stay the writ of execution as well as the application for the rescission of the default judgement on 05-10-2022 at the Polokwane Division of the High Court.

Council approved the motivation to pay performance bonus to senior managers for the 2019/20 financial year with the Municipal Manager being paid the maximum of 14% for performance bonus and Director Corporate Services paid a maximum of 9% performance bonus respectively per Council Resolution No. CR02-30/08/21 SP. Subsequently an amount of R177 389 and R93 629 were paid to the Municipal Manager and Director Corporate Services respectively during the month of September 2021 as part of annual performance bonus.

The Local Government elections took place on the 1st of November 2021, and subsequently Greater Giyani Municipality appointed a new Council on the 22nd November 2021 with the new Mayor, Speaker, MPAC Chairperson, Chief Whip and members of Executive Committee.

4. Accounting Officer

The accounting officer for the municipality during the year under reveiw was:

Chauke M M

5. Impact of COVID-19 on Municipal operations

The Covid-19 pandemic had a negative impact on the operations of the municipality, due to this the anticipated revenue of the municipality was not achieved as the pandemic had a negative economic outlook leading to several customer’s unable to fulfil their obligations on the payment of accounts, including businesses. Due to the pandemic, the Municipality was also expected to carry out additional activities including frequent refuse removal, extra-ordinary cleaning of public facilities, monitoring of social gatherings, environmental health inspection etc.

Accounting Officer's Report

6. COVID 19 relief

The Municipality received an additional funds for an amount of R 62 275 000.00 on the original allocated budget of R369 568 000.00 on the Equitable Share as a relief due to Covid-19. Due to loss of revenue the funds have been used to cover expenses that would have been used on the normal course of operations.

7. Auditors

Auditor General South Africa (AGSA) will continue in office for the next financial period.

The audited annual financial statements set out on page 9, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on by:

M. M. Chauke
Municipal Manager

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	9	33 870 103	33 831 942
Receivables from exchange transactions	10	42 431 293	31 189 202
Receivables from non-exchange transactions	11	81 421 463	63 967 744
VAT receivable	12	16 131 014	9 741 521
Other receivables from exchange transactions	13	25 001 738	19 179 566
Cash and cash equivalents	14	179 411 408	91 521 068
		378 267 019	**249 431 043**
Non-Current Assets			
Investment property	3	25 935 570	26 026 364
Property, plant and equipment	4	964 026 837	910 090 688
Intangible assets	5	946 658	593 894
Heritage assets	6	206 303	206 303
		991 115 368	**936 917 249**
Total Assets		**1 369 382 387**	**1 186 348 292**
Liabilities			
Current Liabilities			
Finance lease obligation	15	-	480 166
Payables from exchange transactions	19	102 455 112	102 002 087
Employee benefit obligation	8	623 000	669 000
Unspent conditional grants and receipts	16	-	-
Rehabilitation of dumping-site	18	3 877 099	3 909 429
Deferred income	17	19 769 358	-
		126 724 569	**107 060 682**
Non-Current Liabilities			
Employee benefit obligation	8	22 023 000	19 186 000
Rehabilitation of dumping-site	18	35 127 919	37 024 088
		57 150 919	**56 210 088**
Total Liabilities		**183 875 488**	**163 270 770**
Net Assets		**1 185 506 899**	**1 023 077 522**
Accumulated surplus		1 185 506 899	1 023 077 522
Total Net Assets		**1 185 506 899**	**1 023 077 522**

* See Note 52

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	8 388 020	6 551 493
Rental of facilities and equipment	22	965 172	1 009 753
Interest received - overdue accounts (other services)	23	2 465 564	6 870 300
Agency services	24	1 797 113	1 112 284
Licences and permits	26	5 762 344	4 214 374
Gain on forfeited liability		-	494 849
Actuarial gains	25	137 000	7 685 612
Other income	28	2 504 570	1 552 758
Interest received - investment	29	5 845 631	5 992 728
Total revenue from exchange transactions		**27 865 414**	**35 484 151**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	71 229 310	57 212 189
Traffic fines	31	1 625 605	6 895 687
Interest - overdue accounts (property rates)	32	22 333 782	12 823 455
Transfer revenue			
Government grants & subsidies	33	458 488 580	368 864 296
Donations received	34	6 038 305	-
Total revenue from non-exchange transactions		**559 715 582**	**445 795 627**
Total revenue	20	**587 580 996**	**481 279 778**
Expenditure			
Employee related costs	35	(153 333 870)	(141 089 802)
Remuneration of councilors	36	(23 738 556)	(23 718 342)
Depreciation and amortisation	37	(90 353 857)	(85 915 292)
Impairments loss	38	(6 298 942)	(3 982 897)
Finance costs	39	(3 941 143)	(1 855 934)
Lease rentals on operating lease	27	(1 412 436)	(1 721 422)
Debt impairment	40	(45 382 706)	(35 995 375)
Loss on assets written off	4	(7 393 461)	(4 374 289)
Contracted services	42	(36 400 409)	(51 462 608)
Transfers and Subsidies	43	(955 000)	(600 000)
Actuarial gains and losses	8	(208 000)	-
Obsolete inventory written off	41	(5 799)	(27 174)
Repairs and maitenance	44	(5 516 108)	(4 649 859)
General expenses	45	(50 211 334)	(42 016 096)
Total expenditure		**(425 151 621)**	**(397 409 090)**
Surplus for the year		**162 429 375**	**83 870 688**

* See Note 52

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	941 688 782	941 688 782
Adjustments		
Prior year adjustments	(2 481 948)	(2 481 948)
Balance at 01 July 2019 as restated*	**939 206 834**	**939 206 834**
Changes in net assets		
Surplus for the year	83 870 688	83 870 688
Total changes	83 870 688	83 870 688
Balance at 01 July 2020 as restated*	**1 023 077 524**	**1 023 077 524**
Changes in net assets		
Surplus for the year	162 429 375	162 429 375
Total changes	162 429 375	162 429 375
Balance at 30 June 2021	**1 185 506 899**	**1 185 506 899**

Note(s)

* See Note 52

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		36 954 057	13 583 914
Grants and subsidies		458 488 580	365 902 765
Interest income		5 845 631	5 992 728
		501 288 268	385 479 407
Payments			
Employee costs		(171 185 113)	(159 918 446)
Suppliers		(74 753 618)	(30 706 119)
Finance costs		(31 715)	(174 897)
		(245 970 446)	(190 799 462)
Net cash flows from operating activities	47	**255 317 822**	**194 679 945**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(164 686 530)	(140 949 738)
Purchase of other intangible assets	5	(2 260 786)	(2 098 709)
Net cash flows from investing activities		**(166 947 316)**	**(143 048 447)**
Cash flows from financing activities			
Finance lease payments		(480 166)	(706 994)
Net increase in cash and cash equivalents		**87 890 340**	**50 924 504**
Cash and cash equivalents at the beginning of the year		91 521 068	40 596 564
Cash and cash equivalents at the end of the year	14	**179 411 408**	**91 521 068**

* See 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
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	5 920 890	651 828	**6 572 718**	8 388 020	**1 815 302**	**A & P**
Rental of facilities and equipment	859 896	(195 859)	**664 037**	965 172	**301 135**	**B & Q**
Interest received (overdue accounts) other services	20 663 439	-	**20 663 439**	2 465 564	**(18 197 875)**	**C**
Agency services	-	-	**-**	1 797 113	**1 797 113**	**D**
Licences and permits	14 218 080	(7 554 152)	**6 663 928**	5 762 344	**(901 584)**	**E & R**
Acturial gains	-	-	**-**	137 000	**137 000**	**F**
Other income	22 593 364	9 388 934	**31 982 298**	2 504 570	**(29 477 728)**	**G & S**
Interest received - investment	8 557 619	(1 657 619)	**6 900 000**	5 845 631	**(1 054 369)**	**T**
Total revenue from exchange transactions	**72 813 288**	**633 132**	**73 446 420**	**27 865 414**	**(45 581 006)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	77 548 000	(6 729 023)	**70 818 977**	71 229 310	**410 333**	
Traffic fines	2 108 490	(498 000)	**1 610 490**	1 625 605	**15 115**	**U**
Interest received (overdue accounts) property rates	-	-	**-**	22 333 782	**22 333 782**	**C**
Transfer revenue						
Government grants & subsidies	447 287 000	11 281 000	**458 568 000**	458 488 580	**(79 420)**	
Public contributions and donations	-	-	**-**	6 038 305	**6 038 305**	
Total revenue from non-exchange transactions	**526 943 490**	**4 053 977**	**530 997 467**	**559 715 582**	**28 718 115**	
Total revenue	**599 756 778**	**4 687 109**	**604 443 887**	**587 580 996**	**(16 862 891)**	
Expenditure						
Employee related costs	(173 677 590)	18 471 087	**(155 206 503)**	(153 333 870)	**1 872 633**	**V**
Remuneration of councilors	(25 022 989)	1 355 132	**(23 667 857)**	(23 738 556)	**(70 699)**	
Depreciation and amortisation	(68 000 000)	-	**(68 000 000)**	(90 353 857)	**(22 353 857)**	**H**
Impairment loss	-	-	**-**	(6 298 942)	**(6 298 942)**	**I**
Finance costs	-	-	**-**	(3 941 143)	**(3 941 143)**	**J**
Lease rentals on operating lease	(2 800 000)	-	**(2 800 000)**	(1 412 436)	**1 387 564**	**K**
Debt Impairment	(34 300 000)	-	**(34 300 000)**	(45 382 706)	**(11 082 706)**	**L**
Contracted Services	(59 468 941)	(17 782 793)	**(77 251 734)**	(36 400 409)	**40 851 325**	**M**
Transfers and Subsidies	(960 000)	-	**(960 000)**	(955 000)	**5 000**	
Actuarial loss	-	-	**-**	(208 000)	**(208 000)**	**N**
General Expenses	(54 509 218)	3 974 141	**(50 535 077)**	(50 211 334)	**323 743**	
Repairs and maintenance	(39 380 000)	(13 725 198)	**(53 105 198)**	(5 516 108)	**47 589 090**	**O & W**
Obsolete inventory written off	-	-	**-**	(5 799)	**(5 799)**	
Loss on assets written off	-	-	**-**	(7 393 461)	**(7 393 461)**	
Total expenditure	**(458 118 738)**	**(7 707 631)**	**(465 826 369)**	**(425 151 621)**	**40 674 748**	

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
Surplus before taxation	**141 638 040**	**(3 020 522)**	**138 617 518**	**162 429 375**	**23 811 857**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**141 638 040**	**(3 020 522)**	**138 617 518**	**162 429 375**	**23 811 857**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	2 381 988	-	**2 381 988**	33 870 103	**31 488 115**	
Receivables from exchange transactions	-	-	**-**	42 431 293	**42 431 293**	
Receivables from non-exchange transactions	-	-	**-**	81 421 463	**81 421 463**	
VAT receivable	-	-	**-**	16 131 014	**16 131 014**	
Other receivable from exchange transactions	71 245 433	-	**71 245 433**	25 001 738	**(46 243 695)**	
Cash and cash equivalents	151 589 470	3 593 855	**155 183 325**	179 411 408	**24 228 083**	
	225 216 891	**3 593 855**	**228 810 746**	**378 267 019**	**149 456 273**	
Non-Current Assets						
Investment property	20 675 400	-	**20 675 400**	25 935 570	**5 260 170**	
Property, plant and equipment	1 188 008 455	(10 031 456)	**1 177 976 999**	964 026 837	**(213 950 162)**	
Intangible assets	2 412 646	(1 270 000)	**1 142 646**	946 658	**(195 988)**	
Heritage assets	210 429	-	**210 429**	206 303	**(4 126)**	
	1 211 306 930	**(11 301 456)**	**1 200 005 474**	**991 115 368**	**(208 890 106)**	
Total Assets	**1 436 523 821**	**(7 707 601)**	**1 428 816 220**	**1 369 382 387**	**(59 433 833)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	-	(363 526 339)	**(363 526 339)**	102 455 117	**465 981 456**	
Employee benefit obligation	-	-	**-**	623 000	**623 000**	
Rehabilitation of dumping-site	1 048 599	(1 048 599)	**-**	3 877 099	**3 877 099**	
Deferred income	-	-	**-**	19 769 358	**19 769 358**	
	1 048 599	**(364 574 938)**	**(363 526 339)**	**126 724 574**	**490 250 913**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	22 023 000	**22 023 000**	
Rehabilitation of dumping-site	36 374 551	-	**36 374 551**	35 127 919	**(1 246 632)**	
	36 374 551	**-**	**36 374 551**	**57 150 919**	**20 776 368**	
Total Liabilities	**37 423 150**	**(364 574 938)**	**(327 151 788)**	**183 875 493**	**511 027 281**	
Net Assets	**1 399 100 671**	**356 867 337**	**1 755 968 008**	**1 185 506 894**	**(570 461 114)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 399 100 671	356 867 337	**1 755 968 008**	1 185 506 894	**(570 461 114)**	

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
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash Receipts from customers	89 017 540	-	**89 017 540**	36 954 057	**(52 063 483)**	
Grants	447 287 000	11 281 000	**458 568 000**	458 488 580	**(79 420)**	
Interest income	29 221 053	-	**29 221 053**	5 845 631	**(23 375 422)**	
	565 525 593	**11 281 000**	**576 806 593**	**501 288 268**	**(75 518 325)**	
Payments						
Employee costs	(173 677 590)	18 471 087	**(155 206 503)**	(171 185 113)	**(15 978 610)**	
Suppliers	(182 140 788)	(26 179 048)	**(208 319 836)**	(74 753 620)	**133 566 216**	
Finance costs	-	-	**-**	(31 714)	**(31 714)**	
	(355 818 378)	**(7 707 961)**	**(363 526 339)**	**(245 970 447)**	**117 555 892**	
Net cash flows from operating activities	**209 707 215**	**3 573 039**	**213 280 254**	**255 317 821**	**42 037 567**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(138 638 004)	20 456	**(138 617 548)**	(164 686 530)	**(26 068 982)**	
Purchase of other intangible assets	-	-	**-**	(2 260 786)	**(2 260 786)**	
Net cash flows from investing activities	**(138 638 004)**	**20 456**	**(138 617 548)**	**(166 947 316)**	**(28 329 768)**	
Cash flows from financing activities						
Repayment of other financial liabilities	-	-	**-**	(480 166)	**(480 166)**	
Net increase/(decrease) in cash and cash equivalents	71 069 211	3 593 495	**74 662 706**	87 890 339	**13 227 633**	
Cash and cash equivalents at the beginning of the year	91 626 268	-	**91 626 268**	91 521 068	**(105 200)**	
Cash and cash equivalents at the end of the year	**162 695 479**	**3 593 495**	**166 288 974**	**179 411 407**	**13 122 433**	

Reconciliation	**Operating Acticities**	**Financing Activities**	**Investing Activities**	**Column heading**	**Total**
Actual amounts on comparable basis as presented in the budget and actual comparative statement	259 262 929	(170 892 426)	(480 166)	-	87 890 337
Actual amount as per cash flow statement	255 317 822	(166 947 316)	(480 166)	-	87 890 340
	3 945 107	3 945 110	-	-	(3)

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

EXPLANATION OF DIFFERENCES BETWEEN FINAL BUDGET AND ACTUAL AMOUNTS

A. Sevices charges

Adjusted budget was based on the six (6) months billing trends and the municipality subsequently performed a reconciliation of refuse removal where corrective adjustments were processed which in turn increased refuse removal billing.

B. Rental of facilities and equipment

Adjusted budget was based on the six (6) months billing trends and the municipality subsequently performed a reconciliation of properties rental where corrective adjustments were processed which in turn increased refuse removal billing.

C. Interest on overdue accounts

Impact of revenue collection due to COVID-19 pandemic resulted in an increased debtor's book and increase the interest on outstanding debtors

D. Income from agency services

The municipality had not budget for agency income in the final approved budget.

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

Recognition of agency income was calculated and disclosed at year end in the Annual Financial Statements.

E. Licences and permits

This was due to COVID-19 impact because the traffzxzic station was not operating the whole of January 2021 and would also close as and when there are COVID-19 cases reported.

F. Actuarial gains

The actuarial gain is attributable to membership changes arising primarily due to the exit of several in-service members aged 59 or older, none of whom continued with the medical aid subsidy.

G. Other income

The budget for other income includes sale of stands which was not recognised as revenue at year end and is awaiting registration process at deeds office, for now they are recognised as inventory.

H. Depreciation

There were new assets additions for movable or infrastruture assets during the financial year, therefore more depreciation was calculated.

I. Impairment loss

Impairment loss was incurred due to the decrease in the value of damaged assets and assets which their life span has reduced drastically.

J. Finance costs

Finance costs were incurred due to cost, interest and other charges involved during the rental of photocopies,radiophones and computers.

K.Rentals on operating lease

The municpality has terminated the rental of Limdev offices in the current financial year.

L. Debt impairment

The municipality debt book has increased due to slow revenue collection which in turns increased the provision for debt impairment.

M.Contracted Services

All electrification projects that were not completed at year end were transferred to WIP, whereas the budget was under contracted services.

N. Actuarial loss
Actuarial loss on LSA is due to earnings increases higher than estimated or assumptions discount rate of 9.27% as compared to 7.29% in 2020, general inflation rate of 5.79% as compared to 3.94% in 2020 and net discount rate of 3.29% as compared to 3.22% in 2020). The changes to employees profile different to previously assumed also had an impact

O. Repairs and maintenance

Some of the maintenance projects were capital in nature and were capitalized at year-end, whereas they were budgeted under repairs and maintenance.

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

EXPLANATION OF DIFFERENCES BETWEEN APPROVED BUDGET AND FINAL ADJUSTED BUDGET

P. Services Charges

The reconciliation of all services was performed, corrective adjustments were processed which in turn increased refuse removal budget.

Q. Rental of facilities

This is due to the impact of covid 19 pandemic since gatherings were no longer allowed.

R. Licence and permits

This was due to covid 19 impact because the traffic station was closed as and when there are cases

S. Other Income

The collection for sale of stands was higher for the first six months of the financial and projected to sell more by the end of June 2021.

T. Interest received – Investment

The budget was decreased during the adjustment budget because of the actuals interest received from July to December 2020.

U. Traffic fines
The municipality did not have an appointed Law Enforcement Agency in the period under review as compared to the prior financial years. The reduction of the traffic fine budget was as the result of that.

V. Employee Related Costs

The municipality did not have an appointed Law Enforcement Agency in the period under review as compared to the prior financial years. The reduction of the traffic fine budget was as the result of that.

W. Repairs and Maintenance

The budget was increased due to the need by the community to maintain roads after the heavy rains of January 2021.

The accounting policies on pages 22 to 45 and the notes on pages 46 to 95 form an integral part of the audited annual financial statements.

Accounting Policies

Figures in Rand	Note(s)	2021	2020

1. Presentation of Audited Annual Financial Statements

The audited 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 audited 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 audited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited 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 audited annual financial statements. Significant judgements include:

Trade receivables

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

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

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.

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 were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

1.5 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.

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

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

The useful lives of items of investment property has been assessed as follows:

Straight line method	30 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.

1.6 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 years
Plant and machinery	Straight-line	
• Graders		5-15 years
• Tractors		5-15 years
• Lawn mowers		5-15 years
• Compressors		5-15 years
• Radio equipment		5-15 years
• Tippers		15 years
Furniture and fixtures	Straight-line	
• Chairs		5-10 years
• Tables and desks		5-10 years
• Cabinets and cupboards		5-10years
Motor vehicles	Straight-line	
• Truck and light delivery vehicles		5-7 years
• Ordinary motor vehicles		3-20 yeras
Office equipment	Straight-line	
• Office machines		3-5 years
• Air conditioners		5-8 years
IT equipment	Straight-line	
• Computer hardware		3-9 years
Community	Straight-line	
• Cemeteries		25-30 years
• Community halls		25-30 years
• Libraries		25-30 years
• Parks		30 years
• Sports and related stadiums		25-30 years
• Tennis courts		10-30 years
• Golf courses		10-30 years
• Outdoor sports facilities		10-30 years
• Flood lighting		10-30 years
Roads and road furniture	Straight-line	
• Other roads		10 years
• Traffic islands		15 years
• Traffic lights		20 years

1.6 Property, plant and equipment (continued)

• Streets lights		20-25 years
• Overhead bridges		30 years
• Stormwater drains		20 years
• Bridges, subways and culverts		60-80 years
• Car parks		20 years
• Bus terminals		20 years
Bins and containers	Straight-line	
• Bulk refuse containers (skips)		10 years
• Household refuse bins		5 years
Emergency equipment	Straight-line	
• Fire hoses		5 years
• Other fire fighting equipment		15 years
• Emergency equipment		5 years
Heritage		
• Mayoral chain		No asset life as no depreciation is charged
• Mace	Straight-line	No asset life as no depreciation is charged
• Mayoral gown	Straight-line	No asset life as no depreciation is charged

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

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

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

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

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

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

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

1.7 Intangible assets

An 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.

Accounting Policies

1.7 Intangible assets (continued)

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software-licenses	Straight-line	12 months

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

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. No assets lives are allocated.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

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

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

1.9 Financial instruments

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

Accounting Policies

1.9 Financial instruments (continued)

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.

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).

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

Financial instruments at amortised cost.

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 entity 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, a 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.

Reclassification

The entity 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

Accounting Policies

1.9 Financial instruments (continued)

an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity 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.

Impairment and uncollectibility of financial assets

The entity 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.

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 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 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.

1.10 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.

Accounting Policies

1.10 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.11 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.

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

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

The cost of inventories comprises of all costs of purchase.

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.

1.12 Impairment of cash-generating assets

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

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

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

Identification

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

1.12 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.13 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.

Accounting Policies

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

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

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

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

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

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

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.

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

1.13 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.

1.14 Employee benefits

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

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.

1.14 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

Post-employment benefits: Defined contribution plans

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

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

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Other post retirement obligations

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

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

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

Termination benefits

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

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

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

1.15 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.

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

Provision for rehabilitation of landfill site is determined by the expert and it is initially and subsequently recognised at cost.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49.

Provision for rehabilitation for dumping site

Provision for rehabilitation of landfill site is determined by the expert and it is initially and subsequently recognised at cost.

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:

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

1.16 Commitments

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

1.16 Commitments (continued)

Disclosures are required in respect of unrecognised contractual commitments.

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

1.17 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.

Sale of goods

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

Rendering of services

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

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.

1.18 Revenue from non-exchange transactions

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

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.

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Taxes

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Fines

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

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

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

Fines are recognised when traffic fines are issued or when the date to appear in court per traffic fine arrive or on cash received by municipality

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.

1.19 Investment income

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

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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

1.21 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.

1.22 Fruitless and wasteful expenditure

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

Accounting Policies

1.22 Fruitless and wasteful expenditure (continued)

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.

1.23 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was written off 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 writting off 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 written off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount written off.

Irregular expenditure that was incurred and identified during the current financial year and which was not wrote off 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 written off and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

1.24 Budget information

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 modified cash basis and presented by economic classification linked to performance outcome objectives.

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

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

Comparative information is not required.

1.25 Related parties

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

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

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

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

Accounting Policies

1.25 Related parties (continued)

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 audited annual financial statements.

1.26 Events after reporting date

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

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

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

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

1.27 Value Added Tax

Revenue, expenses and assets are recognised net of amounts of Value Added Tax. The net amount of Value Added Tax recoverable from or payable to SARS is included as part of receivables or payables in the Statement of Financial Position.

The municipality is a registered VAT vendor and account for VAT on a payment basis

The following rates are applicable:

Standard rated supplies (15%)

Zero rated supplies (0%)

Exempted supplies (-)

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 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard 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 audited annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard 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 audited annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity’s audited annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual audited annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users’ assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

The standard states that 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. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that 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.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2021.

The municipality expects to adopt the standard for the first time in the 2021/2021 audited annual financial statements.

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

2.2 Standards and interpretations not yet effective or relevant

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

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.

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

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 is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the until such time as it becomes applicable to the municipality's operations.

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is for years beginning on or after 01 April 2099.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

Notes to the Audited Annual Financial Statements

Figures in Rand

3. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	26 444 580	(509 010)	25 935 570	26 444 580	(418 216)	26 026 364

Reconciliation of investment property - 30 June 2021

	Opening balance	Depreciation	Total
Investment property	26 026 364	(90 794)	25 935 570

Reconciliation of investment property - 30 June 2020

	Opening balance	Transfers	Impairments	Depreciation	Total
Investment property	57 301 169	(31 085 000)	(122 408)	(67 397)	26 026 364

Recognition of investment properties

The municipality has registered the investment properties (land and houses) in the Deeds Office and were recognised in the investment property register.

In the prior year 2019/2020 the council passed a resolution to demarcate (for residential purposes) and sell land belonging to the municipality. As a result of this land to the value R 31 085 000 was transferred from investment property to inventory.

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

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

Notes to the Audited Annual Financial Statements

3. Investment property (continued)

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

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the cost model (when fair value of investment property cannot be reliably determined), disclose the following:

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

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7 219 718	-	7 219 718	7 219 718	-	7 219 718
Buildings	135 005 979	(25 431 605)	109 574 374	139 789 562	(21 831 765)	117 957 797
Plant and machinery	22 041 010	(5 736 269)	16 304 741	12 926 734	(4 693 683)	8 233 051
Furniture and fixtures	6 708 578	(1 554 372)	5 154 206	1 792 045	(1 168 207)	623 838
Motor vehicles	17 146 761	(9 041 720)	8 105 041	13 675 529	(7 551 212)	6 124 317
Office equipment	1 036 864	(622 330)	414 534	841 667	(535 164)	306 503
IT equipment	8 554 814	(3 844 255)	4 710 559	5 410 769	(2 522 715)	2 888 054
Infrastructure	1 038 040 708	(415 674 879)	622 365 829	962 055 504	(346 945 247)	615 110 257
Community	203 604 077	(24 985 506)	178 618 571	171 917 232	(20 840 955)	151 076 277
Electricity projects	8 547 902	-	8 547 902	-	-	-
Other leased Assets	-	-	-	887 107	(887 107)	-
Air conditioners	3 845 639	(834 277)	3 011 362	1 069 613	(518 737)	550 876
Total	**1 451 752 050**	**(487 725 213)**	**964 026 837**	**1 317 585 480**	**(407 494 792)**	**910 090 688**

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2021

	Opening balance	Additions	Donations received	Transfers received	Transfers	WIP	Depreciation	Impairment loss	Loss on assets written off	Total
Land	7 219 718	-	-	-	-	-	-	-	-	7 219 718
Buildings	117 957 797	-	-	69 468 499	(76 340 466)	2 088 383	(3 599 839)	-	-	109 574 374
Plant and machinery	8 233 051	4 108 539	5 377 400	-	-	-	(1 217 451)	(18 239)	(178 559)	16 304 741
Furniture and fixtures	623 838	4 992 198	46 000	-	-	-	(466 610)	-	(41 220)	5 154 206
Motor vehicles	6 124 317	3 471 558	-	-	-	-	(1 474 682)	-	(16 152)	8 105 041
Office equipment	306 503	117 600	172 960	-	-	-	(158 385)	-	(24 144)	414 534
IT equipment	2 888 054	2 850 989	417 910	-	-	-	(1 044 102)	-	(402 292)	4 710 559
Infrastructure	615 110 257	190 000	-	105 710 145	(105 710 148)	95 984 657	(76 972 153)	(5 223 352)	(6 723 577)	622 365 829
Community	151 076 277	-	-	35 947 506	(35 947 507)	31 686 846	(3 087 200)	(1 057 351)	-	178 618 571
Electricity projects	-	-	-	-	(14 735 282)	23 283 184	-	-	-	8 547 902
Air conditioners	550 876	2 784 543	18 401	-	-	-	(334 618)	-	(7 840)	3 011 362
	910 090 688	**18 515 427**	**6 032 671**	**211 126 150**	**(232 733 403)**	**153 043 070**	**(88 355 040)**	**(6 298 942)**	**(7 393 784)**	**964 026 837**

Notes to the Audited Annual Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2020

	Opening balance	Additions	Reclassification	Transfers received	Transfers	Prior period error	WIP	Depreciation	Impairment loss	Loss on assets written off	Total
Land	7 219 718	-	-	-	-	-	-	-	-	-	7 219 71
Buildings	103 237 392	-	-	-	-	2 093 733	14 700 706	(2 070 436)	(3 598)	-	117 957 79
Plant and machinery	8 401 114	801 051	-	-	-	-	-	(969 114)	-	-	8 233 05
Furniture and fixtures	788 535	-	-	-	-	-	-	(162 944)	(1 753)	-	623 83
Motor vehicles	7 692 004	-	-	-	-	-	-	(1 384 478)	-	(183 209)	6 124 31
Office equipment	463 353	-	-	-	-	-	-	(156 850)	-	-	306 50
IT equipment	2 339 094	-	1 037 624	-	-	-	-	(488 664)	-	-	2 888 05
Infrastructure	620 246 133	-	-	67 816 590	(67 816 590)	(768 170)	78 631 552	(75 740 785)	(3 067 392)	(4 191 081)	615 110 25
Community	130 728 258	-	-	-	-	186 999	23 185 174	(2 303 805)	(720 349)	-	151 076 27
Electricty Projects	4 258 424	-	-	-	(26 316 973)	-	22 058 549	-	-	-	
Finance leased assets	1 423 624	-	(1 037 624)	-	-	-	-	(386 000)	-	-	
Air conditioners	595 883	60 908	-	-	-	-	-	(105 915)	-	-	550 87
	887 393 532	**861 959**	**-**	**67 816 590**	**(94 133 563)**	**1 512 562**	**138 575 981**	**(83 768 991)**	**(3 793 092)**	**(4 374 290)**	**910 090 68**

Capitalisation of electrification of villages

From the 2018/2019 financial year all electrification of villages' projects which are not complete at year-end are capitalised under Work-in-Progress in Property, Plant and Equipment. Electrification of villages are only expensed upon completion in the Statement of Financial Performance when they are transferred to Eskom.

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

4. Property, plant and equipment (continued)

During the year all assets were assessed for impairment and the following assets were impaired:

Buildings	-	3 598
Plant and machinery	18 239	-
Furniture and fixtures	-	1 753
Motor vehicles	15 829	-
Infrastructure assets	5 223 352	3 067 392
Community assets	1 057 351	720 349
Investment property	-	122 408
	6 314 771	**3 915 500**

Assets with R1 value

There are assets that are valued at R1 because they are fully depreciated but they are still in use.

Other information

The following assets were found on the floor during physical verification and were fair valued as follows:		
Buildings	-	341 818
Plant and machinery	-	186 487
Furniture and fittings	-	1 420
Community assets	-	1 179 361
	-	**1 709 086**

During the finacial year the follwing assets were reclassified from buildings to investment properties and to community assets as follows at carrying value:		
Community assets	-	1 257 547
Investment property	-	1 484 668
	-	**2 742 215**

During the financial year the follwing assets were written off as follows at carrying value:		
Buildings	-	-

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

4. Property, plant and equipment (continued)

During the financial year the follwing assets were written off as follows at carrying value:

	2021	2020
Buildings	-	(183 208)
Motor vehicle	-	(4 191 208)
Plant and machinery	178 559	-
Furniture and fittings	41 219	-
Office equipment	24 144	-
IT equipment	402 930	-
Air conditioners	7 840	-
Infrastructure	6 723 577	-
	7 378 269	**(4 374 416)**

Reconciliation of Work-in-Progress 30 June 2021	**Included within Infrastructure Assets**	**Included within Community Assets**	**Included with Other PPE**	**Included with Electricity Projects**	**Total**
Opening Balance	81 118 980	102 269 597	80 075 623	-	263 464 200
Additional/capital expenditure	95 984 657	31 686 845	2 088 383	23 283 184	153 043 069
Transfers	(105 710 148)	(35 947 507)	(76 340 466)	(14 735 282)	(232 733 403)
	71 393 489	**98 008 935**	**5 823 540**	**8 547 902**	**183 773 866**

Reconciliation of Work-in-Progress 30 June 2020	**Included within Infrastructure Assets**	**Included within Community Assets**	**Included with Other PPE**	**Included with Electricity Projects**	**Total**
Opening Balance	85 646 389	78 897 424	63 281 182	4 258 424	232 083 419
Additional/capital expenditure	78 631 554	23 185 174	14 700 707	22 058 550	138 575 985
Prior period error	(15 342 373)	186 999	2 093 734	-	(13 061 640)
Transfers	(67 816 590)	-	-	(26 316 974)	(94 133 564)
	81 118 980	**102 269 597**	**80 075 623**	**-**	**263 464 200**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

4. Property, plant and equipment (continued)

Halted projects

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previuos reporting period(s), including reasons and any impairment loses recognised in relation to these assets:		
A. Development of Giyani section E sports centre	25 463 079	25 463 079
B. Access road to tribal offices	2 982 099	2 982 099
C. Ndhambi Taxi rank	591 840	591 840
D. Refurbishment of Giyani Stadium	1 800 822	1 800 822
E. Refurbishment of Sporting Facilities (Gawula)	4 238 167	4 238 167
	35 076 007	**35 076 007**

Reasons for halting contruction or development

A. No construction progress due to budget constraint. Will be planned for construction in 2022/23. Involved with litigation.

B. Consultant was appointed for designs, the project was earmarked for MIG, COGTA no longer funding and the project to be withdrawn.

C. Project on hold due to budget constrain. MIG is fully committed with other projects. The project is planned for implementation during FY 2021/22.

D. The project came to halt due to non-recruitment of local labourers and community unrest which led the project to be on re-assessment, the municipality has since engaged the ward councillor, process of redesign are underway in order to complete the halted project

E. The project has exhausted the MIG funding due to other scope of work which were not registered on MIG Project, as a result the project was put on hold and to be continued once the funds become available.

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 Audited Annual Financial Statements

Figures in Rand

5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	6 517 284	(5 570 626)	946 658	4 256 498	(3 662 604)	593 894

Reconciliation of intangible assets - 30 June 2021

	Opening balance	Additions	Amortisation	Total
Computer software	593 894	2 260 786	(1 908 022)	946 658

Reconciliation of intangible assets - 30 June 2020

	Opening balance	Additions	Amortisation	Total
Computer software	641 483	2 098 710	(2 146 299)	593 894

6. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Council Related Assets	206 303	-	206 303	206 303	-	206 303

Reconciliation of heritage assets 30 June 2021

	Opening balance	Total
Council Related Assets	206 303	206 303

Reconciliation of heritage assets 30 June 2020

	Opening balance	Total
Council Related Assets	206 303	206 303

Age and/or condition of heritage assets

All heritage assets have a condition grading of 3, which translate to fair per the municipality's generic condition assessment methodology.

Council related assets are not held for sale.

Council related assets are not held for security at year end.

There are no contractual committment to procure, maintain and restore any Council related assets.

No Council related assets were impaired a tyear end.

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

7. Other financial assets

VBS Investments	159 262 692	159 262 692
Impairments	(159 262 692)	(159 262 692)
	-	-
Total other financial assets	**-**	**-**

Impairment is provided for investment in VBS as per National Treasury communication in 2018 financial year due to the bank being put under curatorship and the possibility that the capital invested might be irrecoverable. The status remains the same even in 2020/2021 financial year.

National Treasury has commissioned investigation into the transactions and the council has implemented consequence management.

Notes to the Audited Annual Financial Statements

8. Employee benefit obligations

Defined benefit plan

The effective date of the valuation is 30 June 2021 (the “Valuation Date 30 June 2021).

The valuation considers all employees, retirees and their dependents whose participation in the health care arrangements entitles them to a post-employment medical aid subsidy. The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. All subsidies are subject to a maximum of R 4 773.12 for the year ending 30 June 2021. The maximum subsidy amount has been assumed to increase in the future at 6.25% of salary inflation.

Table below shows the development of the accrued liability over the current period, and projects the Municipality’s Unfunded Accrued Liability and periodic costs over the two-year period following the Valuation Date.

Past year and future projected liability

	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021	Year ending 30/06/2022
Opening accrued liability	17 131 057	16 504 209	18 884 884	14 421 000	16 755 000
Current service cost	1 037 383	928 478	1 233 262	832 000	1 164 000
Interest cost	1 738 491	1 633 917	2 020 683	1 639 000	1 798 000
Actuarial loss/(gain)	(3 402 722)	(181 720)	(7 717 829)	(137 000)	-
Closing accrued liability	**16 504 209**	**18 884 884**	**14 421 000**	**16 755 000**	**19 717 000**

Notes

- These projections assume that the Municipality’s health care arrangements and subsidy policy will remain as outlined above, and that all the actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the Municipality towards prefunding its liability via an off-balance sheet vehicle.
- Contributions or benefits paid refer to medical scheme contributions made by the Municipality with respect to its subsidy of current continuation members.
- There are no Past Service Costs, Curtailments or Settlements to reflect.

Key Assumptions		
Discount rate	10,73%	11,37%
Health care cost inflation rate	7,20%	7,28%
Maximum subsidy inflation rate	5,03%	5,09%
Average retirement age	62	63

Long service award

The Municipality offers employees Long service award for every five years of service completed, from ten years of service to 45 years of service.

The salaries used in the valuation include an assumed increase on 1 July 2021 of 4.5% as per the SALGBC Circular No.: 23/2021. The next salary increase was assumed to take place on 1 July 2022.

The accrued liabilities and the plan assets for the current period and the previous four periods.

Liability History	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Opening accrued balance	5 435 121	6 384 849	4 891 500	5 434 000	5 891 000
Current service cost	498 442	517 458	466 133	546 000	623 000
Interest cost	431 940	437 514	365 230	372 000	518 000
Payment made during the year	(457 062)	(2 311 411)	(321 080)	(669 000)	(623 000)
Actuarial loss/(gain)	476 408	(136 910)	32 217	208 000	-
Closing accrued liability	**6 384 849**	**4 891 500**	**5 434 000**	**5 891 000**	**6 409 000**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

8. Employee benefit obligations (continued)

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

Non-current liabilities	(22 023 000)	(19 186 000)
Current liabilities	(623 000)	(669 000)
	(22 646 000)	**(19 855 000)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,27 %	7,29 %
General earnings inflation rate	5,79 %	3,94 %
Expected increase in salaries	6,25 %	6,25 %

9. Inventories

Consumable stores	2 785 103	2 746 942
Stands	31 085 000	31 085 000
	33 870 103	**33 831 942**

9.1 Reconcilliation

Opening balance	33 831 942	2 544 013
Add: purchases	9 447 184	6 881 922
Add: stands	-	31 085 000
Less: Consumables during the year	(7 695 108)	(4 315 819)
Less: Inventory on hand (Mopani District Municipality)	(1 708 116)	(2 336 000)
Less: Obsolete inventory written off	(5 799)	(27 174)
	33 870 103	**33 831 942**

There was no inventory held as collateral at year end.

In 2019/2020 financial year the municipality took a resolution to sell stands available for sale as per council resolution.

10. Receivables from exchange transactions

Inter Municipal Account (Mopani District Municipality)	23 369 210	20 358 747
Agency fee(Mopani District Municipality)	6 050 288	4 253 175
Sundry receivables	3 596 581	3 596 581
Prepaid expenses	96 000	-
Accrued interest receivable	858 474	674 419
Other receivables	12 036 573	5 864 314
Sundry Receivables - Provision for doubtful debts	(3 602 953)	(3 602 953)
Staff receivables	6 372	6 372
Payroll debtors	20 748	38 547
	42 431 293	**31 189 202**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

10. Receivables from exchange transactions (continued)

Intermunicipal account reconciliation - Mopani District Municipality		
Accumulated Surplus - Mopani Intermucipal Account	43 206 998	27 070 274
Revenue - Water	13 793 006	15 409 509
Revenue - Sewerage	3 554 067	3 426 700
Revenue - Interest	9 731 033	8 384 447
Overheads- Employee related costs	(5 109 736)	(5 182 123)
Water and Sewerage connections	41 781	76 719
Overheads - Operational expenditure	(2 929 357)	(1 491 927)
Debt Impairment	(13 873 556)	(4 493 739)
Gains and losses on provisions	(361 813)	111 549
Accounts Receivable-Water	(118 709 527)	(110 313 512)
Accounts Receivable-Sewerage	(21 652 350)	(17 243 656)
Accounts Receivable-Interest	(60 157 366)	(50 407 490)
Trade payables	-	1 386
Inventory	(1 708 126)	(2 336 000)
Accrued leave	711 020	615 694
Accrued bonus	124 219	106 731
Accrued overtime	(62 935)	(4 185)
Long service awards	268 000	232 000
Post- retirement medical contribution debts	1 125 000	912 000
Provision for doubtful debts	128 640 432	114 766 875
Amount due to the Agent	**(23 369 210)**	**(20 358 748)**
Intermunicipal balance as at year-end	**23 369 210**	**20 358 747**

Intermunicpal account - Mopani District Municipality - An amount of R 23 369 210 for the year ended 2020/2021 financial year includes an amount of R 19 951 048 due to the principal (Greater Giyani Municpality) and an amount R 3 418 162 which relates to transaction held on behalf of the principal (Mopani District Municipaluty).

Intermunicpal account - Mopani District Municipality - An amount of R 20 358 747 for the year ended 2019/2020 financial year includes an amount of R 19 100 408 due to the principal (Greater Giyani Municpality) and an amount R 1 258 339 which relates to transaction held on behalf of the principal (Mopani District Municipaluty).

Please refer to Note 51 Accounting for principal and agency - for details of transactions and nature of the agreement.

Staff receivables of R 6 372 relate to the overpayment of salaries to the councilors. The amount is supposed to be paid back to the Municipality by the councilors. This is as per the council resolution taken by the Greater Giyani Municipal Council.

Sundry debtors of R 3 596 581 relates to sale of stands through an auction during 2009. The balance in this attorneys trust account is unknown. Due to the dispute with the auctioneer, the outstanding amount was never paid to the Municipality and as a result, it was provided for in full based on the credit control policy.

11. Receivables from non-exchange transactions

Consumer debtors - Traffic fines	24 349 484	23 578 234
Consumer debtors - Rates	246 540 724	186 785 671
Provision for impairment - Traffic fines	(24 175 384)	(16 118 065)
Provision for impairment - Consumer debtors	(165 293 361)	(130 278 096)
	81 421 463	**63 967 744**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

11. Receivables from non-exchange transactions (continued)

Age Analysis for Rates

Current(0-30 days)	5 760 283	4 626 077
31-60 days	(5 723 695)	4 453 836
61-90 days	7 018 230	4 612 294
91-120 days	6 420 488	5 667 194
121-365 days	5 320 132	3 544 953
> 365 days	203 956 966	128 973 672
	222 752 404	**151 878 026**

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

Opening balance	(146 396 161)	(114 370 568)
Provision for impairment - Consumer debtors	(35 015 265)	(27 538 893)
Provision for impairment - Consumer traffic fines	(8 057 319)	(4 486 700)
	(189 468 745)	**(146 396 161)**

12. VAT receivable

VAT	16 131 014	9 741 521

13. Receivables from exchange transactions

Gross balances		
Debtors with credit balances	5 990 428	3 105 843
Refuse	31 356 930	26 958 951
Housing rental	6 693 191	5 750 409
Cementries	14 985 623	14 755 329
	59 026 172	**50 570 532**

Less: Allowance for impairment		
Refuse	(20 116 618)	(18 028 586)
Housing rental	(4 293 927)	(3 902 983)
Cemeteries	(9 613 889)	(9 459 397)
	(34 024 434)	**(31 390 966)**

Net balance		
Debtors with credit balances	5 990 428	3 105 843
Refuse	11 240 312	8 930 365
Housing rental	2 399 264	1 847 426
Cementries	5 371 734	5 295 932
	25 001 738	**19 179 566**

Cemetries		
Current (0 -30 days)	13 565	278 645
31 - 60 days	102 775	257 344
61 - 90 days	16 347	275 308
91 - 120 days	23 990	273 442
121 - 365 days	24 567	271 614
> 365 days	913 247	13 361 253
	1 094 491	**14 717 606**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

13. Receivables from exchange transactions (continued)

Refuse		
Current (0 -30 days)	909 898	523 657
31 - 60 days	1 845 287	124 682
61 - 90 days	562 727	520 533
91 - 120 days	(851 178)	369 895
121 - 365 days	637 073	731 380
> 365 days	22 495 352	25 780 019
	25 599 159	**28 050 166**

Housing rental		
Current (0 -30 days)	567 946	79 788
31 - 60 days	201 697	77 214
61 - 90 days	50 443	79 355
91 - 120 days	50 975	79 848
121 - 365 days	48 083	78 106
> 365 days	6 482 588	5 678 228
	7 401 732	**6 072 539**

Debtor with credit balances		
Current	(1 287 192)	(17 707)
30 days	(208 753)	21 475
60 days	(89 602)	27 498
90 days	(78 959)	(71 161)
120 days	(62 675)	(68 557)
180 days	(5 512 957)	(3 000 333)
	(7 240 138)	**(3 108 785)**

Reconciliation of allowance for impairment of exchange transactions

Opening balance	(31 390 967)	(27 421 184)
Refuse removal	(1 974 487)	(807 978)
House rental	(392 562)	(324 713)
Cemetry	(157 835)	(2 837 092)
	(33 915 851)	**(31 390 967)**

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	179 322 985	91 424 587
Other cash and cash equivalents	88 423	96 481
	179 411 408	**91 521 068**

Included in the balance for cash and cash equivalent, there is a balance of R 18 150 864: 2021 and R 12 759 525: 2020 relating to Mopani District Municiplaity for water and sewer transactions.

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
FNB - Current Account - 71032635579	-	-	317 226	-	-	321 761
ABSA - Current Account - 4077078193 (Main Account)	65 719 594	879 675	11 595 343	65 791 133	1 077 421	11 623 183
ABSA - Current Account - 4077078486 (Salaries Account)	1 676 111	5 332 768	9 690 385	1 676 111	5 532 769	9 848 586
ABSA - Call Deposit - 4078155655	41 641 612	40 458 293	56 867	41 641 612	40 458 293	57 152
ABSA - Current Account - 4093302071 (Traffic Account)	4 114 323	3 241 625	2 157 698	4 114 323	3 241 625	2 157 698
ABSA - Call Deposit - 4078155744	66 099 806	41 114 479	16 574 635	66 099 806	41 114 479	16 651 253
Total	**179 251 446**	**91 026 840**	**40 392 154**	**179 322 985**	**91 424 587**	**40 659 633**

15. Finance lease obligation

	2021	2020
Minimum lease payments due		
- within one year	-	511 880
	-	511 880
less: future finance charges	-	(31 714)
Present value of minimum lease payments	**-**	**480 166**
Present value of minimum lease payments due		
- within one year	-	480 166

It is municipality policy to lease computers under finance leases.

The average lease term is three years and the average effective borrowing rate was 19.5%.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

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

At the end of the finance lease contract, ownership of the leased assets will be retained by the municipality.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Movement during the year

	2021	2020
Balance at the beginning of the year	-	2 961 529
Additions during the year	88 700 000	60 688 000
Income recognition during the year	(88 700 000)	(63 649 529)
	-	-

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

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

16. Unspent conditional grants and receipts (continued)

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

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

17. Deferred income

During the period under review the Municpality has sold stands/sites but the transfer of ownership of the stands to the customers has not been done with Deeds Registration office.

Deferred income	19 769 358	-

18. Rehabilitation of dumping-site

Reconciliation of provision for rehabilitation of dumping-site - 30 June 2021

	Opening Balance	Interest costs	Change in discount factor	Total
Rehabilitation of dumping-site	40 933 517	3 909 429	(5 837 928)	39 005 018

Reconciliation of provision for rehabilitation of dumping-site - 30 June 2020

	Opening Balance	Current service costs	Interest costs	Total
Reconciliation of provision of dumping-site	37 024 232	2 228 248	1 681 037	40 933 517

Non-current liabilities	35 127 919	37 024 088
Current liabilities	3 877 099	3 909 429
	39 005 018	**40 933 517**

The dumping site rehabilitation is created for the rehabilitation of the current operational site which is evaluated at each year-end to reflect the best estimate at reporting date. The site under consideration is at Giyani Section Section C landfill site.

The 2021 discounted value of the dumping site closure provision of R 39 005 018, compared to the provision of R 40 933 517 in the previous financial year. Composition of this change relate to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment amounts to R 3 909 429 and decrease in discount rate of R 5 837 928..

The dumping site closure provision is calculated as the net present value of future cash flows based on the expected remaining life of the dumping site and based on the size of the area that had been used for waste disposal as at 30 June 2021.

19. Payables from exchange transactions

Trade payables	29 281 990	895 995
Retentions	36 945 351	32 325 452
Accrued leave pay	20 460 268	17 610 982
Accrued 13th cheque	3 289 873	2 958 862
Payroll creditors	42 329	41 972
Accruals	3 197 065	42 105 570
Unspecified direct deposits	2 104 616	948 516
Debtors with credit balances	5 990 428	3 105 843
Accrued overtime	992 169	1 005 510
Income received in advance	151 023	1 003 385
	102 455 112	**102 002 087**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

20. Revenue

Service charges	8 388 020	6 551 493
Rental of facilities and equipment	965 172	1 009 753
Interest received (overdue accounts)	2 465 564	6 870 300
Agency services	1 797 113	1 112 284
Licences and permits	5 762 344	4 214 374
Gain on forfeited liability	-	494 849
Acturial gains	137 000	7 685 612
Other income	2 504 570	1 552 758
Interest received - investment	5 845 631	5 992 728
Property rates	71 229 310	57 212 189
Traffic fines	1 625 605	6 895 687
Taxes and Surcharges	22 333 782	12 823 455
Government grants & subsidies	458 488 580	368 864 296
Public contributions and donations	6 038 305	-
	587 580 996	**481 279 778**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	8 388 020	6 551 493
Rental of facilities and equipment	965 172	1 009 753
Interest received (overdue accounts)	2 465 564	6 870 300
Agency services	1 797 113	1 112 284
Licences and permits	5 762 344	4 214 374
Gain on fair value measurements	-	494 849
Acturial gains	137 000	7 685 612
Other income	2 504 570	1 552 758
Interest received - investment	5 845 631	5 992 728
	27 865 414	**35 484 151**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	71 229 310	57 212 189
Traffic fines	1 625 605	6 895 687
Taxes and Surcharges	22 333 782	12 823 455
Transfer revenue		
Government grants & subsidies	458 488 580	368 864 296
Public contributions and donations	6 038 305	-
	559 715 582	**445 795 627**

21. Service charges

Solid waste	8 158 976	6 328 849
Cementery	229 044	222 644
	8 388 020	**6 551 493**

22. Rental of facilities and equipment

Premises		
Community services	5 887	84 996
Housing rental	942 273	717 500
	948 160	**802 496**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

22. Rental of facilities and equipment (continued)

Facilities and equipment		
Rental of facilities	17 012	207 257
	965 172	**1 009 753**

23. Interest on overdue accounts

Interest received (trading)	2 465 564	6 870 300

24. Agency services

Water and Sanitation	1 797 113	1 112 284

25. Actuarial gains

Gain on post employment medical aid	137 000	7 685 612

26. Licences and permits (exchange)

Licences and Permits	5 762 344	4 214 374

27. Lease rentals on operating lease

Premises		
Contractual amounts	1 412 436	1 721 422

28. Other income

Advertisement	93 619	178 170
Application fees	4 590	1 063
Building plans	68 799	79 964
Clearance certificates	9 963	11 998
Confirmation letters	228 915	262 424
Escort fees	2 025	14 830
Insurance recoveries	956	-
Library fees	888	1 240
Sale of grave plots	172 984	78 827
Sale of refuse bins	104 249	76 251
Skip bins	2 423	337
Sundry income	273 460	192 812
Tender documents	1 450 537	382 552
Transfer and registrations	80 187	272 290
Reconnections	10 975	-
	2 504 570	**1 552 758**

29. Investment revenue

Interest revenue		
Call accounts	2 988 125	3 979 773
Bank	2 857 506	2 012 955
	5 845 631	**5 992 728**

Figures in Rand	2021	2020

30. Property rates

Rates received

Residential	17 473 933	15 697 116
Commercial	24 469 416	15 643 889
State	27 415 724	25 399 684
Small holdings and farms	633 274	10 585
Public benefit organisations	10 441	3 248
Industrial	1 226 522	457 667
	71 229 310	**57 212 189**

Valuations

Residential	2 564 449 800	2 413 635 368
Commercial	722 925 000	397 853 320
State	484 068 000	229 147 701
Institute	31 682 000	180 930 250
Agricultural	5 230 000	300 000
Public Open Space	120 672 000	62 505 300
Sport Centre	27 467 000	8 595 000
Industrial	128 351 000	67 958 172
Nature Reserve	-	25 000 300
Churches	43 787 000	23 191 000
Inconsistent with or in contravention of the permitted use of the property	2 612 000	-
Inconsistent with or in contravention of the permitted use of the property-Illegal Dwelling	1 000 000	-
	4 132 243 800	**3 409 116 411**

The valuation of land and buildings are performed every 5 years in terms of the Municipal Property Rates Act.

The municipality appointed a Municipal Valuer to compile the General Valuation Roll for implementation in the 2020-2025 financial years and to cause the Sumplementary.

Valuation Roll in terms of section 78 of the Municipal Property Rates Act.

31. Traffic fines

Traffic fines issued	1 625 605	6 895 687

The municipality did not have an appointed Law Enforcement Agency in the period under review as compared to the prior financial years.

The reduction of traffic fines figures in the current period under review is as a result of that.

The municipality has since advertised twice without success to appoint a Law Enforcement Agency for the period under review.

32. Interest from non-exchange receivables

Interest on overdue accounts - property rates	22 333 782	12 823 455

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

33. Government grants and subsidies

Operating grants		
Equitable share	369 568 000	287 216 531
Expanded Public Works Program (EPWP)	3 409 000	3 362 000
Finance Management Grant (FMG)	2 000 000	2 145 000
Local Govt Sector Education & Training Authority (LGSETA)	220 580	244 765
Municipal Disaster Relief Management	-	298 000
	375 197 580	**293 266 296**

Capital grants		
Municipal Infrastructure Grant (MIG)	71 567 000	60 688 000
Integrated National Electrification Grant (INEG)	11 724 000	14 910 000
	83 291 000	**75 598 000**
	458 488 580	**368 864 296**

Equitable Share

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

Equitable share - Reconciliation

Current-year receipts original	307 293 000	287 217 000
Current-year receipts additional funding	62 275 000	-
Conditions met - transferred to revenue	(307 293 000)	(287 217 000)
Conditions met - transferred to revenue Covid relief	(62 275 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 16).

Provide explanations of conditions still to be met and other relevant information.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	2 961 531
Current-year receipts	71 567 000	60 688 000
Conditions met - transferred to revenue	(71 567 000)	(60 688 000)
Not approved by Treasury	-	(2 961 531)
	-	-

Integrated National Electrification Grant (INEG)

Current-year receipts	11 724 000	14 910 000
Conditions met - transferred to revenue	(11 724 000)	(14 910 000)
	-	-

Expanded Public Works Program (EPWP)

Current-year receipts	3 409 000	3 362 000
Conditions met - transferred to revenue	(3 409 000)	(3 362 000)
	-	-

Finance Management Grant (FMG)

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

33. Government grants and subsidies (continued)

Current-year receipts	2 000 000	(2 145 000)
Conditions met - transferred to revenue	(2 000 000)	2 145 000
	-	-

Municipal Disaster Relief Grant

Current-year receipts	-	298 000
Conditions met - transferred to revenue	-	(298 000)
	-	-

34. Donations

Department of Transport - National	6 038 305	-

The Municipality received a mobile Vehicle Testing Station (VTS) from the National Department of Transport to assist the municipality with Traffic Law Enforcement as a donation, this was due to compliance in terms of implementing the 80/20 principle between Transport Department and the Municipality.

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

35. Employee related costs

Acting allowances	43 007	66 944
Basic	96 833 136	87 916 823
Bargain council	38 322	34 121
Car allowance	11 644 985	10 806 303
Cellphone allowance	909 427	782 104
Clothing allowance	15 000	15 000
Defined contribution plans	17 133 345	15 597 244
Housing benefits and allowances	325 709	280 501
Leave pay	793 675	893 222
Leave and bonus provision	3 198 105	1 431 452
Long-service awards	770 528	-
LSA and PEMA provision	2 720 000	3 869 001
Medical aid - company contributions	5 754 692	4 587 193
Night Shift	312 789	296 718
Overtime payments	4 258 420	5 718 005
Rural Allowance	213 042	200 099
SDL	942 286	849 646
Standby allowance	153 192	144 180
UIF	613 809	575 029
WCA	-	874 186
13th Cheques	6 660 401	6 152 031
	153 333 870	**141 089 802**

Remuneration of Municipal Manager

Annual Remuneration	1 089 712	1 064 593
Rural Allowance	50 683	48 987
Car Allowance	121 080	120 180
Contributions to UIF, Medical and Pension Funds	65 813	66 538
Subsistence and Travelling	10 537	33 425
Back-pay	-	32 327
Cellphone Allowance	16 800	16 800
	1 354 625	**1 382 850**

Remuneration of Chief Financial Officer

Annual Remuneration	802 250	424 976
Rural Allowance	38 036	21 534
Cellphone Allowance	16 800	9 800
Contributions to UIF, Medical and Pension Funds	49 412	27 333
Acting Allowance	-	17 101
Subsistence & Travelling	14 811	8 987
Car Allowance	156 108	91 062
Backpay	-	17 641
	1 077 417	**618 434**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

35. Employee related costs (continued)

Remuneration of Directors - Corporate & Shared Services:

Annual Remuneration	679 371	658 453
Car Allowance	325 200	325 040
Cellphone Allowance	16 800	16 800
Contributions to UIF, Medical and Pension Funds	43 503	44 069
Subsistance & Travelling	14 603	21 311
Rural Allowance	41 613	40 216
Back-pay	-	26 547
	1 121 090	**1 132 436**

Remuneration of director Technical Services

Annual Remuneration	675 362	537 973
Rural Allowance	38 036	30 651
Car Allowance	240 000	200 000
Contributions to UIF, Medical and Pension Funds	42 675	70 628
Acting Allowance	-	9 601
Cellphone Allowance	16 800	14 000
Subsitence & Travelling	13 836	18 875
Backpay	-	27 442
	1 026 709	**909 170**

Remuneration of Strategic Planning and LED

Annual Remuneration	678 656	319 698
Rural Allowance	38 036	18 495
Contributions to UIF, Medical and Pension Funds	130 667	62 772
Car Allowance	155 364	77 681
Cellphone Allowance	16 800	7 000
Subsitence & Travelling	17 726	11 161
Backpay	-	19 219
	1 037 249	**516 026**

Remuneration of Director Community Services

Annual Remuneration	45 683	751 674
Car Allowance	-	227 157
Rural Allowance	3 467	40 216
Contributions to UIF, Medical and Pension Funds	4 314	48 795
Subsistence & Travelling	-	37 656
Back-pay	-	26 547
Cellphone Allowance	1 400	16 800
Acting Allowance	36 556	-
Leave pay	47 984	-
	139 404	**1 148 845**

Mr. K R Baloyi was acting Director Community Services from the 01 August 2020.

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

36. Remuneration of councillors

Mayor	905 259	905 259
Speaker	733 088	733 088
Councillors	21 252 705	21 237 616
Chief Whip	690 046	690 046
SDL	157 458	152 333
	23 738 556	**23 718 342**

In-kind benefits

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

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

37. Depreciation and amortisation

Property, plant and equipment	88 355 040	83 768 993
Investment property	90 795	-
Intangible assets	1 908 022	2 146 299
	90 353 857	**85 915 292**

38. Impairment of assets

Impairments		
Property, plant and equipment	6 298 942	3 982 897

39. Finance costs

Finance leases	31 714	170 514
Interest on late payment	-	4 383
Interest expense - rehabilitation of dumping site	3 909 429	1 681 037
	3 941 143	**1 855 934**

40. Debt impairment

Debt impairment - consumer debtors	45 382 706	35 995 375

41. Obsolete inventory written off

Obsolete inventory written off	(5 799)	(27 174)

42. Contracted services

Presented previously		
Infrastructure services	10 548 793	4 297 035
Electrical services	1 862 938	26 341 473
Dissaster management	-	298 000
Business and advisory services	22 798 360	19 300 227
Other Contractors	1 190 318	1 225 873
	36 400 409	**51 462 608**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

43. Grants and subsidies paid

SMME support	955 000	600 000

44. Repairs and maitenance

Repairs and maintenance - Equipments	34 419	59 404
Repairs and maintenance - Buildings	-	48 849
Repairs and maintenance - Other	5 481 689	4 541 606
	5 516 108	**4 649 859**

45. General expenses

Accommodation	1 611 154	2 052 583
Advertising	459 207	213 221
Auditors remuneration	4 872 051	4 325 852
Bank charges	333 570	240 892
Bursaries	-	149 571
Catering services	40 118	410 905
Community development and training	5 554 850	5 136 500
Consulting and professional fees	-	4 239
Consumables	7 703 218	4 315 819
Computer software expenses	2 336 182	373 236
Electricity	1 845 800	1 821 383
Free basic electricity	10 080 256	7 990 166
Fuel and oil	2 591 773	2 574 088
Hire	-	581 554
Insurance	1 019 323	465 220
Interest relief - overdue accounts	-	185 128
Legal services	5 852 173	3 505 742
Motor vehicle expenses	152 337	144 028
Other expenses	120 000	479 430
Postage and courier	4 141	92 232
Printing and stationery	417 128	22 848
Protective clothing	832 921	1 389 596
Subscriptions and membership fees	1 986 965	1 772 760
Telephone and fax	1 012 813	1 195 354
Travel - local	1 385 354	2 573 749
	50 211 334	**42 016 096**

46. Auditors' remuneration

Audit fees	4 872 051	4 325 852

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

47. Cash generated from operations

Surplus	162 429 375	83 870 688
Adjustments for:		
Depreciation and amortisation	90 353 857	85 915 292
Obselete inventory written off	5 799	27 174
Loss on assets written off	7 393 792	4 374 289
Contracted services transfered from WIP	14 735 282	26 316 975
Impairment loss	6 298 942	3 982 897
Debt impairment	45 382 706	35 995 375
Movements in retirement benefits	2 791 000	(3 858 301)
Movements in provisions on rehabilitation	(1 928 499)	1 922 404
Donation received	(6 032 670)	-
Changes in working capital:		
Inventories	(43 960)	(230 104)
Receivables from exchange transactions	(11 242 091)	(10 835 013)
Consumer debtors	(51 204 880)	(37 241 957)
Other receivables from non-exchange transactions	(17 453 719)	(21 988 949)
Payables from exchange transactions	453 023	31 159 711
VAT	(6 389 493)	(1 769 005)
Unspent conditional grants and receipts	-	(2 961 531)
Deferred income	19 769 358	-
	255 317 822	**194 679 945**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

48. Commitments

Authorised capital expenditure

Contract approved and some services have been rendered		
• Rehabilitation of streets in all sections	-	2 172 099
• Construction of Landfill site and waste Disposal	-	1 901 277
• Mageva sports centre	-	838 721
• Homu 14B to 14A upgrading from gravel to tar	-	4 029 422
• Upgrading of Civic Centre parking lot	-	3 642 888
• Refurbishment of Giyani stadium and section A tennis court	-	3 316 836
• Formalisation of settlement	138 368	138 368
• Refurbishment of Gawula sports center	661 716	661 716
• Alternative access road to Giyani	2 350 403	3 063 853
• Section F from gravel to paving	-	13 213 003
• Upgrading of Xikukwane from gravel to tar	8 955 284	9 378 395
• Construction of Civic center phase 3	-	3 474 850
• Development of waste disposal site	3 142 506	35 636 454
• Nkomo Upgrading From Gravel To Tar	2 301 190	23 480 090
• Energising of 51 Highmast lights (Muteo Consulting)	-	817 823
• Construction Of Culvert Bridge At Bonwana Village	-	282 192
• Construction of Ngove Regravelling	-	32 583
• Construction Of Culvert Bridge At Makosha Village	640 717	-
• Shimange upgrading from gravel to tar	15 236 851	-
• Blinkwater upgrading of internal street	5 437 509	-
• Thomo upgrading of internal street	22 807 740	-
• Nkuri internal streets upgrading from gravel to paving	4 752 435	-
• Section E (Voningani) internal street upgrading from gravel to paving	40 453 874	3 550 736
• Preventative maintanance of roads and stormwater: 1.2km pavement milling – Parliament (Limdev) road leading to Giyani CBD and Giyani Section D1	3 129 954	-
• Preventative maintanance of roads and stormwater: 750m2 tar patch within Giyani township Section F	86 595	-
• Preventative maintanance of roads and stormwater: 1.770km pavement milling within Giyani CBD	1 601 959	-
	111 697 101	**109 631 306**
Contract approved but where services have not been rendered		
• Supply & delivery of 100m precast concrete palisade fence	-	195 000
• Construction Of Culvert Bridge At Maphatha Village	-	998 097
• Installation Of Three (03) Sollar High Mast At Giyani Cbd	-	2 762 263
• Supply & Installation Of Air Conditioners	-	199 500
• Other financial assets	-	81 166
• Preventative maintanance of roads and stormwater: 500m2 tar patch within giyani township Section E	479 715	-
• Preventative maintanance of roads and stormwater: 750m2 tar patch within giyani township Section F	663 894	-
	1 143 609	**4 236 026**
Total capital commitments		
Contract approved and services have been rendered	111 697 101	109 631 306
Contract approved but where services have not been rendered	1 143 609	4 236 026
	112 840 710	**113 867 332**

Authorised operational expenditure

Contract approved and some services have been rendered		
• Vodacom line	-	81 956

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

48. Commitments (continued)

• Physical security at Traffic testing	-	401 121
• Land use management scheme	-	81 937
• Review of the GGM Spatial development framework	-	291 549
• Supply and delivery of tablets pouches and 3Gs	-	128 108
• Rezoning and subdivision of parks	110 000	110 000
• Proclamation program, land audit and land acquisition	263 665	263 665
• Township establishment of various villages	213 038	852 150
• Ngove township expansion	651 858	651 858
• Deeds registration Giyani Section F	-	200 000
• Site dermacation at Sikhunyani Village and site demarcation at Dzumeri Traditional Authority	685 000	685 000
• Street naming (including registration)	47 500	47 500
• General Valuation Roll	3 600 000	3 600 000
• Provision For Procurement Of Services: Municipal Standard Chart Of Accounts Financial System Support (Sage Evolution)	1 531 668	2 985 090
• Insurance	1 051 412	2 176 632
• Physical security guarding services	7 989 961	-
• Rental of photocopy machine	2 072 016	-
• Design ,compiling,developing,editing and producing GGM news letters for 12 months	582 576	-
• Procurement of 75 3GS for the Municipal Officials	134 000	-
• Procuremet of 100 MBPS internet line for the municipal officials	165 836	-
• Subdivision, rezoning, consilidation and road closure on ERF 1946,1947,1952,1547, Giyani Section F	475 510	-
• Rezoning and subdivision of municipal properties including registration with surveyor general	782 000	-
• Street naming in Giyani Section C and Giyani BA	733 125	-
• Subdivision and rezoning of ERF561 Giyani D into mixed land used development	1 143 982	-
• Civil Engineering Professional Service Provider to perform post construction Technical Investigation	190 272	-
• Formalisation of Church View	130 025	130 025
	22 553 444	**12 686 591**

Contract approved but where services have not been rendered

• Pest Control	-	193 750
• Photoshoot, design,printing and delivery of municipal council poster	-	168 000
• Supply & delivery of water & sanitation materials & tools	-	87 266
• Supply & delivery of Engen Dieselube Oil	-	117 244
• Supply & delivery of animals feeds	-	128 350
• Supply 8 installation of roofing material for water & sanitation section A	-	195 640
• Municipal Newsletters	-	169 487
• Development of website and internet	98 324	-
• ICT security,service support,ICT auditing and ICT network services	7 039 976	-
• Prepartion of GRAP compliant asset register for the financial year 2020/21	5 165 506	-
• Prepartion of Annual Financial Statementfor the financial year 2020/21	3 105 000	-
• Township Establishment at Savulani Village	1 400 000	-
• Street Naming in Giayni Section A and Section F	791 800	-
	17 600 606	**1 059 737**

Total operational commitments

Contract approved and services have been rendered	22 553 444	12 686 591
Contract approved but where services have not taken place at the reporting date	17 600 606	1 059 737
	40 154 050	**13 746 328**

Total commitments

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

48. Commitments (continued)

Total commitments

	2021	2020
Authorised capital expenditure	112 840 710	113 867 332
Authorised operational expenditure	40 154 050	13 746 328
	152 994 760	**127 613 660**

The following contracts are longer than 12 months	**Contract Start Date**	**Contract End Date**	**Contract Amount**
General Valuation Roll	2019/02/01	2024/01/31	5 620 000
Provision For Procurement Of Services: MSCOA	2019/07/30	2022/07/30	4 952 425
Insurance	2019/07/30	2022/07/30	2 704 985
ICT Security, Service Support, ICT Auditing and ICT Network Service. G/G/G/6105/001/2021	2021/08/01	2024/07/30	7 039 975
National Treasury Tranversal Contract for Procurement of 100mbps interner line for the Municipal Officials	2021/08/01	2023/02/28	188 714
National Treasury Tranversal Contract for Procurement of 75 3gs for the Municipal Officials.	2021/03/01	2023/02/28	212 700
Rental of Photocopier Machine	2020/10/01	2023/09/31	3 420 226
Physical Security Guarding Services	2020/09/01	2023/08/23	10 390 407
			34 529 432

Operating leases - as lessee (expense)

Rental expenses relating to operating leases

	2021	2020
Contingent rents	67 280	58 041
Sublease payments	1 345 156	1 663 380
	1 412 436	**1 721 421**

Operating lease payments represent rentals payable by the municipality with a minimum lease payments of R 803 451.84 (2021) (R 621 610.43 : 2020) for photocopiers and radiophones (R 67 280 (2021) :R 62 380.00 (2020)). Contingent rent is payable on the number of copies made for the month.

49. Contingent Liabilities

The municipality has various claims of legal disputes with suppliers that are subject to mediation or legal process. The table below indicates the details of the claims:

Case Description	2021	2020
Eternity vs GGM. Suing the Municiplaity for services rendered	8 140 229	8 140 229
Mpongwa Hesekani Emmanuel vs GGM. The plaintiff is suing the Municipality for damages he suffered as result of rain	1 000 000	1 000 000
Masingita property investment holdings (Pty) Ltd vs GGM. Claim against GGM for allegedly taking too long to approve the building plans.	-	28 692 761
Dane Projects vs GGM. The municiplaity is being sued for outstanding invoices for work done.	7 140 948	-
Lunnick Base Khoza vs GGM. The municipality is sued for damage to a car accident owing to its failure to fix potholes	66 531	66 531
Giyani Action Committee. The municipality interdicts the respondent from disrupting the sale of sites	-	800 000
GGM vs TR construction & plant hire. The municipality is being sued for the claim of payment for the work allegedly done whilst claimant was a subcontractor.	863 598	863 598
Botshabelo Consulting Engineers vs GGM. The municipality is being sued for outstanding invoices for work done	6 501 144	-
PGN Civils (Pty) Ltd vs GGM. The municipality is being sued for outstanding invoices for work done	1 186 328	-
Rev Dr Mafrecha F Chabalala vs GGM Land dispute	1 600 000	-
	26 498 778	**39 563 119**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

50. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Councillors	Refer to general information on page 1 and 2
Members of key personnel	M T Shiviti Director Corporate and Shared Services D Mhangwana Chief Financial Officer R H Mashamba Director Technical Services K V Sithole Director Strategic Planning and LED Community Services (M I Khosa resigned on the 15 July 2020 and K R Baloyi is acting from 01 August 2020 to 30 June 2021)
Management remuneration	Refer to note 35

Related party balances

Remuneration of management

Notes to the Audited Annual Financial Statements

Figures in Rand

50. Related parties (continued)

Management class: Councillors

2021

Name	Basic salary	Data Card	Cellphone Allowance	Car Allowance	SDL	Backpay	Total
Cllr. SS Mathebula	270 145	3 600	40 800	90 048	2 884	-	407 477
Cllr. MP Hlungwani	516 516	3 600	40 800	172 172	5 177	-	738 265
Cllr. MR Mashale	484 235	3 600	40 800	161 411	4 321	-	694 367
Cllr. NHP Ndaba	484 235	3 600	40 800	161 411	4 876	-	694 922
Cllr. TE Baloyi	484 235	3 600	40 800	161 411	4 877	-	694 923
Cllr. DE Baloyi	262 214	3 600	40 800	87 404	2 810	-	396 828
Cllr. B Gaveni	204 323	3 600	40 800	68 107	2 272	-	319 102
Cllr. E Malungwana	262 214	3 600	40 800	87 404	2 510	-	396 528
Cllr. MI Shimange-Fazi	204 323	3 600	40 800	68 107	2 272	-	319 102
Cllr. RO Mabasa	474 506	3 600	40 800	158 168	4 786	-	681 860
Cllr. TL Ndlovu	17 027	300	3 400	5 676	-	-	26 403
Cllr. S Makhubele	262 214	3 600	40 800	87 404	2 810	-	396 828
Cllr. MW Mthombeni	262 214	3 600	40 800	87 404	2 810	-	396 828
Cllr. PT Mokgobi	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. FC Makoseni	262 214	3 600	40 800	87 404	2 510	-	396 528
Cllr. XJ Valoyi	262 214	3 600	40 800	87 404	4 310	-	398 328
Cllr. BA Shibambu	645 644	3 600	40 800	215 215	5 639	-	910 898
Cllr. CM Siweya	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. NR Khandlela	204 323	3 600	40 800	68 107	2 272	-	319 102
Cllr. GR Kobane	262 214	3 600	40 800	87 404	2 810	-	396 828
Cllr. EN Mabunda	270 145	3 600	40 800	90 048	2 884	-	407 477
Cllr. SG Mthombeni	262 214	3 600	40 800	87 404	2 510	-	396 528
Cllr. NN Baloyi	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. MC Mhlongo	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. RE Ngoveni	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. TR Maluleke	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. MA Khosa	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr.T Makhubele	204 323	3 600	40 800	68 107	2 037	-	318 867

Notes to the Audited Annual Financial Statements

Figures in Rand

50. Related parties (continued)

Cllr. TN Mthombeni	152 958	2 100	23 800	50 986	1 255	-	231 099
Cllr. HW Mhlari	270 145	3 600	40 800	90 048	2 575	-	407 168
Cllr. RN Sekgobela	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. TM Makhuvele	262 214	3 600	40 800	87 404	2 510	-	396 528
Cllr. MP Mathevula	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. XB Mkansi	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. DC Mashimbye	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. RS Khosa	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. HR Rikhotso	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. MJ Chauke	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. RC Rikhotso	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. KA Manganyi	484 235	3 600	40 800	161 411	4 876	-	694 922
Cllr. JS Khosa	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. AF Mthombeni	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. DT Shivuri	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. MP Hlungwani	34 054	600	6 800	11 351	530	-	53 335
Cllr. N Maluleke	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. MA Makamu	204 323	3 600	40 800	68 107	2 272	-	319 102
Cllr. BI Mashele	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. AM Mthombeni	270 145	3 600	40 800	90 048	2 884	-	407 477
Cllr. PS Mabulana	270 145	3 600	40 800	90 048	2 575	-	407 168
Cllr. TC Manganyi	204 323	3 600	40 800	68 107	2 272	-	319 102
Cllr. SS Kubayi	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. AE Mboweni	270 145	3 600	40 800	87 404	2 557	-	404 506
Cllr. MM Madzunye	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. SC Mahlaule	270 145	3 600	40 800	90 048	2 575	-	407 168
Cllr. TC Zitha	222 047	3 600	40 800	68 107	2 422	-	336 976
Cllr. HR Shivhambu	204 323	3 600	40 800	68 107	2 272	-	319 102
Cllr. MJ Makhubela	204 323	3 600	40 800	68 107	2 272	-	319 102
Cllr. SR Nkuna	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. P Mazivuko	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. TS Hlungwana	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. NJ Zitha	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. TP Chaka	204 323	3 600	40 800	68 107	2 037	-	318 867
Cllr. MP Hlungwani	12 084	300	3 400	5 676	203	-	21 663
Cllr. MJ Manganyi	130 539	2 400	27 200	45 405	1 573	-	207 117

Notes to the Audited Annual Financial Statements

Figures in Rand

50. Related parties (continued)

Cllr. TJ Moshwana	72 932	1 200	13 600	24 310	958	3 349	116 349
Cllr. DR Maswanganyi	17 027	300	3 400	5 676	468	26 403	53 274
	15 634 520	**219 600**	**2 488 800**	**5 206 459**	**159 425**	**29 752**	**23 738 556**

Notes to the Audited Annual Financial Statements

Figures in Rand

50. Related parties (continued)

2020

Name	Basic salary	Data Card	Cellphone Allowance	Backpay	Car Allowance	SDL	Total
Cllr. SS Mathebula	260 620	3 600	40 800	12 699	86 873	2 787	407 379
Cllr. MP Hlungwani	498 306	3 600	40 800	24 281	166 102	4 992	738 081
Cllr. MR Mashale	467 162	3 600	40 800	22 764	155 721	4 169	694 216
Cllr. NHP Ndaba	467 162	3 600	40 800	22 764	155 721	4 703	694 750
Cllr. TE Baloyi	467 162	3 600	40 800	22 764	155 721	4 703	694 750
Cllr. DE Balayi	252 969	3 600	40 800	12 326	84 323	2 716	396 734
Cllr. B Gaveni	197 119	3 600	40 800	9 605	65 706	2 198	319 028
Cllr. E Malungana	252 969	3 600	40 800	12 326	84 323	3 044	397 062
Cllr. MI Shimange Fazi	197 119	3 600	40 800	9 605	65 706	2 198	319 028
Cllr. RO Mabasa	457 776	3 600	40 800	22 306	152 592	4 616	681 690
Cllr. TL Ndlovu	100 127	3 600	40 800	9 605	65 706	1 361	221 199
Cllr. S Makhubele	252 969	3 600	40 800	12 326	84 323	2 716	396 734
Cllr. MW Mthombeni	252 969	3 600	40 800	12 051	84 323	2 716	396 459
Cllr. PT Mokgobi	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. FC Makoseni	215 859	3 600	40 800	17 352	67 314	2 043	346 968
Cllr. XJ Valoyi	252 969	3 600	40 800	12 326	84 323	2 716	396 734
Cllr. BA Shibambu	622 881	3 600	40 800	30 351	207 627	5 436	910 695
Cllr. CM Siweya	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr.NR Khandlhela	197 119	3 600	40 800	9 605	65 706	2 198	319 028
Cllr. GE Kobane	252 969	3 600	40 800	12 326	84 323	2 716	396 734
Cllr. EN Mabunda	260 620	3 600	40 800	12 699	86 873	2 787	407 379
Cllr. SG Mthombeni	220 498	3 600	40 800	12 326	73 499	2 109	352 832
Cllr. NN Baloyi	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. MC Mhlongo	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. RE Ngoveni	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. TR Maluleke	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. MA Khosa	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr.T Makhubela	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. TN Mthombeni	252 969	3 600	40 800	12 326	84 323	2 427	396 445
Cllr. HW Mhlari	260 620	3 600	40 800	12 699	86 873	2 490	407 082

Notes to the Audited Annual Financial Statements

Figures in Rand

50. Related parties (continued)

Cllr. RN Sekgobela	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. TM Makhuvele	252 969	3 600	40 800	12 326	84 323	2 427	396 445
Cllr. MP Mathevula	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. XB Mkansi	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. DC Mashimbye	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. RS Khosa	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. HR Rikhotso	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. MJ Chauke	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. RC Rikhotso	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. KA Manganyi	467 162	3 600	40 800	22 764	155 721	4 703	694 750
Cllr. JS Khosa	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. MT Chauke	32 744	600	6 800	-	10 915	395	51 454
Cllr. AF Mthombeni	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. DT Shivuri	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. MP Hlungwani	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr N Maluleke	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. MA Makamu	197 119	3 600	40 800	9 605	65 706	2 198	319 028
Cllr. BI Mashele	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. AM Mthombeni	260 620	3 600	40 800	12 699	86 873	2 787	407 379
Cllr. PS Mabulana	260 620	3 600	40 800	12 699	86 873	2 490	407 082
Cllr. TC Manganyi	197 119	3 600	40 800	9 605	65 706	2 198	319 028
Cllr. SS Kubayi	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. AE Mboweni	260 620	3 600	40 800	15 030	84 323	2 473	406 846
Cllr. NM Madzunye	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. SC Mahlawule	239 523	3 600	40 800	12 699	79 841	2 283	378 746
Cllr. TC Zitha	197 119	3 600	40 800	9 605	65 706	2 198	319 028
Cllr. HR Shivambu	197 119	3 600	40 800	9 605	65 706	2 198	319 028
Cllr. MJ Makhubela	197 119	3 600	40 800	9 605	65 706	2 198	319 028
Cllr. SR Nkuna	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. P Mazivuko	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. TS Hlungwana	197 119	3 600	40 800	9 606	65 706	1 973	318 804
Cllr. NJ Zitha	154 095	3 000	34 000	14 108	54 792	1 513	261 508
Cllr. TP Chaka	122 807	2 400	27 200	22 858	43 877	1 161	220 303
	15 019 901	**222 000**	**2 516 000**	**769 976**	**5 038 131**	**152 334**	**23 718 342**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

51. Accounting by principals and agents

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

Mopani District Municipality		
The Municipality and Mopani District Municipality entered into legislated arrangement under which the municipality serves as an agent and Mopani District as a Principal. Under this arrangement, Greater Giyani Municipality performs water and sewer functions on behalf of the Mopani District, all monies earned by the Greater Giyani Municipality from water and sewer services are disclosed as a liability and any monies paid by Greater Giyani Municipality to ensure smooth running of the water and sewer functions are disclosed as a receivable by Greater Giyani Municipality.	-	-
Agency fee @ 25%	1 797 113	1 112 284
Intermunicipal Account		
Mopani District Munipality	(23 369 210)	(20 953 844)
Department of Transport - Limpopo		
The Municipality has entered into an agreement with the Department of Transport under which the Department serves as a Principal and the Municipality as an agent. Under this arrangement, the Municipality performs licencing functions on behalf of the department of transport and earns a commission of the total revenue collected from this services. The balance is transferred to the department of transport and other stakeholders. The following is a summary of revenue as a result of the arrangements at year end.	-	-
Agency fee	-	-
Total collection on behalf of the principal	21 326 378	16 715 040
Total amount paid/transfered to the principal	(16 416 398)	(12 500 665)
	4 909 980	**4 214 375**

Details of the arrangement(s) are as follows:

The municipality has been appointed to distribute water to local residences as distribution agent by the district municipality for which it is then entitled to a commission/agency fee for service rendered. The municipality accounts for revenue, expenditures and receivables relating to water transactions into loan account and it is dislosed under the same section of the annual financial statements. Refer to disclosure note for other receivales for full details note 10 and note 19 for further reconciliation. The municipality is entitled to 25%.

The municipality is also a party to an agreement between the municipality and the department of roads and transport to collect revenue licensing and permits. The municipality is entitled to 20% of the revenue collected.

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

51. Accounting by principals and agents (continued)

Municipality as agent

Revenue recognised

The aggregate amount of revenue that the Municipality recognised as compensation for the transactions carried out on behalf of the principal (Mopani Distcrict Municipality) is R 1 797 113 (2020: R1 112 284).

Risks transferred from the principal to the entity, including risks flowing to the entity as a result of its custodianship over the resources held on behalf of the principal, are as follows:

1. Poor service delivery (Late responses for calls)
2. Inventory risks (Theft, changes in value and obsolete)
3. Dafaults risks (Risks of services not being paid by the principal)
4. Accountability risks (Principal not directly involved with communities)

Categories	**Additional details**
Water and Sewer	Mopani District Municipality

Amount of revenue received on behalf of the principal during the reporting period

Water transactions	13 793 006	15 409 509
Sanitation transactions	3 554 067	3 426 700
Interest (water and sewer)	9 731 033	8 384 448
Connections and reconnections	41 781	76 719
	27 119 887	**27 297 376**

Amount of receivables held on behalf of the principal during the reporting periodAmount of receivables held on behalf of the principal during the reporting period

Carrying amount at the beginning of the year	67 587 102	44 738 863
Current year revenue received or receivable	27 119 887	27 297 376
Amounts received during the year	(7 188 453)	(4 449 137)
	87 518 536	**67 587 102**

Amount of expenses paid on behalf of the principal during the reporting period

Employee costs	5 172 671	5 211 367
Overheads (Repairs and maintenance)	2 929 357	1 491 927
	8 102 028	**6 703 294**

Amount of payables held on behalf of the principal during the reporting period

Expenses incurred (Repairs and maintenance and inventory on-hand)	4 640 272	1 494 726
Cash paid on behalf of the principal	(4 577 337)	(1 491 927)
	62 935	**2 799**

52. Correction of prior period errors

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

1. Receivables from exchange transactions- On holds accounts amounting to R 579 051 for the period between 2016 to 2019 and R 106 980 for 2020 relating to water and sewer were incorrectly billed in the prior year. An amount of R 168 059 relating to VAT was also reversed.

2. Receivables from non-exchange transactions- On holds accounts amounting to R 1 734 218 for the period between 2016 to 2019 and R 768 552 relating to the prior year for property rates were incorrectly billed in the prior year. An amount of R 5 450 for impairment of traffic fines were reversed due to payment received.

3. VAT relating to repairs and maintenance, on holds accounts and property,plant and equipment amounting to R 39 903 was not accounted for in the prior year.

4. Other receivables from exchange transactions- On hold accounts amounting R 1 203 917 for the periods between 2016 to 2019 and R 171 714 for 2020 for refuse and cemetry were previously incorrectly billed.

5. Payables from exchange transactions - Overpayment of R 211 626 and R 91 000 relating to Makhosa project was incorrectly accounted for. R14 820.15 relating to G4 Security was incorrectly accounted for in the prior year.

6. Property rates - An amount of R 768 552 relating to on-hold accounts was incorrectly billed in the prior year.

7. Employee related costs - Provision for compensation amounting to R46 501 was understated in the prior year.

8. Depreciation and amortisation - Depreciation and amortisation amounting to R 700 773 was understated in the prior year.

9. Impairment loss- Impairment loss amounting to R 67 397 was understated in the prior year.

10. Debt impairment - Debt impairment of R 5 450 relating to traffic fines was reversed due to payment received from offenders.

11. Contracted services - Contracted services relating to Group 4 Security services was understated with R 10 785.

12. Repairs and maintenance- Repairs and maintenance relating to motor vehicles was understated with R 41 668.

13. General expenditure- General expenditure amounting to R 22 993 was understated in the prior year and transfer and subsidies of R 600 000 was incorrectly classified under general expenses.

14. Income received in advance for 2018/ 2019 was incorrectly recognised as revenue for R 500 630.

15. Propery, plant and equipmet - Leased assets of R 1 037 624 were reclassified to IT equipment in the prior year. Work in progress amounting to R 2 093 733, Accumulated depreciation of R 768 770 and Community assets of R 186 999 were not accounted for in the prior years.

Commitments

1. Township Establishment of various villages - The contract for Formalization of Church View was not included in the previous year but the expenditure related to it was included in the Township Establishment of various villages was not included in the committment register in the prior year.

2. Formalization of Church View was omitted in the prior year contract register was not incuded in the committment register in the prior year.

3. Section E (Vongani) Internal street upgrading from gravel to tar was not included in the committment register in the prior year.

Unathoried expenditure

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

52. Correction of prior period errors (continued)

The municipality did not account for unathorised expenditure of R 51 976 064 in the prior year.

Statement of financial position

2020

	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions	26 009 502	5 179 700	-	31 189 202
Receivables from non-exchange transactions	66 465 064	(2 497 320)	-	63 967 744
VAT Receivable	9 701 618	39 903	-	9 741 521
Other receivables from exchange transactions	20 555 197	(1 375 631)	-	19 179 566
Property, plant and equipment	909 346 294	744 394	-	910 090 688
Payables from exchange transactions	(101 722 708)	(274 577)	-	(101 997 285)
Rehabilitation of dumping site - Long term	(40 933 517)	-	3 909 429	(37 024 088)
Rehabilitation of dumping site - Short term	-	-	(3 909 429)	(3 909 429)
	889 421 450	**1 816 469**	**-**	**891 237 919**

Statement of financial performance

2020

	As previously reported	Correction of error	Re-classification	Restated
Service charges	6 723 206	(171 713)	-	6 551 493
Interest on overdue account - other services	19 693 755	-	(12 823 455)	6 870 300
Gain on forfeited liability	192 223	302 626	-	494 849
Interest received - investment	5 915 603	77 125	-	5 992 728
Property rates	57 980 741	(768 552)	-	57 212 189
Interest on overdue account - property rates	-	-	12 823 455	12 823 455
Employee related costs	(141 043 301)	(46 501)	-	(141 089 802)
Depreciation	(85 214 519)	(700 773)	-	(85 915 292)
Impairment loss	(3 915 500)	(67 397)	-	(3 982 897)
Debt impairment	(36 000 825)	5 450	-	(35 995 375)
Contracted services	(51 451 823)	(10 785)	-	(51 462 608)
Transfer and subsidies	-	-	(600 000)	(600 000)
Repairs and maitenance	(4 608 191)	(41 668)	-	(4 649 859)
General expenses	(48 336 701)	5 720 605	600 000	(42 016 096)
Deficit for the year	**(280 065 332)**	**4 298 417**	**-**	**(275 766 915)**

Commitments

52. Correction of prior period errors (continued)

2020

	As previously reported	Correction of error	Restated
Township Estabishment of Variors Villages	332 049	520 101	852 150
Formalisation of Church View	-	130 025	130 025
Section E (Voningani) internal street upgrading from gravel to paving	-	3 550 736	3 550 736
	332 049	**4 200 862**	**4 532 911**

Unauthorised expenditure	As previously reported	Correction of error	Restated
Unauthorised expnditure	-	51 976 064	51 976 064

53. Risk management

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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

At 30 June 2021	Less than 1 year
Payables from exchange transactions	102 455 111

At 31 June 2020	Less than 1 year
Payables from exchange transactions	102 002 087

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

53. 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.

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

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

Financial instrument	2021	2020
Cash and cash equivalent	179 411 408	91 521 068
Receivables from exchange transactions	30 560 859	25 491 530
Receivables from non- exchange transactions	81 421 463	63 967 744
Other receivables from exchange transactions	25 001 738	19 179 566
VAT Receivable	16 131 014	9 741 521

Market risk

Interest rate risk

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

54. Deviations

	-	-
Mhavasi Holdings (Pty) Ltd (Section 36 (a) (i) in an emergency	-	209 000
Giyani Medecal Centre (Section 36 (a) (i) in an emergency	-	164 516
Mvuri Park Trading 40 (Section 36 (a) (i) in an emergency	-	139 380
015 Preeminent Solution (Section 36 (a) (i) in an emergency	-	67 900
MWX Holdings (Section 36 (a) (i) in an emergency	-	1 084 867
Magezi Brandon Muhluri (PTY) LTD	113 090	-
Makhawukani investment trading	148 801	-
Hasler Business systems (PTY) LTD	4 692	-
M and R projects and investment	40 050	-
Smith Sam Trading	113 591	-
Baseccho at RMC INC	66 000	-
Closing balance	**486 224**	**1 665 663**

55. Fruitless and wasteful expenditure

Opening balance as previously reported	11 335	1 467
Opening balance as restated	**11 335**	**1 467**
Add: Fruitless and wasteful expenditure - current period	86 005	17 696
Less: Amount written off - by the council	(72 301)	(7 828)
Closing balance	**25 039**	**11 335**

An amount of R 9 870.28 for 2019/2020 financial year is yet to be recovered, as per recomendation by MPAC.

An amount R 13 704 relating to 2020/2021 financial year is still to be investigated by MPAC.

Notes to the Audited Annual Financial Statements

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55. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

Penalty for late submission of annual return of earnings	72 301	-
Penalty on Eskom payments	-	17 698
Overcharged for PPE	13 704	-
	86 005	**17 698**

56. Irregular expenditure

Opening balance as previously reported	11 292 032	18 921 759
Restated Opening Balance	**11 292 032**	**18 921 759**
Add: Irregular Expenditure - previously not disclosed	-	1 651 039
Add: Irregular Expenditure - for the period	8 945 632	16 319 958
Less: Amount written off by the council	(9 013 238)	(25 600 724)
Closing balance	**11 224 426**	**11 292 032**

R 9 640 992.69 for periods 2015/16 and 2016/17 respectively is still under investigation by MPAC.

R 1 651 039 was erroneously not accounted for in the 2019/2020 financial year.

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

Inadequate reasons provided for approved deviation memorandum for purchase of personal protective equipment	524 640	667 431
Awards made to suppliers in which persons in service of other state institutions have an interest	473 572	-
Tender which did not meet the pre-qualification criteria was evaluated further	585 221	983 555
Regulation 32 contract was entered to beyond the scope of original contract	232 066	520 799
The tender requirements did not include a condition for mandatory subcontracting to advance designated groups as required by PPR even though the amount was above R30 million	7 130 133	15 799 158
	8 945 632	**17 970 943**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

57. Unauthorised expenditure

Opening balance as previously reported	51 976 064	248 657 470
Add: Unauthorised expenditure incurred during the year	51 282 044	51 976 064
Less: Amount authorised by council for 2016/2017	-	(11 544 739)
Less: Amount authorised by council for 2017/2018	-	(206 452 633)
Less: Amount authorised by council for 2018/2019	-	(30 660 098)
	103 258 108	**51 976 064**

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

Non-cash items	51 252 194	51 976 064
Cash items	29 850	-
	51 282 044	**51 976 064**

Analysis on Non-cash items:

Actuarial valuations	208 000	-
Depreciation and amortisation	22 353 857	35 915 292
Finance costs	3 909 429	1 681 037
Impairments loss	6 298 942	3 982 897
Loss on assets written off	7 393 461	5 995 375
Debt impairment	11 082 706	4 374 289
Obsolete inventory written off	5 799	27 174
	51 252 194	**51 976 064**

Unauthorised expenditure: Budget overspending - per municipal departments

Finance and administration	47 342 765	50 469 924
Waste management	3 909 429	1 681 037
Public safety	1 975	-
Housing	27 875	-
	51 282 044	**52 150 961**

58. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Current year subscription / fee	37 451	34 129
Amount paid - current year	(37 451)	(34 129)
	-	**-**

Audit fees

Current year subscription / fee	4 870 451	4 632 780
Amount paid - current year	(4 870 451)	(4 622 936)
	-	**9 844**

PAYE and UIF

Current year subscription / fee	22 753 076	21 804 223
Amount paid - current year	(22 753 076)	(21 804 223)
	-	**-**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

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

Pension and Medical Aid Deductions

	2021	2020
Current year subscription / fee	26 192 817	23 766 247
Amount paid - current year	(26 192 817)	(23 766 247)
	-	-

VAT

	2021	2020
VAT receivable	16 131 014	9 741 521

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

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

Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Mboweni Agrey Ernest	1 846	54 695	56 541
Cllr Chauke Mukhacani Juring	4 170	63 303	67 473
Cllr Shivambu Hasani Richard	2 498	31 376	33 874
Cllr Baloyi Tintswalo Elizabeth	2 963	1 116	4 079
Cllr Makamu Mafakhale Alpheus	2 429	7 128	9 557
Cllr Shibambu Basani Agnes	1 938	340	2 278
	15 844	**157 958**	**173 802**

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Mboweni Agrey Ernest	3 395	59 399	62 794
Cllr Chauke Mukhacani Juring	3 730	57 274	61 004
Cllr Shivambu Hasani Richard	3 829	27 895	31 724
Cllr Baloyi Tintswalo Elizabeth	2 473	1 764	4 237
Cllr Makamu Mafakhale Alpheus	2 990	4 243	7 233
	16 417	**150 575**	**166 992**

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

59. Supply in-service state

	2021	2020
Employee in the service of state	-	1 651 037

The municipality did not identify any supplier in the service of the state. The municipality rely on the declaration of interest declared by the service provider as per MBD4 forms contained on the tender documents as a measure while perusal is done with Treasury on the acquisition of a to assist to detect if the service provider is in the service of state.

Notes to the Audited Annual Financial Statements

60. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of 1 185 506 899 and that the municipality's total assets exceed its liabilities by 1 185 506 899.

The audited 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.

61. Events after reporting date

Eternity Star Investment 231 Contractual Dispute on the 16th July 2021, Exchanging pleadings, R2 037 027.70.

Nkutsulo Projects & Development/GGM Rescission of judgement, 16 July 2021, Exchanging pleadings, R78 378.00.

Sevha Dyson & Khombo Aloneh Makumani/GGM, suing municipality for withholding informationat its disposal in terms of PAIA, 13 December 2021, Exchanging pleadings, no amount determined yet.