

Thulamela Local Municipality 2021

(Registration number LIM343)

Annual Financial Statements for the year ended 30 June 2021



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General Information

Legal form of entity	Thulamela Local Municipality
Nature of business and principal activities	Provision of services (sanitation, refuse and other services) to communities in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment.
The following is included in the scope of operation	Rates and waste management and general services Local government activities Planning and promotion of the integrated development plan Land, economic and environmental development The mandate of the municipality is in terms of section 152 of the Constitution of South Africa
Mayoral committee	
Executive Mayor	Cllr Tshifhango AS
Speaker	Cllr Mulovhedzi HP
Chief Whip	Cllr Mahosi NG
EXCO	Cllr Malada T.P Cllr Mulaudzi KE Cllr Netshipise L Cllr Netshisaulu T.E Cllr Mulaudzi SN Cllr Ligaraba LE Cllr Rambuda AS Cllr Mutheiwana FA Cllr Maduse LS Cllr Kwindi MR
Councillors	Cllr Netshifhefhe M Cllr Madzunya E Cllr Netshifhefhe K.J - MPAC member Cllr Malindi O.T - MPAC Chairperson Cllr Lieba P Cllr Madondo L.M Cllr Netshipise L Cllr Mamushiana TD Cllr Ramaano L.P Cllr Tshigwili T Cllr Mandiwana N.E Cllr Nemaranzhe K Cllr Phalanndwa NR Cllr Nelufhangani TL Cllr Sengani M.P Cllr Tuwani TT - MPAC member Cllr Nenzhelele N Cllr Munenyiwa ME Cllr Maphiri TB Cllr Hlumulu FM Cllr Mathambo R Cllr Munyai NG Cllr Gundula T.G Cllr Netshishivhe AA

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Cllr Mabuda M G
Cllr Muditambi MM
Cllr Padelane TS
Cllr Ndou N F - MPAC member
Cllr Malaka M G
Cllr Nelushi TA - MPAC member
Cllr Davhana AJ
Cllr Tharaga MD - MPAC member
Cllr Mutandanyi VV - MPAC member
Cllr Shitiba TV
Cllr Mphaphuli M
Cllr Netangaheni NP
Cllr Makungo TG
Cllr Madzivhandila M
Cllr Ramashia MP
Cllr Munyai TT - MPAC Member
Cllr Singo L - MPAC member
Cllr Rasendedza AM
Cllr Mbulaheni N
Cllr Mulaudzi NS
Cllr Nemalegeni TJ
Cllr Mawelelewele TM
Cllr Magatshavha SO
Cllr Mawela PE
Cllr Muedi ET
Cllr Mundalamo M
Cllr Tshishonge DE
Cllr Maphaha NF
Cllr Magoda TP - MPAC member
Cllr Marole RT - MPAC member
Cllr Mashathini MH
Cllr Nemudzivhadi AS
Cllr Grace Tshililo
Cllr Nemugumoni T
Cllr Mashawana NE
Cllr Matambela NP
Cllr Sadiki CS
Cllr Tshikalange NT - MPAC member
Cllr Makatu AM
Cllr Ramulongo MB
Cllr Dzhalagome MG
Cllr Kwindi SC
Cllr Davhana AJ
Cllr Ramulifho HB - MPAC member
Cllr Nemadzivhanani FE - MPAC member
Cllr Netshifhefhe M
Cllr Ligaraba MJ
Cllr Nemananzhe K

Grading of local authority

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General Information

Chief Finance Officer (CFO)

Tshivule MM
015 962 7515
tshivulemm@thulamela.gov.za

Accounting Officer

Maluleke HE

Business address

Old Agrieven building
Thohoyandou
0950

Postal address

Private bag X5066
Thohoyandou
0950

Auditors

Auditor General South Africa
Registered Auditors

Attorneys

Nengwekhulu Tshiwandala Incorporated
Makhuvha EM Attorneys
Tshitangano Attorneys
TT Ngobeni Attorneys
NRM Attorneys
Verveen Attorneys
Rambevha Morabane
Mudau and Netshipise Attorneys Inc
Madima M Attorneys Inc
Phungo Inc
Khathutshelo A Mainganye Attorneys
Tshiredo Attorneys

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

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DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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


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

The accounting officer certify that the salaries, allowances and benefits of councillor's as disclosed in Note 31 and 32 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

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 annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the on 31 August 2021 and were signed on its behalf by:



Accounting Officer
Maluleke HE

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Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Non-Current Assets			
Property, plant and equipment	4	1 632 115 133	1 577 050 063
Intangible assets	5	1 005 833	1 377 635
		1 633 120 966	1 578 427 698
Current Assets			
Inventories	6	27 091 912	29 424 623
Receivables from non-exchange transactions	8	21 932 161	15 927 448
Receivables from exchange transactions	7	43 052 246	34 147 090
Cash and cash equivalents	9	891 291 688	647 396 794
		983 368 007	726 895 955
Total Assets		2 616 488 973	2 305 323 653
Liabilities			
Non-Current Liabilities			
Employee benefit obligation	10	13 252 526	12 564 804
Provisions	11	32 410 056	31 334 703
		45 662 582	43 899 507
Current Liabilities			
Payables from exchange transactions	12	73 279 382	67 156 858
VAT payable	13	33 181 702	29 124 044
Consumer deposits	14	336 455	343 882
Employee benefit obligation	10	1 515 937	1 264 729
Unspent conditional grants and receipts	15	10 639 179	-
Provisions	11	24 734 393	23 419 396
		143 687 048	121 308 909
Total Liabilities		189 349 630	165 208 416
Net Assets		2 427 139 343	2 140 115 237
Accumulated surplus		2 427 139 343	2 140 115 237
Total Net Assets		2 427 139 343	2 140 115 237

* See Note 2 & 47

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Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	16	7 755 058	7 969 455
Service charges	17	24 637 871	23 509 033
Rendering of services	18	2 651 919	1 977 942
Rental of facilities and equipment	19	2 769 356	3 949 560
Interest received from exchange receivables	20	19 345 122	19 215 802
Agency services	21	9 790 676	9 113 041
Licences and permits	22	617 524	911 771
Commissions received	23	119 865	27 409
Other income	24	4 162 345	6 834 096
Interest received - investment	25	18 174 152	33 276 934
Total revenue from exchange transactions		90 023 888	106 785 043
Revenue from non-exchange transactions			
Property rates	26	87 839 705	101 760 620
Interest received from non-exchange receivables	27	12 382 923	8 672 397
Government grants & subsidies	28	689 117 821	580 091 000
Public contributions and donations	29	5 332 000	9 129
Fines, Penalties and Forfeits	30	9 202 112	9 337 679
Total revenue from non-exchange transactions		803 874 561	699 870 825
Total revenue		893 898 449	806 655 868
Expenditure			
Employee related costs	31	(287 346 663)	(276 027 352)
Remuneration of councillors	32	(30 744 339)	(30 629 977)
Depreciation and amortisation	33	(54 641 658)	(54 698 460)
Finance costs	34	(1 275 038)	(825 428)
Lease rentals on operating lease	35	(3 876 646)	(3 206 471)
Debt Impairment	36	(71 275 867)	(82 265 561)
Contracted services	37	(58 161 174)	(46 579 740)
Transfers and Subsidies	38	(3 773 015)	(6 637 350)
General Expenses	39	(66 526 555)	(64 268 276)
Total expenditure		(577 620 955)	(565 138 615)
Operating surplus		316 277 494	241 517 253
Loss on disposal of assets and liabilities - Asset write off		(5 465 524)	(2 163 021)
Actuarial gains/losses	10	101 841	76 510
(Impairment loss) Reversal of impairments	40	(9 053 532)	358 877
Inventories losses/write-downs		(1 244 914)	(926 157)
Land write down		(2 149 532)	(2 293 997)
Loss on transfer of assets	41	(11 441 739)	(22 529 010)
		(29 253 400)	(27 476 798)
Surplus for the year		287 024 094	214 040 455

* See Note 2 & 47

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 924 530 102	1 924 530 102
Adjustments		
Prior year adjustments	1 544 679	1 544 679
Balance at 01 July 2019 as restated*	1 926 074 781	1 926 074 781
Changes in net assets		
Surplus for the year	214 475 334	214 475 334
Prior year adjustments	(434 878)	(434 878)
Total changes	214 040 456	214 040 456
Restated* Balance at 01 July 2020	2 140 115 249	2 140 115 249
Changes in net assets		
Surplus for the year	287 024 094	287 024 094
Total changes	287 024 094	287 024 094
Balance at 30 June 2021	2 427 139 343	2 427 139 343

Note(s)

* See Note 2 & 47

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Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from taxes and service charges		33 307 951	24 335 161
Grants		689 117 821	580 091 000
Interest income		49 902 197	61 165 133
Sale of goods		7 755 058	7 969 455
Rendering of services		2 651 919	1 977 942
Rental of facilities and equipment		2 769 356	3 911 692
Agency services		9 790 676	9 113 041
Licences and permits		617 524	911 771
Commissions received		119 865	27 409
Fines, Penalties and Forfeits		6 704 482	8 103 527
Other Income		2 700 433	4 399 329
		805 437 282	702 005 460
Payments			
Employee costs		(315 448 042)	(298 753 954)
Suppliers		(113 472 468)	(138 933 654)
Finance costs		(1 275 038)	(825 428)
		(430 195 548)	(438 513 036)
Net cash flows from operating activities	42	375 241 734	263 492 424
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(131 086 854)	(153 557 816)
Purchase of other intangible assets	5	(260 000)	-
Net cash flows from investing activities		(131 346 854)	(153 557 816)
Net increase/(decrease) in cash and cash equivalents		243 894 880	109 934 608
Cash and cash equivalents at the beginning of the year		647 396 794	537 462 185
Cash and cash equivalents at the end of the year	9	891 291 674	647 396 793

* See Note 2 & 47

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	25 128 492	(12 623 492)	12 505 000	7 755 058	(4 749 942)	Refer to Note 57
Service charges	33 394 300	(7 390 300)	26 004 000	24 637 871	(1 366 129)	Less than 10%
Rendering of services	4 569 296	(545 196)	4 024 100	2 651 919	(1 372 181)	Refer to Note 57
Rental of facilities and equipment	9 496 496	(4 744 496)	4 752 000	2 769 356	(1 982 644)	Refer to Note 57
Interest received (trading)	29 000 168	(9 403 870)	19 596 298	19 345 122	(251 176)	Less than 10%
Agency services	15 735 000	(2 735 000)	13 000 000	9 790 676	(3 209 324)	Refer to Note 57
Licences and permits	608 484	122 520	731 004	617 524	(113 480)	Refer to Note 57
Commissions received	15 672	184 328	200 000	119 865	(80 135)	Refer to Note 57
Other income - (rollup)	7 919 480	(371 555)	7 547 925	4 162 345	(3 385 580)	Refer to Note 57
Interest received - investment	38 000 000	(22 000 000)	16 000 000	18 174 152	2 174 152	Refer to Note 57
Total revenue from exchange transactions	163 867 388	(59 507 061)	104 360 327	90 023 888	(14 336 439)	
Revenue from non-exchange transactions						
Property rates	94 180 556	(7 940 290)	86 240 266	87 839 705	1 599 439	Less than 10%
Interest received from non-exchange receivables	-	12 500 000	12 500 000	12 382 923	(117 077)	Less than 10%
Government grants & subsidies	604 656 004	95 100 996	699 757 000	689 117 821	(10 639 179)	Less than 10%
Public contributions and donations	-	-	-	5 332 000	5 332 000	Refer to Note 57
Fines, Penalties and Forfeits	27 392 004	(12 282 004)	15 110 000	9 202 112	(5 907 888)	Refer to Note 57
Total revenue from non-exchange transactions	726 228 564	87 378 702	813 607 266	803 874 561	(9 732 705)	
Total revenue	890 095 952	27 871 641	917 967 593	893 898 449	(24 069 144)	
Expenditure						
Personnel	(306 893 232)	29 418	(306 863 814)	(287 346 663)	19 517 151	Less than 10%
Remuneration of councillors	(36 959 724)	3 000 011	(33 959 713)	(30 744 339)	3 215 374	Refer to Note 57
Depreciation and amortisation	(60 466 344)	(1 643 716)	(62 110 060)	(54 641 658)	7 468 402	Refer to Note 57
Impairment loss/ Reversal of impairments	-	(9 053 532)	(9 053 532)	(9 053 532)	-	Refer to Note 57
Finance costs	(50 000)	(1 470 000)	(1 520 000)	(1 275 038)	244 962	Refer to Note 57
Lease rentals on operating lease	(3 200 004)	(800 000)	(4 000 004)	(3 876 646)	123 358	Less than 10%

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Debt Impairment	(79 424 064)	(7 454 108)	(86 878 172)	(71 275 867)	15 602 305	Refer to Note 57
Contracted Services	(85 760 652)	(3 140 104)	(88 900 756)	(58 161 174)	30 739 582	Refer to Note 57
Transfers and Subsidies	(12 056 204)	726 204	(11 330 000)	(3 773 015)	7 556 985	Refer to Note 57
General Expenses	(99 326 240)	4 720 080	(94 606 160)	(66 526 555)	28 079 605	Refer to Note 57
Total expenditure	(684 136 464)	(15 085 747)	(699 222 211)	(586 674 487)	112 547 724	
Operating surplus	205 959 488	12 785 894	218 745 382	307 223 962	88 478 580	
Loss on disposal of assets and liabilities	(1 958 604)	(4 573 221)	(6 531 825)	(5 465 524)	1 066 301	Less than 10%
Actuarial gains/losses	-	-	-	101 841	101 841	
Inventories losses/write-downs	(3 500 004)	2 000 000	(1 500 004)	(1 244 914)	255 090	Refer to Note 57
Land write down	(9 999 996)	668 002	(9 331 994)	(2 149 532)	7 182 462	Less than 10%
Loss on transfer of assets	(500 004)	(11 491 735)	(11 991 739)	(11 441 739)	550 000	Less than 10%
	(15 958 608)	(13 396 954)	(29 355 562)	(20 199 868)	9 155 694	
Surplus before taxation	190 000 880	(611 060)	189 389 820	287 024 094	97 634 274	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	190 000 880	(611 060)	189 389 820	287 024 094	97 634 274	

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Accounting Policies

Figures in Rand	Note(s)	2021	2020
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1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

1.5 Property, plant and equipment

Initial recognition and measurement

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.

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Subsequent measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it meets the recognition criteria of Property, Plant and equipment.

Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives to their estimated residual values. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life.

The depreciation rates are based on the following estimated average asset useful lives:

Item	Depreciation method	Average useful life
Plant and machinery	Straight-line	4 - 20 years
Motor vehicles	Straight-line	10 - 19 years
Furniture and Office equipment	Straight-line	4 - 23 years
Computer equipment	Straight-line	4 - 23 years
Office equipment	Straight-line	3 - 5 years
Roads and Stormwater Infrastructure	Straight-line	10 - 80 years
Community and buildings	Straight-line	10 - 60 years

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

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

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

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.7 Intangible assets

Initial recognition and measurement

An asset is identifiable if it either:

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

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

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1.7 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

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

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

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

Intangible assets are initially recognised at cost. An intangible asset acquired at no or nominal cost, the cost is deemed to be equal to its fair value as at the date of acquisition. Where an intangible asset 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, its deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement - Cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

The amortisation period, residual values and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 - 10 years

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1.7 Intangible assets (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

Derecognition

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.8 Financial instruments

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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1.8 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at fair value
Receivables from non-exchange transactions	Financial asset measured at fair value
Cash and cash equivalents	Financial asset measured at fair value
VAT receivables	Financial asset measured at fair value
Other receivables	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
VAT payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Employee benefit obligation	Financial liability measured at amortised cost

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.

The entity recognises financial assets using trade date accounting.

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 fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

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 of Financial Instruments

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Offsetting

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

- currently has a legally enforceable right to set off the recognised amounts; and

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Accounting Policies

1.8 Financial instruments (continued)

- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

Derecognition

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

1.9 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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Accounting Policies

1.9 Statutory receivables (continued)

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

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

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

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

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

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Accounting Policies

1.9 Statutory receivables (continued)

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

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

1.10 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.

Finance leases - lessee

Initial Recognition and Measurement

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, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct costs of the lessee are added to the amount recognised as an asset.

Subsequent Measurement

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.

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

Initial recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process. Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired (including land held for sale).

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.

Subsequent measurement

Subsequently, inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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1.11 Inventories (continued)

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

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

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.

Redundant and slow-moving inventories are identified and written down in this way. 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.

Derecognition

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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Accounting Policies

1.12 Employee benefits

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.

Recognition and measurement

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.
- Non-accumulating compensated absences do not carry forward: they lapse if the current reporting period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the entity. This is the case for sick leave, maternity or paternity leave. For these short-term benefits the entity recognises no liability or expense until the time of the absence, because employee service does not increase the amount of the benefit.

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.

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only 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.

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1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions. In order to be classified as a defined contribution plan a post-employment benefit plan must require the entity to pay fixed contributions into a separate entity.

Recognition and measurement

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

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

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

Other long-term employee benefits

Other long-term employee benefits may include, for example:

- long-term compensated absences such as long service or sabbatical leave;
- other long service benefits;
- long-term disability benefits;
- bonus, incentive and performance related payments payable twelve months or more after the end of the reporting period in which the employees render the related service;
- deferred compensation paid twelve months or more after the end of the reporting period in which it is earned; and
- compensation payable by the entity until an individual enters new employment.

Recognition and measurement

The amount recognised as a liability for other long-term employee benefits shall be 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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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1.13 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

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

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

1.14 Commitments

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

Commitment is the amount that has been committed but not yet incurred. It is the difference between the contracted amount and the actual expenditure as at year end. This amount is disclosed on the Notes to the Annual Financial Statement.

1.15 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.

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1.15 Revenue from exchange transactions (continued)

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

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, royalties and dividends

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.

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Accounting Policies

1.16 Revenue from non-exchange transactions

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

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1.16 Revenue from non-exchange transactions (continued)

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

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 property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

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.

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.17 Investment income

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

1.18 Borrowing costs

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

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

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1.19 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement. The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services. Collection charges are recognised when incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current 9 months.

When the presentation or classification of items in the financial statements is amended, comparative amounts are reclassified, unless the reclassification is impracticable. When comparative amounts are reclassified, the following is disclosed:

- the nature of the reclassification;
- the amount of each item or class of items that is reclassified; and
- the reason for the reclassification.

When it is impracticable to reclassify comparative amounts, the following is disclosed:

- the reason for not reclassifying the amounts; and

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Accounting Policies

1.20 Comparative figures (continued)

- the nature of the adjustments that would have been made if the amounts had been reclassified.

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

1.21 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.

Unauthorised expenditure is expenditure that has been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in term of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance 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. Fruitless and wasteful 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.

1.23 Irregular expenditure

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

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

1.24 Segment information

A segment is an activity of an entity:

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

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

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1.24 Segment information (continued)

Measurement

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

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

1.25 Budget information

Presentation of a comparison of the budget amounts for which it is held publicly accountable and actual amounts is presented as a separate additional financial statement. The comparison of budget and actual amounts is present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

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 considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality discloses:

- The aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration within this category, showing separately major classes of key management personnel and including a description of each class;
- The total amount of all other remuneration and compensation provided to key management personnel, and close members of the family of key management personnel, by the municipality.

1.27 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.

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Accounting Policies

1.27 Events after reporting date (continued)

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

1.28 Value Added Tax

The municipality applies the payment basis for VAT purposes as per the Value-Added Tax Act. Output tax is paid to SARS as and when the purchase consideration are received and input will be claimed as and when payment is made.

1.29 Contingent Liabilities

A contingent liability is: (a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or (b) a present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

1.30 General expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence's of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Recognition and measurement

Expenses are recognised on an accrual basis.

This means a basis of accounting under which transactions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate.

1.31 Accumulated Surplus

The municipality's surplus or deficit for the year is accounted in the accumulated surplus reserve in the statement of changes in net assets.

1.32 Long term debtors

Long term debtors are debtors that are receivable for a period exceeding 12 months from year end. These debtors arise from the payment agreement between the customer and the Municipality.

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2. Changes in accounting policy

An accounting policy is changed only if the change:

- is required by a Standard of GRAP; or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

A change in accounting policy is applied retrospectively, except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information for one or more prior periods presented, the entity shall apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable, which may be the current period, and shall make a corresponding adjustment to the opening balance of each affected component of net assets for that period.

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods, the entity shall adjust the comparative information to apply the new accounting policy prospectively from the earliest date practicable.

Change in accounting estimates

The effect of a change in an accounting estimate is recognised prospectively by including it in surplus or deficit in:

- the period of the change, if the change affects that period only; or
- the period of the change and future periods, if the change affects both.

To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of net assets, it is recognised by adjusting the carrying amount of the related asset, liability or item of net assets in the period of the change.

Errors

A prior period error is corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error. When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the opening balances of assets, liabilities and net assets are restated for the earliest period for which retrospective restatement is practicable (which may be the current period). When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the comparative information is restated to correct the error prospectively from the earliest date practicable.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

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3. New standards and interpretations (continued)

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The impact of the standard is not material.

IGRAP 20: Accounting for Adjustments to revenue

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality has adopted the amendment for the first time in the 2021 annual financial statements.

The impact of the interpretation is not material.

GRAP 34: Separate Financial Statements

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has adopted the standard for the first time in the 2021 annual financial statements.

The impact of the standard is not material.

GRAP 18 (as amended 2016): Segment Reporting

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has adopted the standard for the first time in the 2021 annual financial statements.

The impact of the standard is not material.

3.2 Standards and interpretations issued, but not yet effective

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

GRAP 104 (amended): Financial Instruments

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

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

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets

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3. New standards and interpretations (continued)

- Impairment of financial assets
- Disclosures

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

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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	124 221 972	(2 149 532)	122 072 440	123 455 574	-	123 455 574
Plant and machinery	12 791 880	(3 057 718)	9 734 162	8 313 506	(2 465 515)	5 847 991
Furniture and fixtures	15 295 989	(9 500 148)	5 795 841	15 747 368	(8 698 658)	7 048 710
Motor vehicles	78 998 915	(22 094 376)	56 904 539	77 620 807	(17 960 340)	59 660 467
Computer equipment	11 677 692	(6 215 658)	5 462 034	13 608 965	(7 033 135)	6 575 830
Roads and Stormwater Infrastructure	1 188 736 422	(439 769 800)	748 966 622	1 174 514 290	(398 555 706)	775 958 584
Community Assets	290 080 287	(95 346 115)	194 734 172	283 871 920	(87 309 974)	196 561 946
Solid waste infrastructure	30 008 546	(13 728 851)	16 279 695	27 320 267	(11 488 314)	15 831 953
Electricity infrastructure	46 428 285	(11 501 563)	34 926 722	45 998 785	(10 224 653)	35 774 132
Roads and Stormwater-Work in Progress	299 860 765	-	299 860 765	224 452 949	-	224 452 949
Electricity-Work in Progress	2 367 452	-	2 367 452	2 367 452	-	2 367 452
Community Assets-Work in Progress	128 847 529	-	128 847 529	116 947 644	-	116 947 644
Solid Waste-Work in Progress	4 189 467	-	4 189 467	6 566 831	-	6 566 831
Computer Equipment - Work in Progress	1 973 693	-	1 973 693	-	-	-
Total	2 235 478 894	(603 363 761)	1 632 115 133	2 120 786 358	(543 736 295)	1 577 050 063

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Additions through donations	Disposals	Transfers received	Transfers made	Land write down	Depreciation	Impairment loss	Total
Land	123 455 574	-	-	-	775 044	(8 646)	(2 149 532)	-	-	122 072 440
Plant and machinery	5 847 991	1 326 923	3 650 500	(217 298)	-	-	-	(866 927)	(7 027)	9 734 162
Furniture and fixtures	7 048 710	381 436	63 000	(307 746)	-	-	-	(1 383 027)	(6 532)	5 795 841
Motor vehicles	59 660 467	2 911 696	1 560 500	(1 501 444)	-	-	-	(5 726 680)	-	56 904 539
Computer equipment	6 575 830	1 205 694	58 000	(962 981)	-	-	-	(1 381 718)	(32 791)	5 462 034
Roads and Stormwater Infrastructure	775 958 584	-	-	-	14 222 132	-	-	(32 800 080)	(8 414 014)	748 966 622
Community Assets	196 561 946	9 001 596	-	(2 457 363)	478 430	-	-	(8 271 966)	(578 471)	194 734 172
Solid waste infrastructure	15 831 953	406 314	-	(18 694)	2 377 364	-	-	(2 314 128)	(3 114)	16 279 695
Electricity infrastructure	35 774 132	-	-	-	429 500	-	-	(1 265 328)	(11 582)	34 926 722
Roads and Stormwater-Work in Progress	224 452 949	89 629 948	-	-	-	(14 222 132)	-	-	-	299 860 765
Electricity-Work in Progress	2 367 452	11 871 239	-	(11 441 739)	-	(429 500)	-	-	-	2 367 452
Community Assets-Work in Progress	116 947 644	12 378 315	-	-	-	(478 430)	-	-	-	128 847 529
Solid Waste-Work in Progress	6 566 831	-	-	-	-	(2 377 364)	-	-	-	4 189 467
Computer Equipment - Work in Progress	-	1 973 693	-	-	-	-	-	-	-	1 973 693
Total	1 577 050 063	131 086 854	5 332 000	(16 907 265)	18 282 470	(17 516 072)	(2 149 532)	(54 009 854)	(9 053 531)	1 632 115 133

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Land write down	Depreciation	Impairment loss	Total
Land	125 752 469	-	-	-	(2 903)	(2 293 992)	-	-	123 455 574
Plant and machinery	4 716 261	2 244 551	(384 242)	-	-	-	(728 579)	-	5 847 991
Furniture and fixtures	8 592 980	319 914	(308 980)	-	-	-	(1 551 147)	(4 057)	7 048 710
Motor vehicles	65 424 004	-	-	-	-	-	(5 763 537)	-	59 660 467
Computer equipment	7 033 447	1 103 019	(96 558)	-	-	-	(1 464 078)	-	6 575 830
Roads and Stormwater Infrastructure	752 286 505	602 206	(616 606)	56 168 911	-	-	(32 845 367)	362 935	775 958 584
Community Assets	201 606 313	891 182	(476 615)	2 730 855	-	-	(8 189 789)	-	196 561 946
Solid waste infrastructure	16 333 428	1 758 392	-	-	-	-	(2 259 867)	-	15 831 953
Electricity infrastructure	36 561 122	-	(279 863)	773 090	-	-	(1 280 217)	-	35 774 132
Roads and Stormwater-Work in Progress	145 071 257	135 550 603	-	-	(56 168 911)	-	-	-	224 452 949
Electricity-Work in Progress	3 140 542	25 430 000	(25 430 000)	-	(773 090)	-	-	-	2 367 452
Community Assets-Work in Progress	109 534 822	10 492 419	-	-	(3 079 597)	-	-	-	116 947 644
Solid Waste-Work in Progress	5 971 301	595 530	-	-	-	-	-	-	6 566 831
	1 482 024 451	178 987 816	(27 592 864)	59 672 856	(60 024 501)	(2 293 992)	(54 082 581)	358 878	1 577 050 063

Included under Land are strategic assets held in order to fulfil the municipality's main mandate in the foreseeable future. These assets represent vacant land owned by the municipality for which specific usage has not been determined. The municipality uses the Thulamela Land Use Management Scheme 2006 to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations. In line with Land Use Management Scheme 2006 the land zoned Municipal could be used to develop inter alia:

- Agricultural buildings
- Agricultural land
- Nature conservation
- Recreational
- Reservoir
- Cemetery
- Dumping site
- Taxi rank
- Taxi holding area

Included in Electricity - Work in Progress are electrification of villages WIP assets amounting to 2021: R11 441 739 funded from INEP grant. These assets were transferred to (Eskom), upon completion and are not the assets of the Municipality.

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4. Property, plant and equipment (continued)

Pledged as security

No assets has been pledged as security.

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Included within Road and Stormwater Infrastructure	Included within Community	Included within Electricity	Included within Solid Waste	Included within Computer Equipment	Total
Opening balance	224 452 950	116 947 619	2 367 452	6 566 831	-	350 334 852
Additions/capital expenditure	89 629 948	12 378 313	11 871 239	-	1 973 696	115 853 196
Disposal	-	-	(11 871 239)	-	-	(11 871 239)
Transferred to completed items	(14 222 132)	(478 430)	-	(2 377 364)	-	(17 077 926)
	299 860 766	128 847 502	2 367 452	4 189 468	1 973 696	437 238 883

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Included within Road and Stormwater Infrastructure	Included within Community	Included within Electricity	Included within Solid Waste	Total
Opening balance	145 071 258	109 534 797	3 140 542	5 971 301	263 717 898
Additions/capital expenditure	135 550 603	10 492 419	25 430 000	595 530	172 068 552
Disposal	-	-	(25 430 000)	-	(25 430 000)
Transferred to completed items	(56 168 911)	(3 079 597)	(773 090)	-	(60 021 598)
	224 452 950	116 947 619	2 367 452	6 566 831	350 334 852

Included in Work in Progress (WIP) total carrying value are projects which are taking significantly longer to complete. The total carrying value of such projects is:

Project Name	Class	Source of funding	Carrying value	Reasons for significant delays
Dzwerani Bridge	Roads and Stormwater-WIP	Own	695 685	The project is currently waiting for the community to agree on where the municipality wants to build the bridge.
Lwamondo Zwavhavhli Ring Road	Roads and Stormwater-WIP	Own	1 642 289	Project is on shelf, feasibility studies done, awaiting funding for implementation
Makumbani Access Road	Roads and Stormwater-WIP	MIG	1 332 064	Project is on shelf, feasibility studies done, awaiting funding for implementation
Tshisaulu Riverside Ring Road	Roads and Stormwater-WIP	Own	1 052 967	Project is on shelf, feasibility studies done, awaiting funding for implementation
Tshishushuru ring road	Roads and Stormwater-WIP	Own	1 460 788	Project is on shelf, feasibility studies done, awaiting funding for implementation

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4. Property, plant and equipment (continued)		MIG	87 329 057	Under construction
Makwarela Extension 3				
New Office Building Block sibasa (Traffic)	Roads and Stormwater-WIP Community Assets-WIP	Own	10 352 194	Project is on shelf, feasibility studies and design done, awaiting funding for implementation
Construction of Lambani Bridge	Roads and Stormwater-WIP	MIG	14 450 610	Under construction
Mukumbani Access Road	Roads and Stormwater-WIP	MIG	3 278 928	On design stage, implementation will be in 2021-22 financial year
Manini Access Road	Roads and Stormwater-WIP	Own	1 270 746	Project is on shelf, feasibility studies done, awaiting funding for implementation
Shayandima Ext 3 Streets	Roads and Stormwater-WIP	Own	1 310 648	Project is on shelf, feasibility studies done, awaiting funding for implementation
Tshilungoma ring road	Roads and Stormwater-WIP	Own	1 314 713	Project is on shelf, feasibility studies done, awaiting funding for implementation
Thohoyandou J-Muledane Phase 1	Roads and Stormwater-WIP	Own	1 315 789	On design stage, implementation will be in 2021-22 financial year
Construction of Thohoyandou K & K Portion Street	Roads and Stormwater-WIP	Own	1 315 789	Project is on shelf, feasibility studies done, awaiting funding for implementation
Thohoyandou J EXT. 1 Ring Road	Roads and Stormwater-WIP	Own	1 301 863	Project is on shelf, feasibility studies done, awaiting funding for implementation
Shayandima A and Ext 3 Streets	Roads and Stormwater-WIP	Own	1 315 309	Project is on shelf, feasibility studies done, awaiting funding for implementation

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4. Property, plant and equipment (continued)	Roads and Stormwater-WIP	Own	1 260 180	Project is on shelf, feasibility studies done, awaiting funding for implementation
Tshivilundulu bus and Fondwe Clinic Road	Solid Waste -WIP	Own	4 189 468	The project was initially identified as falling under Musina Municipality during the deestablishment of Mutale Municipality, coupled with lack of expertise and capacity of Turnkey Contractor (SMV Consultants).
Gundani Landfill Site	Roads and Stormwater-WIP	Own	1 492 541	Project is on shelf, feasibility studies done, awaiting funding for implementation
Lwamondo Territorial Road	Electricity-WIP	Own	300 000	Project is on shelf, feasibility studies done, awaiting funding for implementation
Thohoyandou M Streetlight	Roads and Stormwater-WIP	Own	1 086 600	Project is on shelf, feasibility studies done, awaiting funding for implementation
Upgrade Mapate Access Road	Roads and Stormwater-WIP	MIG	1 890 986	Project is on shelf, feasibility studies done, awaiting funding for implementation
Tshindongana-Bashasha Low Level Bridge				
			140 959 214	

Expenditure incurred to repair and maintain property, plant and equipment

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

Maintenance of Buildings and Facilities	383 102	789 205
Maintenance of Equipment	3 278 188	3 777 659
Maintenance of Unspecified Assets	12 468 867	3 507 863
	16 130 157	8 074 727

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.

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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, other	4 300 027	(3 294 194)	1 005 833	4 040 027	(2 662 392)	1 377 635

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 377 635	260 000	(631 802)	1 005 833

Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Computer software, other	1 993 482	(615 847)	1 377 635

Pledged as security

No intangible assets has been pledged as security.

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2021 2020

6. Inventories

Consumable stores	7 818 164	7 342 236
Unsold Properties Held for Resale	20 518 662	23 008 544
	28 336 826	30 350 780
Inventories (write-downs)	(1 244 914)	(926 157)
	27 091 912	29 424 623

Unsold Sites were written down to Net Realisable Value (NRV) of R1 each during the current year due to illegal occupation of sites owned by the municipality.

The total value of the write-down is shown on the face of the Statement of Financial Performance as R1 244 914 as of 30 June 2021 (2020: R926 157).

Inventory pledged as security

No inventory has been pledged as security.

7. Receivables from exchange transactions

Gross balances

Other debtors	2 359 618	1 777 708
Sundry debtors	1 900 066	978 121
Consumer debtors - Refuse	116 404 990	95 449 786
Consumer debtors - Service charges	333 630 968	320 135 826
	454 295 642	418 341 441

Less: Allowance for impairment

Refuse	(106 379 971)	(88 239 986)
Service charges	(304 863 425)	(295 954 365)
	(411 243 396)	(384 194 351)

Net balance

Other debtors	2 359 618	1 777 708
Sundry debtors	1 900 066	978 121
Consumer debtors - Refuse	10 025 019	7 209 800
Consumer debtors - Service charges	28 767 543	24 181 461
	43 052 246	34 147 090

Sundry Debtors

Current (0 -30 days)	139 150	81 208
31 - 60 days	89 889	76 787
61 - 90 days	87 080	76 787
91 - 120 days	83 119	152 741
121 - 365 days	1 500 828	590 598
	1 900 066	978 121

Refuse

Current (0 -30 days)	2 975 898	2 618 579
31 - 60 days	2 536 864	2 382 635
61 - 90 days	2 479 553	2 344 589
91 - 120 days	2 404 506	2 318 879
121 - 365 days	106 008 170	85 785 103
	116 404 991	95 449 785

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2021 2020

7. Receivables from exchange transactions (continued)

Service charges

Current (0 -30 days)	2 201 874	1 763 947
31 - 60 days	1 666 342	1 745 046
61 - 90 days	1 765 959	1 739 546
91 - 120 days	1 629 471	1 936 113
121 - 365 days	326 367 320	312 951 175
	333 630 966	320 135 827

Summary of debtors by customer classification

Consumers (residential)

Current (0 -30 days)	3 222 621	2 984 165
31 - 60 days	3 058 046	2 944 212
61 - 90 days	3 037 449	2 920 316
91 - 120 days	2 998 532	2 913 963
121 - 365 days	363 182 143	337 635 031
	375 498 791	349 397 687

Industrial/ commercial

Current (0 -30 days)	1 228 587	1 267 745
31 - 60 days	1 025 470	1 065 365
61 - 90 days	1 036 733	1 048 442
91 - 120 days	924 510	1 201 877
121 - 365 days	64 007 696	55 292 641
	68 222 996	59 876 070

National and provincial government

Current (0 -30 days)	726 564	130 616
31 - 60 days	119 690	118 103
61 - 90 days	171 331	115 377
91 - 120 days	110 935	139 151
121 - 365 days	5 185 652	5 808 606
	6 314 172	6 311 853

Total

Current (0 -30 days)	5 177 772	4 382 526
31 - 60 days	4 203 207	4 127 681
61 - 90 days	4 245 512	4 084 135
91 - 120 days	4 033 977	4 254 992
121 - 365 days	432 375 490	398 736 278

Less: Allowance for impairment

450 035 958 415 585 612
(411 243 396) (384 194 351)

38 792 562 31 391 261

Reconciliation of allowance for impairment

Balance at beginning of the year	(384 194 351)	(372 990 789)
Contributions to allowance	(27 049 045)	(11 203 562)
	(411 243 396)	(384 194 351)

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7. Receivables from exchange transactions (continued)

Receivables from exchange transactions general information

Basis used to assess and test whether receivables from exchange transactions is impaired

The estimate were determined by the judgment of the management of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt. The effects of the time value of money has been ignored due to the fact that the debt is immediately payable.

In assessing whether statutory receivables are impaired, management assessed whether there are any indications that:

- (a) Individually significant receivables are impaired; and/or
- (b) Groups of similar, individually insignificant, receivables are impaired.

The total debtors were separated into groups of similar receivables with similar risk profiles and assessed for impairment. Where a specific group of debtors was deemed to be fully recoverable then those receivables were not included in the assessment, an example of this is debt owed by government entities.

The grouping was based on the type of debtor, i.e. government, business, residential, employees and councillors, exhibiting similar characteristics which provide information about the possible collectability of the amounts owing to the municipality.

In estimating the future cash flows, management considered both the amount and timing of the cash flows that it will receive in future. In line with par 12 of the Credit Control Policy, the municipality does not see itself as a credit provision institution and hence the effect of the time value of money is not considered as all outstanding amounts are immediately payable.

In determining the amount impaired, management estimates the cash flows that it expects to collect based on facts and circumstances at the reporting date.

The future cash flows of a group of receivables that were individually or collectively evaluated for impairment were estimated using historical experience. For this purpose management adopted the payment pattern of each receivable over the previous 12 months as the most appropriate methodology as it reflects the amount likely to be collected in future.

The impairment loss was measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the receivable, or group of statutory receivables, shall be reduced, either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

Consumer debtors pledged as security

No consumer debtors were pledged as security in the current financial year.

8. Receivables from non-exchange transactions

Gross balances

Consumer debtors - Rates	232 279 673	187 560 394
Traffic fines	31 832 163	29 334 533
	264 111 836	216 894 927

Less: Allowance for impairment

Consumer debtors - Rates	(212 257 442)	(173 393 018)
Traffic fines	(29 922 233)	(27 574 461)
	(242 179 675)	(200 967 479)

Net balance

Consumer debtors - Rates	20 022 231	14 167 376
Traffic fines	1 909 930	1 760 072
	21 932 161	15 927 448

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8. Receivables from non-exchange transactions (continued)		
Rates		
Current (0 -30 days)	8 024 282	16 314 179
31 - 60 days	7 206 601	6 816 962
61 - 90 days	5 935 540	6 691 778
91 - 120 days	5 784 067	6 590 703
121 - 365 days	205 329 182	151 146 772
	232 279 672	187 560 394
Traffic Fines		
Current (0 -30 days)	208 000	47 200
31 - 60 days	307 900	37 400
61 - 90 days	326 900	63 400
91 - 120 days	303 850	418 100
121 - 365 days	30 685 513	28 768 433
	31 832 163	29 334 533
Summary of debtors by customer classification		
Consumers/Residential		
Current (0 -30 days)	3 033 933	10 492 201
31 - 60 days	3 582 200	3 491 871
61 - 90 days	2 852 297	3 417 509
91 - 120 days	2 813 341	3 357 383
121 - 365 days	129 286 660	98 150 557
	141 568 431	118 909 521
Industrial/ commercial		
Current (0 -30 days)	2 941 572	4 079 705
31 - 60 days	1 669 499	1 696 768
61 - 90 days	1 166 582	1 661 877
91 - 120 days	1 089 837	1 647 554
121 - 365 days	37 799 651	30 495 189
	44 667 141	39 581 093
National and provincial government		
Current (0 -30 days)	2 048 777	1 742 273
31 - 60 days	1 954 902	1 628 323
61 - 90 days	1 916 660	1 612 392
91 - 120 days	1 880 888	1 585 766
121 - 365 days	38 242 871	22 501 026
	46 044 098	29 069 780
Total		
Current (0 -30 days)	8 024 282	16 314 179
31 - 60 days	7 206 601	6 816 962
61 - 90 days	5 935 540	6 691 778
91 - 120 days	5 784 067	6 590 703
121 - 365 days	205 329 182	151 146 772
	232 279 672	187 560 394
Less: Allowance for impairment	(212 257 442)	(173 393 019)
	20 022 230	14 167 375

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Figures in Rand	2021	2020
8. Receivables from non-exchange transactions (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(200 967 479)	(132 190 048)
Contributions to allowance	(41 212 196)	(68 777 431)
	(242 179 675)	(200 967 479)

Included in receivables from non-exchange transactions above are statutory receivables as described below:

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8. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act, No. 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates is levied in terms of the Municipal Property Rates Act 6 of 2004, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council approved rates randages against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable.

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

The estimate were determined by the judgment of the management of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt. The effects of the time value of money has been ignored due to the fact that the debt is immediately payable.

In assessing whether statutory receivables are impaired, management assessed whether there are any indications that:

- (a) Individually significant receivables are impaired; and/or
- (b) Groups of similar, individually insignificant, receivables are impaired.

The total debtors were separated into groups of similar receivables with similar risk profiles and assessed for impairment. Where a specific group of debtors was deemed to be fully recoverable then those receivables were not included in the assessment, an example of this is debt owed by government entities.

The grouping was based on the type of debtor, i.e. government, business, residential, employees and councillors, exhibiting similar characteristics which provide information about the possible collectability of the amounts owing to the municipality.

In estimating the future cash flows, management considered both the amount and timing of the cash flows that it will receive in future. In line with par 12 of the Credit Control Policy, the municipality does not see itself as a credit provision institution and hence the effect of the time value of money is not considered as all outstanding amounts are immediately payable.

In determining the amount impaired, management estimates the cash flows that it expects to collect based on facts and circumstances at the reporting date.

The future cash flows of a group of receivables that were individually or collectively evaluated for impairment were estimated using historical experience. For this purpose management adopted the payment pattern of each receivable over the previous 12 months as the most appropriate methodology as it reflects the amount likely to be collected in future.

The impairment loss was measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the receivable, or group of statutory receivables, shall be reduced, either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

Impairment of traffic fine debtors were based only on historical payment trend of total debt.

Included in consumer debtors - Rates is fines for illegal use of land which we could not be separated due to mSCOA mapping.

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9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	311 820 865	198 640 552
Short-term deposits	577 852 253	447 168 122
Money market	1 618 570	1 588 120
	891 291 688	647 396 794

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for loan with Post Office Included in the main primary bank account is a guarantee/security of R850 000 to the Post Office. Should the Municipality fail to meet payment obligations with the Post Office the amount will be paid over to the Post Office by the bank.	850 000	850 000
Total financial assets pledged as collateral for loan with DBSA Included in the money market bank account is a guarantee/security of R1 062 500 to the DBSA. Should the Municipality fail to meet payment obligations with DBSA the amount will be paid over to DBSA by the bank.	1 062 500	1 062 500

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
FNB BANK - CHEQUE - 54660078973	311 493 198	197 933 253	311 820 865	198 640 553
FNB BANK - CALL - 62090588016	185 142 254	259 959 440	185 142 255	259 959 440
FNB BANK - CALL - 62090588793	392 709 999	187 208 681	392 709 999	187 208 681
FNB BANK - MONEY MARKET - 62336900320	1 618 570	1 588 119	1 618 570	1 588 120
Total	890 964 021	646 689 493	891 291 689	647 396 794

The difference between the Cash and cash equivalents balance for the Cheque (primary) account as per the underlying accounting records and the Bank confirmation/certificate is caused by outstanding deposits and payments. These are payments made and receipts received close to year end, therefore, they do not yet reflect in the banking systems.

Outstanding deposits reflecting in the Cashbook and not yet reflecting in the bank as at 30 June 2021 - Cheque Account	328 725
Payments reflecting in the bank and not yet reflecting in the cashbook as at 30 June 2021 - Cheque Account	(0)
Net difference between the Cashbook and Bank Confirmed Balance	<u>328 725</u>

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10. Employee benefit obligations

Defined benefit plan

Long service awards

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service.

The municipality provides long-service awards to its permanent employees.

The municipality offers rewards for specified year intervals of completed service.

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of every year. The Projected Unit Credit Method has been used to value the liabilities. The latest valuation was performed for Thulamela Local Municipality as at 30 June 2021 by qualified experts.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 (Employee Benefits).

Long service award relate to the legal obligation to provide long service leave awards. Actuarial benefits have been calculated for 617 eligible employees as at 30 June 2021 that are entitled to long service awards. The long service awards liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(14 768 463)	(13 829 533)
Non-current liabilities	(13 252 526)	(12 564 804)
Current liabilities	(1 515 937)	(1 264 729)
	(14 768 463)	(13 829 533)

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

Opening balance	13 829 533	12 578 748
Benefits paid	(1 264 729)	(801 827)
Net expense recognised in the statement of financial performance	2 203 659	2 052 612
	14 768 463	13 829 533

Net expense recognised in the statement of financial performance

Current service cost	1 177 142	1 142 717
Interest cost	1 128 358	986 405
Actuarial (gains) losses	(101 841)	(76 510)
	2 203 659	2 052 612

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(101 841)	(76 510)
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10. Employee benefit obligations (continued)		
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	8.17 %	8.55 %
CPI	5.12 %	3.95 %
Expected increase in salaries	6.12 %	4.95 %
Net Discount Rate	1.93 %	3.43 %
Retirement age (years)	65	65
Mortality	SA85-90	SA85-90

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

The methodology of setting financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2020 the duration of liabilities was 5.98 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2021 is 8.17% per annum, and the yield on inflation-linked bonds of a similar term was about 4.43% per annum. This implies an underlying expectation of inflation of 5.12% per annum $([1 + 8.17\%] / [1 + 2.90\%] - 1)$.

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 6.12% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 1.93% per annum $([1 + 8.17\%] / [1 + 6.12\%] - 1)$.

Other assumptions

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 1.93% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	One percentage point increase	One percentage point decrease
Employer's accrued liability	15 705 975	13 916 532
Employer's current service cost	1 323 815	1 152 717
Employer's interest cost	1 221 252	1 075 055

Amounts for the current and previous four years are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Present value of Defined benefit obligation	(14 768 463)	(13 829 533)	(12 578 748)	(12 395 762)	(12 079 000)
Experience adjustments on plan liabilities	(101 841)	(76 510)	(90 416)	(335 381)	(151 114)

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11. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Change in discount factor	Change in provision of obligation	Total
Environmental rehabilitation	31 334 703	-	1 259 398	(184 045)	32 410 056
Provision for leave	23 419 396	1 314 997	-	-	24 734 393
	54 754 099	1 314 997	1 259 398	(184 045)	57 144 449

Reconciliation of provisions - 2020

	Opening Balance	Additions	Change in discount factor	Change in provision of obligation	Total
Environmental rehabilitation	28 753 385	-	822 926	1 758 392	31 334 703
Provision for leave	17 230 576	6 188 820	-	-	23 419 396
	45 983 961	6 188 820	822 926	1 758 392	54 754 099

Non-current liabilities				32 410 056	31 334 703
Current liabilities				24 734 393	23 419 396
				57 144 449	54 754 099

Environmental rehabilitation provision

The provision for environmental rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of future obligation discounted at 4.38%, which is the Average government bond rate/Interest rate as at June 2021.

Key Assumptions used:

The Remaining Useful life (RUL) of landfill site	4
Commencement date	01-Jul-19
Expiry date	30-Jun-25
CPI	4.82%
Average government bond rate/Interest rate	4%

Provision for leave

The Municipality grants its employees either 22 or 24 working days leave per year in recognition of services rendered. Provision is made for employees who are having leave credit at the end of the financial period and is provided up to 48 days in terms of the SALBC agreement. The leave provision is calculated by taking the total basic salary/no of working days per year x number of days unused. The municipality has decided not to assess the provision quarterly, however to calculate the provision for leave towards end of financial year to salvage cost.

12. Payables from exchange transactions

Trade payables	6 288 237	8 119 528
Income received in advance	11 657 951	11 367 261
Retentions	39 787 116	38 347 732
Accrued bonus	5 854 512	5 567 320
Accruals	8 174 419	2 437 985
Unallocated deposits	1 517 147	1 317 032
	73 279 382	67 156 858

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13. VAT payable

VAT payable	33 181 702	29 124 044
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The municipality is registered for VAT on a cash basis with SARS. Vat is paid over to SARS only once the payment is received from debtors and is receivable from SARS once the payment has been made to creditors. The amount above is an accumulation of the accrual and cash basis of taking VAT into account.

14. Consumer deposits

Building plans	48 842	47 489
Rental of facilities	287 613	296 393
	336 455	343 882

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	10 639 179	-

Movement during the year

Additions during the year	699 757 000	-
Income recognition during the year	(689 117 821)	-
	10 639 179	-

See note 28 for reconciliation of grants from National/Provincial Government.

16. Sale of goods

Tender documents	265 805	69 425
Sale of property	7 489 253	7 900 030
	7 755 058	7 969 455

Application of sub-division has been reclassified from sale of goods to rendering of services in accordance with mScoa requirements.

17. Service charges

Solid waste	24 637 871	23 509 033
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18. Rendering of services		
Building plan fees	655 859	375 249
Application of deed grant	189 103	185 168
Advertising	20 639	30 514
Application fees for land usage	281 999	215 466
Property transfer fees	686 284	365 382
Cemetery and Burials	422 738	296 018
Clearance certificates	53 213	51 233
Demolition application fees	73 913	311 133
Property rezoning	136 328	65 398
Traffic control	1 131	-
Trading of animals	9 030	-
Application of sub-division	121 682	82 381
	2 651 919	1 977 942

Application of sub-division has been reclassified from sale of goods to rendering of services in accordance with mScoa requirements.

19. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	2 769 356	3 949 560
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20. Interest from exchange receivables

Interest received from exchange receivables	19 345 122	19 215 802
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21. Agency services

Vehicle Registration	9 790 676	9 113 041
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Thulamela Local Municipality acts as an implementing agent on behalf of the Department of Transport (Principal) as they administer certain functions on behalf of the Department such as licensing and registration of motor vehicles.

The Municipality would retain a certain portion of all receipts as compensation (agency fees) for administering these services on behalf of the Department.

The Department uses the Municipality and its staff due to the proximity of the Municipality to households.

The Municipality only recognised the net revenues (agency fees) that accrued to it and only the expenditure incurred by the Municipality.

22. Licences and permits (exchange)

Trading	617 524	911 771
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The Trading licences relates to Spaza/Hawker licences.

23. Commissions received

Commissions received	119 865	27 409
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24. Other income		
Skills Development Fund refund	1 438 617	943 392
Sundry revenue	1 319 774	4 045 750
Staff recoveries	48 004	-
Printing and photocopying	237 102	235 184
Insurance	1 118 848	1 609 770
	4 162 345	6 834 096
25. Investment revenue		
Interest revenue		
Bank	18 174 152	33 276 934
26. Property rates		
Rates received		
Residential	28 171 324	41 657 172
Commercial	28 782 958	31 571 738
State	30 885 423	28 531 710
	87 839 705	101 760 620
Valuations		
Residential	6 680 909 700	6 702 726 100
Commercial	2 901 953 440	3 021 411 800
State	3 013 614 500	2 733 845 400
Municipal	1 030 887 200	851 975 100
	13 627 364 840	13 309 958 400
<p>Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2019. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations. Municipal rates on the tariff listing is applied to property valuations to determine assessment rates. Rates are levied on an annual basis on property owners.</p>		
27. Interest from non-exchange receivables		
Interest received from non-exchange receivables	12 382 923	8 672 397

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28. Government grants and subsidies

Operating grants

Equitable share	577 496 000	442 452 000
Expanded Public Works Programme Grant	7 118 000	7 477 000
Infrastructure Skills Development Grant	3 952 000	3 500 000
Financial Management Grant	1 700 000	1 700 000
Municipal Disaster Recovery Grant	-	149 000
Integrated National Electrification Programme	12 000 000	25 430 000
	602 266 000	480 708 000

Capital grants

Municipal Infrastructure Grant	86 851 821	99 383 000
	689 117 821	580 091 000

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	111 621 821	137 639 000
Unconditional grants received	577 496 000	442 452 000
	689 117 821	580 091 000

Equitable Share

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

All registered indigents receive a monthly subsidy of R 891 (2020: R 891), which is funded from the grant.

Municipal Infrastructure Grant

Current-year receipts	97 491 000	99 383 000
Conditions met - transferred to revenue	(86 851 821)	(99 383 000)
	10 639 179	-

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

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of households.

Expanded Public Works Programme Grant

Current-year receipts	7 118 000	7 477 000
Conditions met - transferred to revenue	(7 118 000)	(7 477 000)
	-	-

The grant was used for extended public works programs. All conditions of the grant were met.

Financial Management Grant

Current-year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue	(1 700 000)	(1 700 000)
	-	-

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA 2003. All conditions of the grant were met.

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28. Government grants and subsidies (continued)

Infrastructure Skills Development Grant

Current-year receipts	3 952 000	3 500 000
Conditions met - transferred to revenue	(3 952 000)	(3 500 000)

- -

The grant was used for skills development related to infrastructure improvements. All the conditions were met.

Integrated National Electrification Programme

Current-year receipts	12 000 000	25 430 000
Conditions met - transferred to revenue	(12 000 000)	(25 430 000)

- -

The grant was used to address the electrification backlog of permanently occupied residents. There after the projects are handed over to Eskom for collection of revenue and maintenance. The conditions of the grant were met.

Municipal Disaster Recovery Grant

Current-year receipts	-	149 000
Conditions met - transferred to revenue	-	(149 000)

- -

The grant was used for Covid-19 related expenditure. All the conditions were met.

29. Public contributions and donations

Donations	5 332 000	9 129
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During the year Thulamela local Municipality received donations of various assets from Road Traffic Management Corporation to the value of R5 332 000.

30. Fines, Penalties and Forfeits

Building Fines	44 122	63 823
Law Enforcement Fines	4 636 210	6 066 416
Municipal Traffic Fines	4 521 780	3 207 440
	9 202 112	9 337 679

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31. Employee related costs		
Basic	192 732 498	184 225 878
Bonus	14 928 665	14 184 858
Medical aid - company contributions	9 395 695	8 447 736
UIF	1 157 292	1 182 637
Leave pay provision charge	2 144 240	6 584 303
Overtime payments	8 085 996	5 555 790
Long-service awards	2 714 500	2 247 145
Acting allowances	142 401	429 056
Car allowance	19 617 773	18 596 461
Housing benefits and allowances	484 816	442 829
Industrial Council Levies	68 638	65 830
Cellphone allowances	51 600	57 700
Pension Fund Contribution	35 822 549	34 007 129
	287 346 663	276 027 352
Remuneration of municipal manager		
Annual Remuneration	1 077 160	1 077 160
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	133 005	175 588
13th cheque Bonus	89 763	89 763
Contributions to UIF, SDL, Medical and Pension Funds	248 966	248 961
	1 548 894	1 591 472
Remuneration of chief finance officer		
Annual Remuneration	951 979	951 979
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	341 853	404 507
Contributions to UIF, SDL, Medical and Pension Funds	12 104	12 097
	1 305 936	1 368 583
Senior Manager: Corporate services		
Annual Remuneration	956 475	945 210
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	192 453	239 227
13th cheque Bonus	79 706	157 091
Contributions to UIF, Medical and Pension Funds	46 252	47 297
	1 274 886	1 388 825
Senior Manager: Technical services		
Annual Remuneration	1 026 434	684 289
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	176 094	123 091
Contributions to UIF, SDL, Medical and Pension Funds	65 753	41 386
Acting Allowance	-	90 420
	1 268 281	939 186
Senior Manager: Planning and Development		
Annual Remuneration	933 422	622 281
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	244 790	171 767
13th cheque Bonus	77 785	33 732
Contributions to UIF, SDL, Medical and Pension Funds	12 092	7 248
Acting Allowance	-	58 392

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31. Employee related costs (continued)	1 268 089	893 420
Senior manager: Community services		
Annual Remuneration	836 262	828 143
Housing allowance, Car allowance, Travelling claims, Subsistence allowance	294 450	313 079
13th cheque Bonus	69 689	69 689
Contributions to UIF, SDL, Medical and Pension Funds	69 004	65 805
	1 269 405	1 276 716
32. Remuneration of councillors		
Executive Mayor	934 653	930 933
Chief Whip	711 198	709 098
Speaker	755 895	752 895
Councillors	28 342 593	28 237 051
	30 744 339	30 629 977
In-kind benefits		
The remuneration for the Executive Mayor, Speaker, Chief Whip and all other councillors is inclusive of a cellphone allowance, travelling allowance and other benefits. The Executive Mayor, Speaker and Chief whip are full-time. Each is provided with an office.		
The Mayor and the Speaker have use of a Council owned vehicle and driver for official duties.		
The salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.		
Refer to note 46: Related Parties for the detailed disclosure regarding councillors' remuneration.		
33. Depreciation and amortisation		
Property, plant and equipment	54 009 854	54 082 613
Intangible assets	631 804	615 847
	54 641 658	54 698 460
34. Finance costs		
Trade and other payables	15 640	2 502
Environmental rehabilitation provision	1 259 398	822 926
	1 275 038	825 428
35. Lease rentals on operating lease		
Equipment		
Contractual amounts	3 876 646	3 206 471
36. Debt impairment		
Provision for bad debts	68 261 241	79 980 992
Bad debts written off	3 014 626	2 284 569
	71 275 867	82 265 561

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37. Contracted services		
Outsourced Services		
Administrative and Support Staff	1 228 477	1 020 000
Burial Services	-	144 720
Catering Services	3 094	106 874
Cleaning Services	11 760	-
Hygiene Services	380 962	-
Security Services	5 873 671	4 351 895
Consultants and Professional Services		
Business and Advisory	14 738 360	16 770 130
Infrastructure and Planning	837 203	1 107 683
Legal Cost	15 660 616	14 585 966
Contractors		
Building	131 846	244 960
Electrical	3 056 028	-
Employee Wellness	-	144 091
Event Promoters	93 750	28 694
Maintenance of Buildings and Facilities	383 102	789 205
Maintenance of Equipment	3 278 188	3 777 659
Maintenance of Unspecified Assets	12 468 867	3 507 863
Exhibit Installations	15 250	-
	58 161 174	46 579 740
38. Transfers and Subsidies		
Grants paid		
Poverty Relief	2 983 839	2 936 416
Other subsidies		
Grant in Aid	789 176	3 700 934
	3 773 015	6 637 350

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39. General expenses		
Advertising	380 770	181 629
Auditors remuneration	4 470 258	4 443 664
Bank charges	322 525	344 872
Consumables	7 751 401	6 407 450
Entertainment	18 500	17 500
Hire	420 575	1 434 528
Insurance	8 371 423	4 392 103
Conferences expenses	933 763	671 163
IT expenses	-	39 925
Skills Development Fund Levy	1 974 306	1 856 588
Fuel and oil	6 869 994	6 320 054
Postage and courier	676 993	773 332
Printing and stationery	494 010	806 706
Protective clothing	1 356 407	88 900
Subscriptions and membership fees	3 857 389	3 687 781
Telephone and fax	5 621 584	4 854 055
Travel - local	2 164 390	3 932 584
Title deed search fees	9 903	15 876
Assets expensed	26 890	-
Utilities - Other	7 565 875	7 395 503
Bursaries	-	371 365
Signage	1 010 000	-
Dumping fees	3 796 801	3 735 619
Licenses	445 349	450 267
Ward committee allowances	4 768 550	4 852 600
Cost of housing sold	797 327	681 067
Indigent Relief	989 189	5 292 164
Workmen's Compensation Fund	1 024 561	813 159
Servitudes and Land Surveys	407 822	407 822
	66 526 555	64 268 276
40. Impairment of assets		
Impairments		
Property, plant and equipment	9 053 532	(358 877)

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2021 2020

41. Loss on transfer of assets

Loss on transfer of assets	(11 441 739)	(22 529 010)
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Loss on transfer of assets relates to completed INEP electrification projects which were completed and transferred to eskom.

42. Cash generated from operations

Surplus	287 024 094	214 040 455
Adjustments for:		
Depreciation and amortisation	54 641 658	54 698 460
Gain on sale of assets and liabilities	5 465 524	2 163 021
Land write down	2 149 532	2 293 997
Loss on transfer of assets	11 441 739	-
Impairment loss (reversal)	9 053 532	(358 877)
Debt impairment	71 275 867	82 265 561
Movements in retirement benefit assets and liabilities	938 930	1 250 785
Movements in provisions	2 390 350	8 770 138
Other Income: non-cash	-	(2 850 028)
Donation received	(5 332 000)	(9 129)
NRV write down	-	926 157
Transfer received/paid from land	(766 398)	-
Changes in working capital:		
Inventories	2 332 711	4 330 524
Receivables from exchange transactions	(80 181 023)	(23 064 921)
Receivables from non-exchange transactions	(6 004 713)	(78 732 010)
Payables from exchange transactions	6 122 521	(9 817 269)
VAT	4 057 658	7 519 328
Unspent conditional grants and receipts	10 639 179	(1)
Consumer deposits	(7 427)	66 233
	375 241 734	263 492 424

43. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At fair value	Total
Trade and other receivables from exchange transactions	44 010 016	44 010 016
Trade and other receivables from non-exchange transactions	22 426 500	22 426 500
Cash and cash equivalents	891 291 688	891 291 688
	957 728 204	957 728 204

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	73 279 382	73 279 382
VAT Payable	33 181 702	33 181 702
Consumer deposits	336 455	336 455
	106 797 539	106 797 539

2020

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43. Financial instruments disclosure (continued)		
Financial assets		
	At fair value	Total
Trade and other receivables from exchange transactions	34 147 090	34 147 090
Trade and other receivables from non-exchange transactions	15 927 448	15 927 448
Cash and cash equivalents	647 396 794	647 396 794
	697 471 332	697 471 332
Financial liabilities		
	At amortised cost	Total
Trade and other payables from exchange transactions	67 156 858	67 156 858
VAT payable	29 124 044	29 124 044
Consumer deposits	343 882	343 882
	96 624 784	96 624 784
44. Commitments		
Authorised capital expenditure		
Approved and contracted		
• Property, plant and equipment	173 101 597	233 979 693
Total capital commitments		
Approved and contracted	173 101 597	233 979 693
Total commitments		
Total commitments		
Authorised capital expenditure	173 101 597	233 979 693
This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, grants from National Treasury etc.		
The commitments are exclusive of VAT.		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	1 072 200	2 405 928
- in second to fifth year inclusive	104 604	1 176 804
	1 176 804	3 582 732

The municipality entered into an operating lease agreement with Edusolution Bookshop CC (contract 2000/013118/23) for 32 High-end printing and photocopying machines, effective from 1 October 2018. The contract is for 36 months and doesn't permit the municipality to sub-lease/sell the machines to a third party. There is no purchase option at the end of the lease term and there is no escalation clause.

The municipality entered into an operating lease agreement with PBROS Holdings (bid no: 52/2018/2019) for 2 High-end multifunction printers, effective from 5th September 2019. The contract is for 36 months and doesn't permit the municipality to sub-lease/sell the machines to a third party. There is no purchase option at the end of the lease term and there is no escalation clause.

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2021

2020

45. Contingencies

The table below comprises all the law suits which are deemed to be possible obligations and neither the expense nor the accompanying liability was recognised. Thulamela Municipality's legal counsel has indicated that the likelihood of the court ruling being in favour of the applicant is very slim albeit not remote.

Case	Applicant	Case No.	2021	2020
Bianca Logistics is seeking a relief for damages for failing to get registration documents in time after buying a Grader from the municipality	Bianca Logistics	529/16	300 000	300 000
Tshivhase Ungani Martha is suing the municipality for Loss of support as a result of the death of her husband who passed away after a tree fell on him.	Tshivhase Ungani Martha	662/16	3 000 000	3 000 000
Hilda Mabaya is suing the municipality for personal injury. Plaintiff alleges that she visited the municipality for services, the chair in the municipal waiting area broke and she fell, as a result she was seriously injured.	Hilda Mabaya	352/16	228 284	228 284
Th applicant is suing the municipality an amount of R2 725 770.45 for water usage.	Minister of Water and Sanitation	705/2017	0	2 725 770
Mudau Tshimangadzo Noria is suing the municipality for damages alleging that her child was injured by the municipal pipes.	Mudau Tshimangadzo Noria	534/2017	4 000 000	4 000 000
Neduvhuledza Bethuel is suing the municipality for failing to transfer the site at Tshilungoma into his names.	Neduvhuledza Bethuel	945/2017	0	0
Plaintiff alleges that he was arrested by traffic officers and acquitted in court. He is suing the municipality for unlawful arrest and detention, injury to his dignity, loss of personal freedom and general damages.	Shumani Moses	606/15	450 000	450 000
Matumba Elekanyani is suing the municipality in an amount of R300 000 for unlawful detention, contumelia, pain and suffering after he was arrested for failing to pay traffic fine and he was detained in a traffic van and later the traffic van was involved in an accident.	Matumba Elekanyani	117/2015	300 000	300 000
Nevondo Mukovhe is suing the municipality in an amount of R300 000 for unlawful detention, contumelia, pain and suffering after he was arrested for failing to pay traffic fine and he was detained in a traffic van and later the traffic van was involved in an accident.	Nevondo Mukovhe	439/2015	300 000	300 000
Applicant is suing the municipality in an amount of R4 698 886.28 regarding Makonde Stadium Project	Mopicon Construction Pty Ltd	1087/2019 and 1074/2020	200 000	200 000
Applicant is suing the municipality in an amount of R40 000 000 alleging the municipality to have expropriated his site Portion 46 of 468 at Tshilungoma along Punda Maria Road.	Fhambanani Frank Mbedzi	638/2019	0	0
Applicant is suing the municipality for compensation for damages she incurred on her motor vehicle when hitting a pothole.	PBN Mawila	762/2019	66 736	66 736
Applicant is suing the municipality an amount of R1 849 000 for the death of his son. Plaintiff alleges that the deceased was crossing a water filled trench using a wooden roof beam that has been placed across the open trench as a makeshift bridge when deceased lost her footing and fell into the water filled trench.	Masithi Awelani	831/2020	1 849 000	1 849 000
Applicant is suing the municipality for expropriation of land without compensation by the Venda Government.	Victor Gidimani Ramabulana	167/2020	200 000	200 000

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45. Contingencies (continued)		
Applicant is suing the municipality an amount of R 120 000 000 alleging the municipality to have expropriated his site	Fhambanani Frank Mbedzi 765/2020	0
Plaintiff is suing the municipality for unlawful arrest, unlawful detention and defamation of character by the traffic officers	Hlungwane Siphon Lawrence 1461/2020	1 500 000
Applicant is suing the municipality for towing a grader and storage fees	Bianca Towing 1499/2020	100 000
Plaintiff is suing the municipality for unlawful arrest, unlawful detention and defamation of character by the traffic officers	Hlungwane Amos Maitakhole 469/2021	1 500 000
Plaintiff is suing the municipality for falling into a ditch/hole at Muledane area	Gomedzo Thomas 328/2021	100 000
		14 094 020 13 619 790

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46. Related parties

Relationships

Accounting Officer

Members of senior management

Refer to accounting officer's report note

HE Maluleke - Municipal Manager

MM Tshivule - Chief Financial Officer

SS Razwiedani - Senior Manager: Community Services

NA Todani - Senior Manager: Corporate Services

A Gangashe - Senior Manager: Technical Services

MT Makumule - Senior Manager: Planning & Development

The municipality has councillors that act as a governing body who may have significant influence over the financial and/or operating policies of the municipality.

All Councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the Council in making financial and operational decisions.

During the financial year no Councillor or Official had any interest in related parties and no one could control or influence Council in making financial or operational decisions.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management and councillor allowances of the councillors.

Refer to Note 31 for the disclosure of senior management remuneration.

Remuneration of management

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46. Related parties (continued)

Mayoral committee members

2021

Name	Basic salary	Car allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr Tshifhango A.S - Executive Mayor	777 261	-	40 800	122 548	940 609
Cllr Mulovhedzi H.P - Speaker	621 807	-	40 800	97 741	760 348
Cllr Mahosi N.G - Chief Whip	437 209	167 597	40 800	73 522	719 128
	1 836 277	167 597	122 400	293 811	2 420 085

2020

Name	Basic salary	Car allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr Tshifhango A.S - Executive Mayor	777 261	-	40 800	112 872	930 933
Cllr Mulovhedzi H.P - Speaker	621 807	-	40 800	90 288	752 895
Cllr Mahosi N.G - Chief Whip	437 209	167 597	40 800	63 492	709 098
	1 836 277	167 597	122 400	266 652	2 392 926

Management class: Councillors

2021

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46. Related parties (continued)

Name	Basic salary	Car allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr Mutandanyi VV	184 480	42 162	40 800	59 723	327 165
Cllr Mbulaheni N	184 480	70 718	40 800	29 467	325 465
Cllr Mabuda MG	245 974	-	40 800	38 656	325 430
Cllr Nemaizivhanani FE	245 974	-	40 800	39 629	326 403
Cllr Shitiba TE	184 480	70 718	40 800	29 791	325 789
Cllr Makungo TG	184 480	70 718	40 800	29 766	325 764
Cllr Sengani MP	184 480	70 718	40 800	29 467	325 465
Cllr Maphaha NF	184 480	70 718	40 800	29 467	325 465
Cllr Ndlou NF	184 480	70 718	40 800	29 884	325 882
Cllr Tuwani TT	184 480	70 718	40 800	32 981	328 979
Cllr Munyai HF	184 480	70 718	40 800	29 467	325 465
Cllr Mawelewele TM	184 480	70 718	40 800	29 467	325 465
Cllr Muditambi MM	184 480	70 718	40 800	29 467	325 465
Cllr Magatshavha SO	184 480	70 718	40 800	29 467	325 465
Cllr Singo L	184 480	70 718	40 800	32 714	328 712
Cllr Rasendedza AM	245 974	-	40 800	38 656	325 430
Cllr Netangaheni NP	184 480	70 718	40 800	29 467	325 465
Cllr Nemalegeni TJ	184 480	70 718	40 800	29 926	325 924
Cllr Tshishonge DE	184 480	70 718	40 800	29 598	325 596
Cllr Malaka MG	184 480	70 718	40 800	29 467	325 465
Cllr Rambuda AS	243 905	93 497	40 800	57 010	435 212
Cllr Tshigwili T	236 750	90 754	40 800	37 976	406 280
Cllr Munyai TT	184 480	70 718	40 800	30 879	326 877
Cllr Netshishivhe AA	245 974	-	40 800	38 656	325 430
Cllr Nelushi TA	184 480	70 718	40 800	31 858	327 856
Cllr Munyai NG	184 480	70 718	40 800	29 467	325 465
Cllr Mashawana NE	184 480	70 718	40 800	29 467	325 465
Cllr Tshillo G	184 480	70 718	40 800	30 092	326 090
Cllr Netshisaulu TE	243 905	93 497	40 800	45 778	423 980
Cllr Sadiki SC	184 480	70 718	40 800	29 467	325 465
Cllr Makatu AM	184 480	70 718	40 800	29 467	325 465

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46. Related parties (continued)

Cllr Matabela NP	184 480	70 718	40 800	29 467	325 465
Cllr Tshikalange NT	184 480	70 718	40 800	31 589	327 587
Cllr Nemugumoni T	184 480	70 718	40 800	29 467	325 465
Cllr Nelufhangani TI	245 974	-	40 800	38 656	325 430
Cllr Mawela PE	245 974	-	40 800	38 976	325 750
Cllr Nenzhelele N	184 480	70 718	40 800	29 467	325 465
Cllr Marole RT	184 480	70 718	40 800	31 818	327 816
Cllr Ramulongo MB	184 480	70 718	40 800	29 467	325 465
Cllr Nemudzivhadi AS	184 480	70 718	40 800	29 467	325 465
Cllr Madzivhandila M	236 750	90 754	40 800	37 749	406 053
Cllr Mphaphuli M	245 974	-	40 800	38 656	325 430
Cllr Munenyiwa ME	245 974	-	40 800	38 656	325 430
Cllr Maphiri TB	184 480	70 718	40 800	29 467	325 465
Cllr Padelane TS	184 480	70 718	40 800	29 746	325 744
Cllr Mulaudzi N	184 480	70 718	40 800	29 986	325 984
Cllr Lieba NA	236 750	90 754	40 800	37 749	406 053
Cllr Tshifango AS	777 261	-	40 800	122 548	940 609
Cllr Mulaudzi NS	437 209	167 597	40 800	76 652	722 258
Cllr Muthewana FA	243 905	93 497	40 800	43 864	422 066
Cllr Ramashia MP	184 480	70 718	40 800	29 467	325 465
Cllr Maduse LS	437 209	167 597	40 800	78 727	724 333
Cllr Mathambo R	245 974	-	40 800	38 656	325 430
Cllr Netshifhephe M	184 480	70 718	40 800	29 931	325 929
Cllr Davhana AJ	184 480	70 718	40 800	29 467	325 465
Cllr Madondo LM	236 750	90 754	40 800	41 127	409 431
Cllr Nemananzhe K	184 480	70 718	40 800	29 467	325 465
Cllr Kwinda SC	184 480	70 718	40 800	29 792	325 790
Cllr Magoda TP	184 480	70 718	40 800	29 884	325 882
Cllr Mundalamo M	245 974	-	40 800	38 656	325 430
Cllr Muedi ET	236 750	90 754	40 800	37 749	406 053
Cllr Malindi OT	424 383	162 680	40 800	71 846	699 709
Cllr Mahosi NG	437 209	167 597	40 800	73 522	719 128
Cllr Mulovhedzi HP	621 807	-	40 800	97 741	760 348
Cllr Malada TP	437 209	167 597	40 800	78 073	723 679
Cllr Madzunya E	184 480	70 718	40 800	29 270	325 268
Cllr Ramulifho HB	184 480	70 718	40 800	31 198	327 196

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46. Related parties (continued)

Cllr Gundula TJ	245 974	-	40 800	38 656	325 430
Cllr Mandiwana NE	236 750	73 139	40 800	55 394	406 083
Cllr Phalanndwa NR	236 750	90 754	40 800	39 835	408 139
Cllr Mamushiana TD	236 750	90 754	40 800	37 749	406 053
Cllr Tharaga MD	245 974	-	40 800	42 015	328 789
Cllr Netshipise LH	184 480	49 427	40 800	50 789	325 496
Cllr Ramaano LP	315 667	-	40 800	49 547	406 014
Cllr Mulaudzi KE	437 209	167 597	40 800	69 579	715 185
Cllr Ligaraba LE	243 905	65 140	40 800	71 572	421 417
Cllr Mashatini MH	184 480	70 718	40 800	29 467	325 465
Cllr Netshifhefe KJ	184 480	70 718	40 800	36 437	332 435
Cllr Ligaraba MJ	184 480	70 718	40 800	29 620	325 618
Cllr Zhalagome MG	184 480	70 718	40 800	29 467	325 465
Cllr Kwinda MR	325 207	-	40 800	51 049	417 056
	19 142 238	5 328 612	3 304 800	3 245 840	31 021 490

2020

Name	Basic salary	Car allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr Mutandanyi V	184 480	44 365	40 800	55 537	325 182
Cllr Mbulaheni N	184 480	70 718	40 800	28 694	324 692
Cllr Mabuda G	245 974	-	40 800	37 602	324 376
Cllr Nematzivhanani FE	245 974	-	40 800	38 004	324 778
Cllr Shitiba V	184 480	70 718	40 800	29 152	325 150
Cllr Makungo TG	184 480	70 718	40 800	28 694	324 692
Cllr Sengani MP	184 480	70 718	40 800	28 694	324 692
Cllr Maphaha NF	184 480	70 718	40 800	28 694	324 692
Cllr Ndou NF	184 480	70 718	40 800	29 096	325 094
Cllr Tuwani TT	184 480	70 718	40 800	30 773	326 771
Cllr Munyai HF	184 480	70 718	40 800	28 694	324 692
Cllr Mawelewele TM	184 480	70 718	40 800	28 694	324 692

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46. Related parties (continued)

Cllr Muditambi MM	184 480	70 718	40 800	28 694	324 692
Cllr Magatshavha SO	184 480	70 718	40 800	33 677	329 675
Cllr Singo S L	184 480	70 718	40 800	30 769	326 767
Cllr Rasendedza M	245 974	-	40 800	37 602	324 376
Cllr Netangaheni NP	184 480	70 718	40 800	28 694	324 692
Cllr Nemalegeni TJ	184 480	70 718	40 800	28 694	324 692
Cllr Tshishonge S D	184 480	70 718	40 800	31 344	327 342
Cllr Malaka MG	184 480	70 718	40 800	30 260	326 258
Cllr Rambuda SA	248 667	95 322	40 800	56 994	441 783
Cllr Tshigwill ST	236 750	90 754	40 800	36 768	405 072
Cllr Munyai S T	184 480	70 718	40 800	29 096	325 094
Cllr Netshishivhe SA	245 974	-	40 800	37 602	324 376
Cllr Nelushi T	184 480	70 718	40 800	31 065	327 063
Cllr Munyai NG	184 480	70 718	40 800	28 694	324 692
Cllr Mashawana SN	184 480	70 718	40 800	28 694	324 692
Cllr Tshililo SG	184 480	70 718	40 800	29 126	325 124
Cllr Netshisaulu TE	243 905	93 497	40 800	44 815	423 017
Cllr Sadiki SC	184 480	70 718	40 800	28 694	324 692
Cllr Makatu SA	184 480	70 718	40 800	28 694	324 692
Cllr Matambela NP	184 480	70 718	40 800	28 694	324 692
Cllr Tshikalange NT	184 480	70 718	40 800	30 728	326 726
Cllr Nemugumoni ST	184 480	70 718	40 800	28 694	324 692
Cllr Nelufhangani ST	245 974	-	40 800	37 602	324 376
Cllr Mawela SP	245 974	-	40 800	37 602	324 376
Cllr Nenzhelele N	184 480	70 718	40 800	28 694	324 692
Cllr Marole S R	184 480	70 718	40 800	33 026	329 024
Cllr Ramulongo MB	218 006	29 466	40 800	36 208	324 480
Cllr Nemudzivhadi AS	184 480	70 718	40 800	28 694	324 692
Cllr Madzivhandila M	223 683	85 745	40 800	34 737	384 965
Cllr Mphaphuli M	245 974	-	40 800	37 602	324 376
Cllr Munenyiwa S M	245 974	-	40 800	37 602	324 376
Cllr Maphiri TB	184 480	70 718	40 800	28 694	324 692
Cllr Padelane TS	184 480	70 718	40 800	28 694	324 692
Cllr Mulaudzi S N	184 480	70 718	40 800	29 139	325 137
Cllr Lieba NA	236 750	90 754	40 800	44 719	413 023
Cllr Tshifhango AS	777 261	-	40 800	119 614	937 675

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46. Related parties (continued)

Cllr Mulaudzi NS	453 271	173 754	40 800	99 816	767 641
Cllr Muthewana S F	248 667	95 322	40 800	46 406	431 195
Cllr Ramanala S V	61 493	23 573	13 600	9 662	108 328
Cllr Ramashia MP	184 480	70 718	40 800	28 694	324 692
Cllr Maduse LS	453 271	173 754	40 800	71 131	738 956
Cllr Mathambo R	245 974	-	40 800	37 602	324 376
Cllr Netshifhe M	184 480	70 718	40 800	28 694	324 692
Cllr Davhana SA	184 480	70 718	40 800	28 694	324 692
Cllr Madondo S L	236 750	90 754	40 800	45 070	413 374
Cllr Mulaudzi S M	49 510	-	6 800	6 391	62 701
Cllr Nemaranzhe S N	184 480	70 718	40 800	28 694	324 692
Cllr Kwinda SC	184 480	70 718	40 800	28 694	324 692
Cllr Magoda P	184 480	70 718	40 800	28 694	324 692
Cllr Mundalamo S M	245 974	-	40 800	29 632	325 630
Cllr Muedi ET	223 683	86 839	40 800	37 602	324 376
Cllr Malindi OT	424 383	162 680	40 800	34 737	386 059
Cllr Mahosi NG	437 209	167 597	40 800	78 290	706 153
Cllr Mulovhedzi P	621 807	-	40 800	86 729	732 335
Cllr Malada TP	437 209	167 597	40 800	97 837	760 444
Cllr Madzunya E	184 480	70 718	40 800	95 077	740 683
Cllr Ramulifho HB	184 480	70 718	40 800	28 891	324 889
Cllr Gundula TJ	245 974	-	40 800	30 603	326 601
Cllr Mandiwana S N	235 251	73 525	40 800	37 602	324 376
Cllr Phalannawa S N	236 750	90 754	40 800	56 279	405 855
Cllr Mamushiana TD	236 750	90 754	40 800	36 768	405 072
Cllr Raluswina S T	5 629	-	40 800	36 768	405 072
Cllr Tharaga MD	245 974	-	40 800	5 902	11 531
Cllr Netshipise S L	184 480	50 622	40 800	53 425	340 199
Cllr Ramaano LP	315 667	-	40 800	48 823	324 725
Cllr Mulaudzi KE	457 460	175 360	40 800	48 204	404 671
Cllr Ligaraba LE	243 905	65 755	40 800	78 036	751 656
Cllr Mashatini MH	184 480	70 718	40 800	80 071	430 531
Cllr Netsdhifhe KJ	122 987	47 145	27 200	29 230	325 228
Cllr Ligaraba MJ	61 493	23 573	13 600	21 429	218 761
Cllr Zhalagome G	184 480	70 718	40 800	9 466	108 132
Cllr Kwinda SC	338 314	-	40 800	28 694	324 692
				54 914	434 028

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46. Related parties (continued)	19 155 289	5 259 417	3 284 400	3 277 604	30 976 710
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Refer to note 32 "Remuneration of councillors"

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47. Prior-year adjustments

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:

48.1. During the current year, it was identified that inventory: Site(Land) was erroneously not included in the site register in prior years.

The financial impact of the error was determined to be as follows:

Statement of financial position	2020
Inventory: Sites (land) - (Increase)/ Decrease	416 699
Statement of financial position	
Accumulated surplus - (Increase)/Decrease	(416 699)

48.2. During the current year, it was identified that completed electrical infrastructure was erroneously not transferred from Electrical WIP to completed infrastructure in prior year.

The financial impact of the error was determined to be as follows:

Statement of financial position	2020
Electrical Infrastructure - (Increase)/ Decrease	773 090
Statement of financial position	
Electricity WIP - Increase/(Decrease)	(773 090)

48.3. During the current year, it was identified that Intangible assets was erroneously not recorded in the municipal accounting records in prior years.

The financial impact of the error was determined to be as follows:

Statement of financial position	2020
Intangible Assets - (Increase)/ Decrease	1 974 120
Statement of financial position	
Accumulated surplus - (Increase)/Decrease	(1 974 120)

48.4. During the current year, it was identified that amortisation for Intangible assets was erroneously not recorded in the municipal accounting records in prior years due to the omission of the Intangible Asset.

The financial impact of the error was determined to be as follows:

Statement of financial position	2020
Accumulated Surplus - Increase/ (Decrease)	422 48
Accumulated Amortisation - (Increase)/Decrease	(846 142)
Statement of financial performance	
Accumulated Amortisation - (Increase)/Decrease	423 652

48.5. During the current year, it was identified that depreciation for electrical infrastructure was erroneously understated in the prior year.

The financial impact of the error was determined to be as follows:

Statement of financial performance	2020
Depreciation - (Increase)/ Decrease	11 226
Statement of financial position	
Accumulated depreciation - (Increase)/Decrease	(11 226)

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47. Prior-year adjustments (continued)

48.6. During the current year, application of sub-division amounting to R82 381 has been reclassified from sale of goods to rendering of services

The financial impact of the error was determined to be as follows:

Statement of financial performance	2020
Sale of goods - Increase/ (Decrease)	82 381

Statement of financial performance	
Rendering of services- (Increase)/Decrease	(82 381)

Statement of financial position

2020

	Note	As previously reported	Correction of error	Restated
Inventories		29 007 924	416 699	29 424 623
Electricity Infrastructure		15 831 953	761 864	16 593 817
Electricity - Work in Progress		3 140 545	(773 090)	2 367 455
Intangible Assets		249 657	1 127 978	1 377 635
Accumulated Surplus		(2 138 581 784)	(1 533 451)	(2 140 115 235)
		(2 090 351 705)		-(2 090 351 705)

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Depreciation and amortisation		54 263 582	434 878	-	54 698 460
Sale of goods		(8 051 836)	-	82 381	(7 969 455)
Rendering of services		(1 895 561)	-	(82 381)	(1 977 942)
Surplus for the year		44 316 185	434 878	-	44 751 063

48. Comparative figures

Certain comparative figures have been reclassified.

49. Risk management

Financial risk management

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49. Risk management (continued)

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.

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	73 279 382	-	-	-
Consumer deposits	336 455	-	-	-

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables from exchange transactions	67 156 858	-	-	-
Consumer deposits	343 882	-	-	-

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.

Included in the main primary bank account is a guarantee/security of R850,000 to the Post Office. Should the Municipality fail to meet payment obligations with the Post Office the amount will be paid over to the Post Office by the Bank. Included in the money market bank account is a guarantee/security of R1,062,500 to the DBSA. Should Municipality fail to meet payment obligations with DBSA the amount will be paid over to DBSA by the bank.

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

Financial instrument	2021	2020
FNB Money Market Investments	1 618 570	1 588 120
FNB Current Account	311 820 865	198 640 552
FNB Call Account	577 852 254	447 168 121
Receivables from exchange transactions	44 010 016	34 147 090
Receivables from non-exchange transactions	22 426 500	15 927 447

The municipality is exposed to a number of guarantees and for guarantees issued in favour of the Post Office and DBSA. Refer to note 9 for additional details.

Trade and other receivables for government department are not impaired.

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. At year end (June 2021), the financial instruments exposed to interest rate risk were as follows:

Financial instrument	2021	2020
FNB Money Market Investments	1 618 571	1 588 120
FNB Current Account	311 820 865	198 640 552
FNB Call deposits	577 852 254	447 168 121

50. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 2 427 139 343 and that the municipality's total liabilities exceed its assets by R 2 427 139 343.

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50. Going concern (continued)

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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

During the financial year ending 30 June 2020, the world experience a pandemic disease called Covid-19 of which Thulamela Local Municipality had to comply with the disaster management preventive measures and procedures as addressed by the president of the republic of South Africa on the 25th of March 2020. This resulted in the closure of the municipality for a prescribed period and only essential service providers were working.

The wide-ranging effects of the virus and the restrictions imposed were taken into account including the possible impact on service delivery, purchasing of goods and services required to enable service delivery. The working capital cycle impact which may severely affect the entity's ability to settle its debts as they become due as well as default on payments on loans and facilities was also considered.

Revenue fines, penalties, service charges, licenses and permits are some of the income streams which were hit hard by the effects of this pandemic and the municipality figures are below anticipated amounts.

The pandemic has affected all customers of the municipality since operations were stopped during lock down period and there is uncertainty on whether the customers will be able to settle their accounts on time. The effects of the pandemic were factored in the calculations of provision for bad debts as required by GRAP 104. Management is also aware that if the rate of people affected by covid-19 increases in near future, the nation can be taken back to lock down which will affect service deliver.

In respond to the pandemic, the government of South Africa, has increased funding support in terms of grants and equitable share which will be used by the municipality to overcome the negative impact of covid-19 on the municipal operations. The municipality received an additional R102 million in equitable share to assist with the negative effects of the pandemic. The grant received was approved by council and was spent and used accordingly. This means that the municipality will have sufficient cashflow to fund service delivery in future.

Management has also embarked on some cost cutting measures such as reduction in travel and other claims, as well as spending only on items that have been budgeted for to ensure that there is always funds to fund additional operations as the need arises.

Based on the above, the financial statement have been prepared on a going concern as the effect of the pandemic is going down and the municipality will continue to receive funding support from the government.

51. Events after the reporting date

The council of the municipality in its council sitting on the 31st of August 2021 approved write-offs and recoveries of Unauthorised, Irregular and Fruitless and wasteful expenditures of identified during the prior year statutory audit. The council's decision is an adjusting event after reporting date in terms of GRAP 14 as the decision was taken before the Annual Financial Statements were authorised for issue and management accounted for the transaction in the Annual Financial Statements for the period ended 30 June 2021.

On the 7th of July 2021 Councillor Mulovhedzi HP was inaugurated as the new Mayor and Councillor Rambuda AS was inaugurated as the new Speaker.

52. Unauthorised expenditure

Opening balance as previously reported	-	24 798 979
Opening balance as restated	-	24 798 979
Less: Amount written off - current	-	(24 798 979)
Closing balance	-	-

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53. Fruitless and wasteful expenditure		
Opening balance as previously reported	3 159 985	21 807 972
Correction of prior period error	(1 013 148)	-
Opening balance as restated	2 146 837	21 807 972
Add: Expenditure identified - current	17 173	135 948
Less: Amounts recoverable - current	(46 561)	(62 882)
Less: Amount written off - current	(32 473)	(18 721 053)
Closing balance	2 084 976	3 159 985

The main reason for Fruitless and wasteful expenditure is due to payments made for work not performed.

54. Irregular expenditure

Opening balance as previously reported	18 285 750	93 939 792
Opening balance as restated	18 285 750	93 939 792
Add: Irregular Expenditure - current	186 218	16 282 437
Less: Amount written off - current	(18 182 059)	(91 936 479)
Closing balance	289 909	18 285 750

The main reason for Irregular expenditure is due to INEP projects awarded with reasons that are not justifiable.

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	3 374 401	3 131 884
Amount paid - current year	(3 374 401)	(3 131 884)
	-	-

Material losses through criminal conduct

There were no losses suffered through financial misconduct during the current financial year.

Audit fees

Current year subscription / fee	4 470 258	4 443 664
Amount paid - current year	(4 470 258)	(4 443 664)
	-	-

PAYE and UIF

Current year subscription / fee	50 047 295	46 077 950
Amount paid - current year	(50 047 295)	(46 077 950)
	-	-

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55. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and Medical Aid Deductions		
Current year subscription / fee	70 563 795	66 340 623
Amount paid - current year	(70 563 795)	(66 340 623)
	-	-

The amount represents pension and medical aid contributions deducted from employees.

Defined contribution plan

Municipal Gratuity Fund	12 575 606	11 860 738
Momentum provident Funds	2 363 871	2 340 058
National Fund for Municipal workers	14 324 131	13 485 762
Municipal Employees pension fund	6 552 437	6 320 567
Municipal Councillors pension fund	2 872 872	2 768 532
	38 688 917	36 775 657

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution funds were used in the current financial year. The municipality is under no obligation to cover any unfunded benefits. The total municipal contribution to such schemes are as listed above.

VAT

VAT receivable	3 244 157	4 068 322
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Vat is paid over to SARS only once the payment is received from Debtors and is receivable from SARS once the payment has been made to Creditors. The amount above represents the amount immediately receivable/(payable) from/(to) SARS as at year end.

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

Councillors' arrear consumer accounts

During the year there are no Councillors' that had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been approved by the Municipal Manager and noted by council.

Incident		
Repairs and maintenance	3 816 167	4 427 117
Training	376 400	-
Accommodation	80 802	-
Professional Registration	-	104 880
Professional fees	-	452 000
Transport	-	46 478
Other	236 026	894 507
	4 509 395	5 924 982

56. Budget differences

Material differences between budget and actual amounts

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56. Budget differences (continued)

In terms of MFMA section 31 and Virement Policy of the municipality, the municipality can shift funds within budget parameters. The changes between Schedule B (Final Approved Budget) and Final Budget were due to reallocation within budget parameters.

In this disclosure, materiality has been assumed to be all the variance which are 10% or more. Below are explanation of differences identified:

Sale of goods

The variance is caused by a decreasing in the selling of sites for town planning and servitudes and advertising.

Rendering of services

The variance is due to implementation of covid-19 lockdown regulations resulting in operations being significantly affected.

Rental of facilities and equipment

The variance is due to low collection on billboards advertising.

Agency services

The variance is due to low turnout of clients and various optional places to register vehicles like post office.

Licences and permits

The variance is due to implementation of covid-19 lockdown regulations resulting in operations being significantly affected.

Commissions received

The variance is as a result of over budgeting on anticipated commission received.

Other income

The variance is due to low collection on other revenue segment and other line items that contribute to low revenue

Interest received - investment

The variance is due to the investments that were done twice in the financial year.

Public contributions and donations

Variance is due to donation of vehicles in the current financial year that was not anticipated.

Fines, Penalties and Forfeits

Variance is due to lockdown regulations as a result of covid-19 pandemic.

Debt Impairment

The variance is due to over budgeting based on the last financial year actuals.

Contracted Services

Variance is due to transfer of electricity projects from operational to capital and low spending on covid-19 items

Transfers and Subsidies

Variance is due to debit notes that were adjusted during the financial year.

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56. Budget differences (continued)

General Expenses

Variance is due to implementation of covid-19 lockdown regulations resulting in operations being significantly affected.

Loss on disposal of assets and liabilities

Variance is due to over budgeting on land segment

Inventories losses/write-downs

The variance is due to illegal occupation on land

Land write down

The variance is due to illegal occupation on land