Thulamela Local Municipality
(Registration number LIM343)
Audited Annual Financial Statements
for the year ended 30 June 2024

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
Executive committee	
Mayor	Cllr Rambuda AS
Speaker	Cllr Mutheiwana FA
Chief Whip	Cllr Malada TP - Deceased in December 2023 Cllr Makungo TG - Acting from December 2023
Exco	Cllr Kwinda SC Cllr Lieba NA Cllr Mulovhedzi MK Cllr Mashawana NE Cllr Mulaudzi KE Cllr Kwinda SC Cllr Maduse L Cllr Shavhani ME Cllr Madondo LM Cllr Ligaraba LE - Resigned in June 2024 Cllr Ligege VP Cllr Radamba NC
Councillors	Cllr Munenyiwa AM Cllr Mahosi NG Cllr Lavhengwa L - Resigned in April 2024 Cllr Davhana AJ Cllr Ravhura ME Cllr Mukhathi H Cllr Netshikwera R Cllr Phosha LF Cllr Mulaudzi MM Cllr Netsianda MJ Cllr Mphaho TS Cllr Mulaudzi ER Cllr Thanyani RD Cllr Vhulahani Livhuwani Cllr Dali TS Cllr Mabasa HP Cllr Mathoma R Cllr Badamarema M Cllr Netshivhumbe G - Appointed in May 2024 Cllr Pandelani TS Cllr Muedi TE

General Information

Cllr Maphiri ME
Cllr Phalanndwa N
Cllr Tshikhuwana LR
Cllr Mphaphuli M
Cllr Mulovhedzi HP
Cllr Matshavha M
Cllr Nemasiwana F
Cllr Razwinzhi IE
Cllr Tshisikule K
Cllr Khangale AC
Cllr Ligaraba MJ
Cllr Makungo TG
Cllr Mulaudzi NS
Cllr Phosiwa L
Cllr Nekhunguni AE
Cllr Madzimbalala HE
Cllr Netshishivhe AA
Cllr Netangaheni NP
Cllr Kwinda MR
Cllr Bongwe K
Cllr Munzhedzi TE
Cllr Nelufhangani TL
Cllr Madzivhandila
Cllr Maganu A
Cllr Tshifhango AS
Cllr Mathidi P
Cllr Vhulahani L
Cllr Madumi MA
Cllr Maela RT
Cllr Lalumbe RG
Cllr Nemalegeni TJ
Cllr Tshigwili T
Cllr Nenzhelele N
Cllr Molaudzi NA
Cllr Ravhuanzwo SL
Cllr Malindi OT - MPAC Chairperson
Cllr Munyai TT - MPAC member
Cllr Nelushi TA - MPAC member
Cllr Ramulifho HB - MPAC member
Cllr Mafunzwaini RT - MPAC member
Cllr Muligwe M - MPAC member
Cllr Nemaranzhe K - MPAC member
Cllr Matshomo T - MPAC member
Cllr Begwa FM - MPAC member
Cllr Mmbi N - MPAC member
Cllr Liphadzi TS - MPAC member
Cllr Mbengeni R - MPAC member
Cllr Nekhavhambe T - MPAC member

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General Information

Chief Finance Officer (CFO)	Mufamadi AC mufamadiac@thulamela.gov.za 015 962 7515
Accounting Officer	Makumule MT makumule@thulamela.gov.za 015 962 7500
Registered office	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 TT Ngobeni Attorneys Tshitangano 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 audited annual financial statements presented to the provincial legislature and council:

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
VAT	Value Added Tax
UIF	Unemployment Insurance Fund
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant (Previously CMIP)
MEC	Member of the Executive Council
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
PAYE	Pay as Your Earn
SDL	Skills Development Levy
SALGA	South African Local Government Association
SETA	Sector Education and Training Authority
INEP	Integrated National Electrification Programme
FMG	Finance Management Grant
EPWP	Expanded Public Works Programme
NDPG	Neighbourhood Development and Partnership Grant
MPAC	Municipal Public Accounts Committee
SARS	South African Revenue Services
AARTO	Administrative Adjudication Of Road Traffic Offences
CPI	Consumer Price Index

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2025 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 audited annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the operations.

The accounting officer certify that the salaries, allowances and benefits of councillor's as disclosed in Note 33 and 34 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 officers are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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

The audited annual financial statements set out on pages 9 to 112, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

Accounting Officer
Makumule MT

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2024.

1. Review of activities

Main business and operations

The municipality is engaged in 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 and operates principally in South Africa.

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

Net surplus of the municipality was R 161 268 837 (2023: surplus R 94 112 222).

The increase in surplus is mainly due to increase in Equitable share received and interest revenue from investments.

2. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 3 086 844 564 and that the municipality's total assets exceed its liabilities by R 3 086 844 564.

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

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.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officers' interest in contracts

The Accounting Officer does not have any interest in contracts, either direct or indirect.

5. Accounting policies

The audited annual financial statements have been prepared in accordance with any interpretations of such Statements issued by the Accounting Practices Board and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

6. Corporate governance (continued)

Audit and performance committee

The audit committee members for the period ended 30 June 2024 were as follows:

Mrs Ramutsheli MP (Appointed 01 November 2023)	- Chairperson
Mr. Tshikovhi A (resigned 30 April 2024)	- Member
Mr. Mathabathe MG (resigned 30 June 2024)	- Member
Ms Mudau FJ (Appointed 01 November 2023)	- Member
Mr. Baloyi NT (Appointed 01 November 2023)	-Member
Adv. Monare TL (Appointed 01 November 2023)	-Member
Ms. Mudau SF (term ended on 30 September 2023)	-Chairperson
Mr.Netshisimanani T (term ended on 30 September 2023)	-Member
Mr. Mathabathe M (term ended on 30 September 2023)	-Member
Mr.Nepfumbada M (term ended on 30 September 2023)	-Member

Internal audit

The municipality has a fully functional internal audit unit. This is in compliance with the Municipal Finance Management Act 56 of 2003.

7. Auditors

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

The audited annual financial statements set out on pages 9 to 112, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

Accounting Officer
Makumule MT

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Non-Current Assets			
Property, plant and equipment	4	2 276 587 661	2 062 827 619
Intangible assets	5	722 578	837 069
		2 277 310 239	**2 063 664 688**
Current Assets			
Inventories	6	26 169 738	28 190 818
Receivables from non-exchange transactions	7	19 465 673	10 798 461
VAT receivable	8	11 175 273	16 165 341
Receivables from exchange transactions	9	18 110 386	17 161 328
Cash and cash equivalents	10	921 273 336	1 026 519 463
		996 194 406	**1 098 835 411**
Total Assets		**3 273 504 645**	**3 162 500 099**
Liabilities			
Non-Current Liabilities			
Employee benefit obligation	11	15 991 033	13 866 336
Provisions	12	27 923 984	26 596 763
		43 915 017	**40 463 099**
Current Liabilities			
Finance lease obligation	13	-	545 283
Payables from exchange transactions	14	110 163 285	138 020 451
Consumer deposits	15	424 891	384 376
Employee benefit obligation	11	1 247 288	2 816 543
Unspent conditional grants and receipts	16	4 057 306	28 013 382
Provisions	12	26 852 294	26 681 239
		142 745 064	**196 461 274**
Total Liabilities		**186 660 081**	**236 924 373**
Net Assets		**3 086 844 564**	**2 925 575 726**
Accumulated surplus		3 086 844 564	2 925 575 726
Total Net Assets		**3 086 844 564**	**2 925 575 726**

The accounting policies on pages 20 to 50 and the notes on pages 51 to 112 form an integral part of the audited annual financial statements.

* See Note 2 & 50

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	17	9 172 414	5 309 554
Service charges	18	28 022 435	27 517 489
Rendering of services	19	2 943 590	2 825 909
Rental of facilities and equipment	20	2 854 645	2 592 664
Interest on receivables from exchange transactions	21	11 156 055	10 300 653
Agency services	22	10 783 704	10 464 321
Licences and permits	23	726 645	784 773
Commissions received	24	12 821	14 919
Other income	25	3 848 649	5 665 640
Interest received - investment	26	83 815 978	61 239 715
Actuarial gains		-	1 784 174
Total revenue from exchange transactions		**153 336 936**	**128 499 811**
Revenue from non-exchange transactions			
Property rates	27	96 773 042	94 454 843
Skills development levy fund	28	1 247 757	661 223
Interest on receivables from non-exchange receivables	29	18 523 795	16 497 571
Government grants & subsidies	30	788 745 076	716 844 571
Public contributions and donations	31	-	26 800
Fines, Penalties and Forfeits	32	2 054 230	7 113 905
Total revenue from non-exchange transactions		**907 343 900**	**835 598 913**
Total revenue		**1 060 680 836**	**964 098 724**
Expenditure			
Employee related costs	33	(344 854 705)	(325 609 318)
Remuneration of councillors	34	(33 514 658)	(31 787 005)
Depreciation and amortisation	35	(82 249 858)	(76 268 614)
Impairment loss/Reversal of impairments	36	(671 231)	(3 881 535)
Finance costs	37	(3 065 262)	(3 140 804)
Lease rentals on operating lease	38	(4 596 531)	(4 447 659)
Debt Impairment	39	(81 300 341)	(91 188 890)
Attributable Construction contract costs - INEP	40	(24 491 398)	(19 292 711)
Contracted services	41	(205 934 522)	(210 374 965)
Transfers and Subsidies	42	(1 696 803)	(2 766 278)
Loss on disposal of assets and liabilities	4	(3 083 299)	(7 788 528)
Actuarial losses	11	(230 018)	-
Inventories losses/write-downs		(636 908)	-
General Expenses	43	(113 086 465)	(93 440 195)
Total expenditure		**(899 411 999)**	**(869 986 502)**
Surplus for the year		**161 268 837**	**94 112 222**

The accounting policies on pages 20 to 50 and the notes on pages 51 to 112 form an integral part of the audited annual financial statements.

* See Note 2 & 50

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	2 610 200 184	2 610 200 184
Adjustments		
Prior year adjustments 50	221 263 320	221 263 320
Balance at 01 July 2022 as restated*	**2 831 463 504**	**2 831 463 504**
Changes in net assets		
Surplus for the year	94 112 222	94 112 222
Total changes	94 112 222	94 112 222
Restated* Balance at 01 July 2023	**2 925 575 727**	**2 925 575 727**
Changes in net assets		
Surplus for the year	161 268 837	161 268 837
Total changes	161 268 837	161 268 837
Balance at 30 June 2024	**3 086 844 564**	**3 086 844 564**

Note(s)

The accounting policies on pages 20 to 50 and the notes on pages 51 to 112 form an integral part of the audited annual financial statements.

* See Note 2 & 50

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Property rates		52 397 610	56 317 186
Service Charges - refuse		11 188 910	21 420 153
Grants		788 745 076	716 844 571
Interest income		83 815 978	61 239 715
Sale of goods		9 172 414	5 309 554
Rendering of services		2 943 590	2 825 909
Rental of facilities and equipment		2 854 645	2 592 664
Agency services		10 783 704	10 464 321
Licences and permits		726 645	784 773
Commissions received		12 821	14 919
Fines, Penalties and Forfeits		2 774 480	6 455 705
Other Income		4 348 352	9 298 002
Public contributions and donations		-	26 800
		969 764 225	893 594 272
Payments			
Employee costs		(377 347 249)	(353 790 343)
Suppliers		(394 402 617)	(295 563 193)
Finance costs		(3 037 982)	(3 074 135)
		(774 787 848)	(652 427 671)
Net cash flows from operating activities	44	**194 976 377**	**241 166 601**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(299 649 942)	(202 016 506)
Purchase of other intangible assets	5	-	(461 167)
Net cash flows from investing activities		**(299 649 942)**	**(202 477 673)**
Cash flows from financing activities			
Finance lease payments		(572 563)	(572 564)
Net increase/(decrease) in cash and cash equivalents		**(105 246 128)**	**38 116 364**
Cash and cash equivalents at the beginning of the year		1 026 519 463	988 403 100
Cash and cash equivalents at the end of the year	10	**921 273 335**	**1 026 519 464**

The accounting policies on pages 20 to 50 and the notes on pages 51 to 112 form an integral part of the audited annual financial statements.

* See Note 2 & 50

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	23 209 400	(11 500 000)	**11 709 400**	9 172 414	**(2 536 986)**	N1
Service charges	24 426 113	2 279 587	**26 705 700**	28 022 435	**1 316 735**	Less than 10%
Rendering of services	3 227 516	(345 999)	**2 881 517**	2 943 590	**62 073**	Less than 10%
Rental of facilities and equipment	3 723 500	(850 000)	**2 873 500**	2 854 645	**(18 855)**	Less than 10%
Interest received (trading)	9 167 520	1 471 712	**10 639 232**	11 156 055	**516 823**	Less than 10%
Agency services	1 046	10 999 354	**11 000 400**	10 783 704	**(216 696)**	Less than 10%
Licences and permits	12 859 128	(12 067 678)	**791 450**	726 645	**(64 805)**	Less than 10%
Commissions received	18 846	(5 846)	**13 000**	12 821	**(179)**	Less than 10%
Other income - (rollup)	3 431 743	758 222	**4 189 965**	3 848 649	**(341 316)**	Less than 10%
Interest received - investment	60 000 000	20 251 000	**80 251 000**	83 815 978	**3 564 978**	Less than 10%
Total revenue from exchange transactions	**140 064 812**	**10 990 352**	**151 055 164**	**153 336 936**	**2 281 772**	
Revenue from non-exchange transactions						
Property rates	97 626 176	1 266 496	**98 892 672**	96 773 042	**(2 119 630)**	Less than 10%
Skills development levy fund	500 000	(300 000)	**200 000**	1 247 757	**1 047 757**	N2
Interest - Taxation revenue	15 000 000	2 000 000	**17 000 000**	18 523 795	**1 523 795**	Less than 10%
Government grants & subsidies	773 445 600	19 702 000	**793 147 600**	788 745 076	**(4 402 524)**	N3
Fines, Penalties and Forfeits	9 837 612	(2 027 912)	**7 809 700**	2 054 230	**(5 755 470)**	N4
Total revenue from non-exchange transactions	**896 409 388**	**20 640 584**	**917 049 972**	**907 343 900**	**(9 706 072)**	
Total revenue	**1 036 474 200**	**31 630 936**	**1 068 105 136**	**1 060 680 836**	**(7 424 300)**	
Expenditure						
Personnel	(356 566 522)	(4 326 907)	**(360 893 429)**	(344 854 705)	**16 038 724**	Less than 10%
Remuneration of councillors	(36 202 242)	14 321	**(36 187 921)**	(33 514 658)	**2 673 263**	Less than 10%
Depreciation and amortisation	(68 969 460)	(13 542 637)	**(82 512 097)**	(82 249 858)	**262 239**	Less than 10%
Impairment loss/ Reversal of impairments	(12 130 926)	640 102	**(11 490 824)**	(671 231)	**10 819 593**	N5
Finance costs	(2 205 000)	(865 056)	**(3 070 056)**	(3 065 262)	**4 794**	Less than 10%
Lease rentals on operating lease	(5 000 000)	(500 000)	**(5 500 000)**	(4 596 531)	**903 469**	N6
Debt Impairment	(67 500 000)	(45 690 996)	**(113 190 996)**	(81 300 341)	**31 890 655**	N7
Attributable Construction contract costs - INEP	(28 200 000)	-	**(28 200 000)**	(24 491 398)	**3 708 602**	N8
Contracted Services	(189 845 052)	(34 956 646)	**(224 801 698)**	(205 934 522)	**18 867 176**	Less than 10%
Transfers and Subsidies	(1 850 000)	82 000	**(1 768 000)**	(1 696 803)	**71 197**	N9
General Expenses	(144 360 371)	7 043 489	**(137 316 882)**	(113 086 465)	**24 230 417**	N10
Total expenditure	**(912 829 573)**	**(92 102 330)**	**(1 004 931 903)**	**(895 461 774)**	**109 470 129**	
Operating surplus	**123 644 627**	**(60 471 394)**	**63 173 233**	**165 219 062**	**102 045 829**	
Loss on disposal of assets and liabilities	(4 480 247)	(2 312 198)	**(6 792 445)**	(3 083 299)	**3 709 146**	N11
Actuarial gains/losses	(1 884 600)	-	**(1 884 600)**	(230 018)	**1 654 582**	N12
Inventories losses/write-downs	-	(636 908)	**(636 908)**	(636 908)	-	Less than 10%

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	(6 364 847)	**(2 949 106)**	**(9 313 953)**	**(3 950 225)**	**5 363 728**	
Surplus before taxation	**117 279 780**	**(63 420 500)**	**53 859 280**	**161 268 837**	**107 409 557**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**117 279 780**	**(63 420 500)**	**53 859 280**	**161 268 837**	**107 409 557**	

Budget differences

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 explanations of differences identified:

N1. Sale of goods
Variance is caused by sites that were not sold during the year.

N2. Skills development levy fund
Variance is due to amount received from LGSETA

N3. Government grants & subsidies
Variance is due to unspent grant of NDPG

N4. Fines, Penalties and Forfeits
Un-development of site item that is currently not billing. Municipality is currently busy with the process of developing by-laws (which was not finalised during the current financial year under review) that will regulate billing of un-developed sites

N5. Imparment loss
Variance was due to less impairment of assets after condition assessment

N6. Lease rentals on operating lease
Variance is due to decrese in less usage of photocopier as most of the documents are sent in soft copies via emails and even National Treasury is no longer accept hardcopies.

N7. Debt Impairment
The budget was based on the outstanding debtors amounts.

N8. Attributable Construction contract costs - INEP
Variance is due to over-budgeting on the line item

N9. Transfers and Subsidies
This is for disaster relief given to people in case of disaster.Variance is caused by low demand.

N10. General Expenses
This is caused by austerity measures (amongst others) subsistance and travelling

N11. Loss on disposal of assets
Variance was due to less disposal of assets

N12. Actuarial gains/losses
The actuarial gain is attributable to the lower than expected increase in the average salary since the previous valuation as well as the changes in the employee demographics.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	29 771 788	(1 429 358)	**28 342 430**	26 169 738	**(2 172 692)**	Less than 10%
Receivables from non-exchange transactions	17 725 388	7 934 309	**25 659 697**	19 465 673	**(6 194 024)**	N1
VAT receivable	12 341 290	6 444 316	**18 785 606**	11 175 273	**(7 610 333)**	N2
Receivables from exchange transactions	24 173 404	134 225 341	**158 398 745**	18 110 386	**(140 288 359)**	N3
Cash and cash equivalents	791 640 916	91 322 996	**882 963 912**	921 273 336	**38 309 424**	Less than 10%
	875 652 786	**238 497 604**	**1 114 150 390**	**996 194 406**	**(117 955 984)**	
Non-Current Assets						
Property, plant and equipment	1 976 554 147	104 263 862	**2 080 818 009**	2 276 587 661	**195 769 652**	Less than 10%
Intangible assets	3 998 434	(3 061 839)	**936 595**	722 578	**(214 017)**	N4
	1 980 552 581	**101 202 023**	**2 081 754 604**	**2 277 310 239**	**195 555 635**	
Total Assets	**2 856 205 367**	**339 699 627**	**3 195 904 994**	**3 273 504 645**	**77 599 651**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	557 283	**557 283**	-	**(557 283)**	N5
Payables from exchange transactions	75 440 903	(468 338)	**74 972 565**	110 163 285	**35 190 720**	N6
Consumer deposits	363 209	21 167	**384 376**	424 891	**40 515**	Not material
Employee benefit obligation	3 848 180	852 963	**4 701 143**	1 247 288	**(3 453 855)**	N7
Unspent conditional grants and receipts	4 105 453	16 381 429	**20 486 882**	4 057 306	**(16 429 576)**	N8
Provisions	33 179 469	2 296 982	**35 476 451**	26 852 294	**(8 624 157)**	N9
	116 937 214	**19 641 486**	**136 578 700**	**142 745 064**	**6 166 364**	
Non-Current Liabilities						
Employee benefit obligation	15 194 473	(1 328 137)	**13 866 336**	15 991 033	**2 124 697**	N7
Provisions	31 993 912	(5 397 149)	**26 596 763**	27 923 984	**1 327 221**	Less than 10%
	47 188 385	**(6 725 286)**	**40 463 099**	**43 915 017**	**3 451 918**	
Total Liabilities	**164 125 599**	**12 916 200**	**177 041 799**	**186 660 081**	**9 618 282**	
Net Assets	**2 692 079 768**	**326 783 427**	**3 018 863 195**	**3 086 844 564**	**67 981 369**	
Net Assets						
Accumulated surplus	2 692 079 768	326 783 427	**3 018 863 195**	3 086 844 564	**67 981 369**	Less than 10%

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	44 601 853	10 944 000	**55 545 853**	52 397 610	**(3 148 243)**	Less than 10%
Sale of goods and services	140 423 276	91 493 250	**231 916 526**	44 805 561	**(187 110 965)**	N10
Grants	770 630 220	11 815 000	**782 445 220**	788 745 076	**6 299 856**	Less than 10%
Interest income	60 000 000	20 251 000	**80 251 000**	83 815 978	**3 564 978**	Less than 10%
	1 015 655 349	**134 503 250**	**1 150 158 599**	**969 764 225**	**(180 394 374)**	
Payments						
Employee costs	(376 027 663)	3 437 068	**(372 590 595)**	(377 347 249)	**(4 756 654)**	Less than 10%
Suppliers	(506 490 306)	(204 427 000)	**(710 917 306)**	(394 402 617)	**316 514 689**	N11
Finance costs	4 750	60 000	**64 750**	(3 037 982)	**(3 102 732)**	N12
	(882 513 219)	**(200 929 932)**	**(1 083 443 151)**	**(774 787 848)**	**308 655 303**	
Net cash flows from operating activities	**133 142 130**	**(66 426 682)**	**66 715 448**	**194 976 377**	**128 260 929**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(326 379 812)	172 919 084	**(153 460 728)**	(299 649 942)	**(146 189 214)**	N13
Cash flows from financing activities						
Finance lease payments	-	-	-	(572 563)	**(572 563)**	N5
Net increase/(decrease) in cash and cash equivalents	(193 237 682)	106 492 402	**(86 745 280)**	(105 246 128)	**(18 500 848)**	
Cash and cash equivalents at the beginning of the year	988 403 104	38 116 356	**1 026 519 460**	1 026 519 463	**3**	
Cash and cash equivalents at the end of the year	**795 165 422**	**144 608 758**	**939 774 180**	**921 273 335**	**(18 500 845)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

N1. Receivables from non-exchange transactions
The variance is due to traffic write off that was approved by council during the year

N2. VAT receivable
Variance is caused by austerity measures, which decreases the spending on budgeted items

N3. Receivables from exchange transactions
Variance is due to over budgeting on receivables from exchnage transactions

N4. Intangible assets
The variance is due to non-spending on intangible assets budgeted

N5. Finance lease obligation
Variance is due to opening balance of a finance lease whose contract was terminated and only opening balance was remaining

N6. Payables from exchange transactions
Variance is due late submission of invoices by suppliers resulting in high payables outstanding at year end

N7. Employee benefit obligation
Variance is due to in signed change in SALGA collective agreement

N8. Unspent conditinal grants and receipts
Variance is caused by opening balance of MIG unspent from the prior year

N9.Provisions
The variance is due to over budgeting on leave provision

N10.Sale of goods and services
The difference is due to over budgeting on service charges collection compared to actual cashflow received

N11.Suppliers
Variance is caused by austerity measures, which decreases the spending on budgeted items

N12.Finance costs
The variance was due to underbudgeting on finance cost from landfill provision

N13.Purchase of property, plant and equipment
The variance is due to underbudgeting on expected cash outflow on capital projects

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2024											
Financial Performance											
Property rates	97 626 176	1 266 496	98 892 672	-		98 892 672	96 773 042		(2 119 630)	98 %	99 %
Service charges	24 426 113	2 279 587	26 705 700	-		26 705 700	28 022 435		1 316 735	105 %	115 %
Investment revenue	60 000 000	20 251 000	80 251 000	-		80 251 000	83 815 978		3 564 978	104 %	140 %
Transfers recognised - operational	634 668 600	(331 000)	634 337 600	-		634 337 600	628 657 382		(5 680 218)	99 %	99 %
Other own revenue	80 976 311	(11 868 147)	69 108 164	-		69 108 164	63 324 305		(5 783 859)	92 %	78 %
Total revenue (excluding capital transfers and contributions)	**897 697 200**	**11 597 936**	**909 295 136**	**-**		**909 295 136**	**900 593 142**		**(8 701 994)**	**99 %**	**100 %**
Employee costs	(356 566 522)	(4 326 907)	(360 893 429)	-	-	(360 893 429)	(344 854 705)	-	16 038 724	96 %	97 %
Remuneration of councillors	(36 202 242)	14 321	(36 187 921)	-	-	(36 187 921)	(33 514 658)	-	2 673 263	93 %	93 %
Depreciation and asset impairment	(81 100 386)	(12 902 535)	(94 002 921)			(94 002 921)	(82 921 089)	-	11 081 832	88 %	102 %
Finance charges	(2 205 000)	(865 056)	(3 070 056)	-	-	(3 070 056)	(3 065 262)	-	4 794	100 %	139 %
Transfers and grants	(1 850 000)	82 000	(1 768 000)	-	-	(1 768 000)	(1 696 803)	-	71 197	96 %	92 %
Other expenditure	(441 270 270)	(77 053 259)	(518 323 529)	-	-	(518 323 529)	(433 355 971)	-	84 967 558	84 %	98 %
Total expenditure	**(919 194 420)**	**(95 051 436)**	**(1 014 245 856)**	**-**	**-**	**(1 014 245 856)**	**(899 408 488)**	**-**	**114 837 368**	**89 %**	**98 %**
Surplus/(Deficit)	**(21 497 220)**	**(83 453 500)**	**(104 950 720)**	**-**		**(104 950 720)**	**1 184 654**		**106 135 374**	**(1)%**	**(6)%**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	138 777 000	20 033 000	158 810 000	-		158 810 000	160 087 694		1 277 694	101 %	115 %
Surplus (Deficit) after capital transfers and contributions	**117 279 780**	**(63 420 500)**	**53 859 280**	-		**53 859 280**	**161 272 348**		**107 413 068**	**299 %**	**138 %**
Surplus/(Deficit) for the year	**117 279 780**	**(63 420 500)**	**53 859 280**	-		**53 859 280**	**161 272 348**		**107 413 068**	**299 %**	**138 %**

Capital expenditure and funds sources

Total capital expenditure	343 557 697	(16 964 015)	326 593 682	-		326 593 682	299 649 945		(26 943 737)	92 %	87 %

Accounting Policies

1. Significant account policies

The principal accounting policies applied in the preparation of these audited annual financial statements are set out below.

1.1 Basis of preparations

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

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

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Materiality

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.

1.5 Significant judgements and sources of estimation uncertainty

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

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

1.6 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.

1.6 Property, plant and equipment (continued)

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Work in progress taking significantly longer to complete is disclosed in the note of the Annual Financial Statements at carrying amount including the reasons for the delay.

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.

The projects are assessed for possible impairment as at year end and most of them are still at design stages and there is no Council decision to discontinue the projects. Where there is Council decision to discontinue the project the, the WIP projects were impaired.

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.

Accounting Policies

1.6 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Plant and machinery	Straight-line	4 - 20 years
Furniture and office equipment	Straight-line	4 - 23 years
Motor vehicles	Straight-line	10 - 19 years
Office equipment	Straight-line	3 - 5 years
Computer equipment	Straight-line	4 - 23 years
Roads and Stormwater Infrastructure	Straight-line	10 - 80 years
Community and building	Straight-line	10 - 60 years
Solid waste infrastructure	Straight-line	10 - 50 years
Electrical Infrastructure	Straight-line	30 - 40 years

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

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

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

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

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

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.

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

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

Accounting Policies

1.7 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.

1.8 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.

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.

Accounting Policies

1.8 Intangible assets (continued)

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

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, it's 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.

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 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:

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

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 (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Financial instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

1.9 Financial instruments (continued)

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

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

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

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Accounting Policies

1.9 Financial instruments (continued)

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	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
- 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.

1.9 Financial instruments (continued)

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.

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

Accounting Policies

1.10 Statutory receivables (continued)

- 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

Accounting Policies

1.10 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.

1.11 Leases

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

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

Finance leases - lessee

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

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

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

Operating leases - lessee

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

1.12 Inventories

Initial recognition

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.

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).

Subsequent measurement

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

1.12 Inventories (continued)

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

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

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

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

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

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

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

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.

1.13 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.14 Employee benefits

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

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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.

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.

1.14 Employee benefits (continued)

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

Bonus, incentive and performance related payments

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

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.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

Other 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;

Accounting Policies

1.14 Employee benefits (continued)

- 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

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

Accounting Policies

1.15 Provisions and contingencies (continued)

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

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

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

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

Accounting Policies

1.15 Provisions and contingencies (continued)

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.38 and 1.36.

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.

1.16 Commitments

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

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

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.

Accounting Policies

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

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.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

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

Service Charges
Service charges relating to refuse removal is recognised monthly in arrears by applying the approved tariff

Rental of facilities
Income in respect of rental facilities is accrued monthly and levied in terms of the approved tariffs

Agency services
Income for agency services, where the municipality acts as an agent, is recognised monthly once the income collected on behalf of principals is earned. The income is recognised in terms of the agency agreement.

Licenses and permits
Revenue arising from the application of approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Commission received
Income from commission received is recognised when commission is earned

Other Income
Revenue from other income is recognised when the invoice is issued and from point of sale

1.18 Revenue from non-exchange transactions

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

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

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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

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

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

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

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

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

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

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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.

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.

1.18 Revenue from non-exchange transactions (continued)

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

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.

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.

Skills development levy fund
Income is recognised when refund is received.

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 Accounting by principals and agents

Identification

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

Accounting Policies

1.21 Accounting by principals and agents (continued)

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with 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 is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

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

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

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

1.22 Comparative figures

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

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.

Accounting Policies

1.22 Comparative figures (continued)

When it is impracticable to reclassify comparative amounts, the following is disclosed:
- the reason for not reclassifying the amounts; and
- 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.

1.23 Unauthorised expenditure

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

Unauthorised 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).

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.

1.24 Fruitless and wasteful expenditure

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

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

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.

1.25 Irregular expenditure

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

1.26 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.

1.26 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.

1.27 Budget information

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

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

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

The approved budget covers the fiscal period from 2023/07/01 to 2024/06/30.

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

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.

1.28 Related parties

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

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

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

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

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

Accounting Policies

1.28 Related parties (continued)

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

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

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

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

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.

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.30 Value Added Tax

VAT

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.

VAT is accounted for on an accrual basis in the annual financial statements.

The VAT accrual account does not represent amounts to be received or paid, but rather amounts that are associated with transactions that are yet to be settled. There is no money to be received or paid to SARS for these amounts as yet. VAT input accruals is recognised as receivable from exchange transactions. VAT output accrual is recognised as payables from exchange transaction.

1.31 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.

Accounting Policies

1.32 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 incurrences 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.

1.33 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.

1.34 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.

1.35 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.

1.36 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Accounting Policies

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

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

Designation

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

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

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

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.37 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

Accounting Policies

1.38 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

Identification

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

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

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

Accounting Policies

1.38 Impairment of cash-generating assets (continued)

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of impairment loss

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.39 Grants and Transfers

Grants and transfers received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets

A corresponding liability is recognised to the extent that the grant and transfer recognised as an asset, is subject to conditions that require that the Municipality either consumes the future economic benefits or service potential of the asset as specified, or that in the event that the conditions are breached, the Municipality returns such future economic benefits or service potential to the transferor. The liability is transferred to revenue when the conditions attached to the grants and transfers are met. Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

Interest earned on the investment of grants and transfers received is treated in accordance with the stipulations set out in the agreement for the receipt of the grant and transfer invested.

1.40 Bad debts written off

Bad debts are written off in the year during which they are identified as irrecoverable, subject to approval by the appropriate delegated authourity

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.

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:

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 2024 or later periods:

Guideline: Guideline on Accounting for Landfill Sites

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

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

The effective date of the guideline is for years beginning on or after 01 April 2023.

The municipality has adopted the guideline for the first time in the 2023/2024 audited annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

Notes to the Audited Annual Financial Statements

3. New standards and interpretations (continued)

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set. 01 April 2023.

The municipality has adopted the revisions for the first time in the 2023/2024 audited annual financial statements.

The impact of the revisions is set out in note 2 Changes in Accounting Policy.

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions have not yet been set. 01 April 2023.

The municipality has adopted the revisions for the first time in the 2023/2024 01 April 2023.

Notes to the Audited Annual Financial Statements

3. New standards and interpretations (continued)

The impact of the revisions is set out in note 2 Changes in Accounting Policy.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality expects to adopt the guideline for the first time the effective date for the revisions are set.

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

GRAP 104 (as revised): Financial Instruments

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

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

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

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

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

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

iGRAP 21: The Effect of Past Decisions on Materiality

Notes to the Audited Annual Financial Statements

3. New standards and interpretations (continued)

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. 01 April 2023.

The municipality has adopted the interpretation for the first time in the 2023/2024 01 April 2023.

The impact of the interpretation is set out in note 2 Changes in Accounting Policy.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

Notes to the Audited Annual Financial Statements

3. New standards and interpretations (continued)

The municipality expects to adopt the amendment for the first time in the 2024/2025 audited annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	122 053 992	-	122 053 992	122 053 992	-	122 053 992
Plant and machinery	21 277 244	(7 216 574)	14 060 670	19 110 876	(5 542 035)	13 568 841
Furniture and Office equipment	18 257 873	(11 553 857)	6 704 016	17 716 123	(10 659 887)	7 056 236
Motor vehicles	132 727 227	(39 836 629)	92 890 598	107 163 090	(32 326 686)	74 836 404
Computer Equipment	21 638 126	(10 286 975)	11 351 151	21 277 134	(7 496 128)	13 781 006
Roads and Stormwater Infrastructure	1 858 289 538	(574 610 517)	1 283 679 021	1 709 553 117	(524 169 137)	1 185 383 980
Community Assets	401 857 831	(128 588 364)	273 269 467	381 659 217	(116 247 814)	265 411 403
Solid Waste Infrastructure	23 671 669	(18 292 109)	5 379 560	23 671 669	(17 290 381)	6 381 288
Electrical Infrastructure	93 737 627	(16 403 703)	77 333 924	68 832 098	(14 599 999)	54 232 099
Community assets - Work in progress	137 855 287	(679 284)	137 176 003	106 665 531	(480 966)	106 184 565
Roads and Stormwater - Work in Progress	233 167 072	-	233 167 072	199 434 472	-	199 434 472
Solid waste infrastructure - Work in progress	14 705 206	-	14 705 206	7 213 842	-	7 213 842
Electrical infrastructure - Work in progress	4 816 981	-	4 816 981	7 289 491	-	7 289 491
Total	**3 084 055 673**	**(807 468 012)**	**2 276 587 661**	**2 791 640 652**	**(728 813 033)**	**2 062 827 619**

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss	Impairment reversal	Total
Land	122 053 992	-	-	-	-	-	-	-	122 053 992
Plant and machinery	13 568 841	2 259 030	(44 757)	-	-	(1 722 444)	-	-	14 060 670
Furniture and Office equipment	7 056 236	1 103 652	(142 377)	-	-	(1 313 495)	-	-	6 704 016
Motor vehicles	74 836 404	25 992 682	(154 672)	-	-	(7 783 816)	-	-	92 890 598
Computer Equipment	13 781 006	1 323 904	(355 005)	-	-	(3 398 754)	-	-	11 351 151
Roads and Stormwater Infrastructure	1 185 383 980	91 332	(2 373 204)	153 766 641	-	(53 713 228)	(77 961)	601 461	1 283 679 021
Community Assets	265 411 403	14 097 407	(2 264)	6 105 314	-	(11 345 980)	(996 413)	-	273 269 467
Solid Waste Infrastructure	6 381 288	-	1	-	-	(1 001 729)	-	-	5 379 560
Electrical Infrastructure	54 232 099	19 532 261	(11 023)	5 436 509	-	(1 855 922)	-	-	77 333 924
Community assets - Work in progress	106 184 565	37 295 070	-	-	(6 105 314)	-	(198 318)	-	137 176 003
Roads and Stormwater - Work in Progress	199 434 472	187 499 241	-	-	(153 766 641)	-	-	-	233 167 072
Solid waste infrastructure - Work in progress	7 213 842	7 491 364	-	-	-	-	-	-	14 705 206
Electrical infrastructure - Work in progress	7 289 491	2 963 999	-	-	(5 436 509)	-	-	-	4 816 981
	2 062 827 619	**299 649 942**	**(3 083 301)**	**165 308 464**	**(165 308 464)**	**(82 135 368)**	**(1 272 692)**	**601 461**	**2 276 587 661**

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Additions through movement in landfill site provision	Disposals	Transfers received	Transfers made	Depreciation	Impairment loss	Total
Land	122 072 440	-	-	-	-	(18 448)	-	-	122 053 992
Plant and machinery	14 784 323	579 965	-	(44 396)	-	-	(1 751 051)	-	13 568 841
Furniture and Office equipment	5 622 319	2 593 442	-	(80 681)	-	-	(1 078 844)	-	7 056 236
Motor vehicles	63 773 646	18 019 128	-	(911 910)	-	-	(6 044 460)	-	74 836 404
Computer Equipment	9 313 248	7 552 583	-	(640 350)	-	-	(2 444 475)	-	13 781 006
Roads and Stormwater Infrastructure	1 105 250 100	2 592 809	-	(3 332 807)	135 082 882	-	(51 506 558)	(2 702 446)	1 185 383 980
Community Assets	255 744 589	5 624 272	-	(2 709 783)	17 571 760	-	(10 427 451)	(391 984)	265 411 403
Solid Waste Infrastructure	10 676 728	-	(3 009 031)	(4 780)	-	-	(1 281 629)	-	6 381 288
Electrical Infrastructure	41 366 688	4 254 943	-	(63 828)	10 591 353	-	(1 610 918)	(306 139)	54 232 099
Community assets - Work in progress	84 356 786	39 880 505	-	-	-	(17 571 760)	-	(480 966)	106 184 565
Roads and Stormwater - Work in Progress	220 889 659	120 871 405	-	-	-	(142 326 592)	-	-	199 434 472
Solid waste infrastructure - Work in progress	6 189 040	1 024 802	-	-	-	-	-	-	7 213 842
Electrical infrastructure - Work in progress	7 554 274	3 082 861	-	-	-	(3 347 644)	-	-	7 289 491
	1 947 593 840	**206 076 715**	**(3 009 031)**	**(7 788 535)**	**163 245 995**	**(163 264 444)**	**(76 145 386)**	**(3 881 535)**	**2 062 827 619**

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
- Reservoirt
- Cemetery
- Dumping site
- Taxi rank
- Taxi holding area

Notes to the Audited Annual Financial Statements

4. Property, plant and equipment (continued)

Pledged as security

No assets have been pledged as security:

Reconciliation of Work-in-Progress 2024

	Included within Road and Stormwater Infrastructure	Included within Community	Included within Electricity	Included within Solid Waste	Total
Opening balance	199 434 485	106 184 565	7 289 491	7 213 841	320 122 382
Additions/capital expenditure	187 499 239	37 295 071	2 964 000	7 491 365	235 249 675
Impairment loss	-	(198 318)	-	-	(198 318)
Transferred to completed items	(153 766 641)	(6 105 314)	(5 436 509)	-	(165 308 464)
	233 167 083	**137 176 004**	**4 816 982**	**14 705 206**	**389 865 275**

Reconciliation of Work-in-Progress 2023

	Included within Road and Stormwater Infrastructure	Included within Community	Included within Electricity	Included within Solid Waste	Total
Opening balance	220 889 661	84 356 787	7 554 275	6 189 039	318 989 762
Additions/capital expenditure	120 871 415	40 576 509	3 082 861	1 024 802	165 555 587
Impairment loss	-	(480 966)	-	-	(480 966)
Transferred to completed items	(142 326 591)	(18 267 764)	(3 347 644)	-	(163 941 999)
	199 434 485	**106 184 566**	**7 289 492**	**7 213 841**	**320 122 384**

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:

Notes to the Audited Annual Financial Statements

4. Property, plant and equipment (continued)

Reasons for significant delays	Project Name	Class	Source of funding	Carrying value
The project is currently waiting for the community to agree on where the municipality wants to build the bridge	Dzwerani Bridge	Roads and Stormwater-WIP	Own	1
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Lwamondo Zwavhavhli Ring Road	Roads and Stormwater-WIP	Own	1 642 289
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Tshisaulu Riverside Ring Road	Roads and Stormwater-WIP	Own	1 052 967
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	TSHISHUSHU RU RING ROAD	Roads and Stormwater-WIP	Own	1 460 788
There was an error on the design , espacially the glass	Upgrading of Makwarela Stadium Phase 1	Community Assets-WIP	MIG	42 336 477
Lack of funding , its on the IDP and the project will continue	New Office Builing Block sibasa (Trafic)	Community Assets-WIP	Own	10 352 194
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Makumbani Access Road	Roads and Stormwater-WIP	MIG	1 332 064
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Tshilungoma ring road	Roads and Stormwater-WIP	Own	1 314 713
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Thohoyandou J EXT. 1 Ring Road	Roads and Stormwater-WIP	Own	1 301 863
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Shayandima A and Ext 3 Streets	Roads and Stormwater-WIP	Own	1 315 309
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Tshivhilundulu bus and Fondwe Clinic Road	Roads and Stormwater-WIP	Own	1 260 180
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Thohoyandou M Streetlight	Electricity-WIP	Own	300 000
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Thohoyandou C Streets Lights	Electricity-WIP	Own	260 821
Lack of funding , its on the IDP and the project will continue	Thulamela Show Site	Community Assets-WIP	Own	1
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Thohoyandou E Street Light	Electricity-WIP	Own	290 000
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Makwarela Ext 3 and 4 Streets Lights	Electricity-WIP	Own	259 000
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Shayandima Ext Street Lights	Electricity-WIP	Own	260 870
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Thohoyandou L Street Lighting	Electricity-WIP	Own	260 000

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

4. Property, plant and equipment (continued)

Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Thohoyandou D and E Streetlight	Electricity-WIP	Own	215 021
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Maniini M Access Road	Roads and Stormwater-WIP	Own	2 856 735
Project is on Shelf, feasibility studies done, awaiting funding for implimentation. Management intend to continue with the project	Shayandima Ext 3 Streets	Roads and Stormwater-WIP	Own	3 403 401
Still wiating for Eskom to Install meters	Thohoyandou E Highmast x3	Electricity-WIP	Own	1 285 049
Still wiating for Eskom to Install meters	Thohoyandou C Highmast x2	Electricity-WIP	Own	815 000
Still wiating for Eskom to Install meters	Makuya Highmast Light	Electricity-WIP	Own	435 610
Still wiating for Eskom to Install meters	Tshikundamalema Highmast Light	Electricity-WIP	Own	435 610
				74 445 963

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	4 278 196	3 080 443
Maintenance of Equipment	5 361 093	4 101 033
Maintenance of Unspecified Assets	91 947 640	97 979 230
	101 586 929	**105 160 706**

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

Notes to the Audited Annual Financial Statements

5. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4 792 194	(4 069 616)	722 578	4 792 194	(3 955 125)	837 069

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	837 069	(114 491)	722 578

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software, other	499 130	461 167	(123 228)	837 069

Pledged as security

No intangible assets has been pledged as security.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

6. Inventories

Consumable stores	11 898 378	9 927 918
Unsold Properties Held for Resale	14 271 360	18 262 900
	26 169 738	**28 190 818**

The total value of the write-down is shown on the face of the Statement of Financial Performance as R636 908 as of 30 June 2024 (2023: R0).

Inventory pledged as security

No inventory have been pledged as security.

7. Receivables from non-exchange transactions

Gross balances		
Consumer debtors - Rates	370 804 656	314 703 968
Traffic fines	4 770 550	34 175 863
	375 575 206	**348 879 831**
Less: Allowance for impairment		
Consumer debtors - Rates	(353 056 381)	(305 272 542)
Traffic fines	(3 053 152)	(32 808 828)
	(356 109 533)	**(338 081 370)**
Net balance		
Consumer debtors - Rates	17 748 275	9 431 426
Traffic fines	1 717 398	1 367 035
	19 465 673	**10 798 461**
Rates		
Current (0 -30 days)	8 994 525	14 210 480
31 - 60 days	7 041 156	6 296 070
61 - 90 days	6 828 539	6 046 167
91 - 120 days	6 706 799	5 956 675
121 - 365 days	51 698 100	44 077 788
> 365 days	289 535 539	238 116 788
	370 804 658	**314 703 968**
Traffic fines		
Current (0 -30 days)	67 500	86 450
31 - 60 days	235 150	186 000
61 - 90 days	328 150	278 550
91 - 120 days	363 050	265 800
121 - 365 days	3 776 700	33 359 063
	4 770 550	**34 175 863**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

7. Receivables from non-exchange transactions (continued)

Summary of debtors by customer classification

	2024	2023
Consumers (residential)		
Current (0 -30 days)	3 535 755	6 937 589
31 - 60 days	3 400 095	2 964 457
61 - 90 days	3 318 249	2 865 015
91 - 120 days	3 263 800	2 815 408
121 - 365 days	25 736 727	20 751 296
> 365 days	163 239 083	136 973 569
	202 493 709	**173 307 334**

	2024	2023
Industrial/ commercial		
Current (0 -30 days)	3 025 958	4 474 520
31 - 60 days	1 470 533	1 267 310
61 - 90 days	1 435 808	1 200 331
91 - 120 days	1 385 257	1 175 570
121 - 365 days	10 498 020	8 039 349
> 365 days	51 529 263	40 608 386
	69 344 839	**56 765 466**

	2024	2023
National and provincial government		
Current (0 -30 days)	2 432 811	2 798 371
31 - 60 days	2 170 528	2 064 303
61 - 90 days	2 074 481	1 980 821
91 - 120 days	2 057 741	1 965 697
121 - 365 days	15 463 353	15 287 144
> 365 days	74 767 193	60 534 832
	98 966 107	**84 631 168**

	2024	2023
Total		
Current (0 -30 days)	8 994 525	14 210 480
31 - 60 days	7 041 156	6 296 070
61 - 90 days	6 828 539	6 046 167
91 - 120 days	6 706 799	5 956 675
121 - 365 days	51 698 100	44 077 788
> 365 days	289 535 537	238 116 788
	370 804 656	314 703 968
Less: Allowance for impairment	(353 056 381)	(305 272 542)
	17 748 275	**9 431 426**

	2024	2023
Reconciliation of allowance for impairment		
Balance at beginning of the year	(338 081 370)	(301 733 994)
Contributions to allowance	(18 028 163)	(36 347 376)
	(356 109 533)	**(338 081 370)**

7. 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 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

Provision for credit losses is potential losses that the municipality might experience due to credit risk. An estimated amount to be lost is calculated and is treated as an expense on the municipality's financial statements. Non-payment of debt would lead to an outflow of resources embodying economic benefits or service potential in settlement regardless of the future actions of the municipality

The estimate were determined in accordance with the debt impairment policy and 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.

The grouping was based on the type of debtor, i.e. government, business, residential, employees and councilors, 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

Figures in Rand	2024	2023

8. VAT receivable

VAT	11 175 273	16 165 341

The municipality is registered for VAT on a cash basis with SARS. Vat output is declared to SARs upon receipt of the outstanding amount from cutomers and VAT input is claimed from SARs once creditors balances are settled. The VAT amount shown above reflects net amount recievable from SARs as at the end of 30 June 2024 and 30 June 2023.

9. Receivables from exchange transactions

Gross balances		
Accrued Interest	-	702 144
Other receivables	2 042 028	2 228 354
Sundry debtors	3 273 003	2 612 383
VAT input accrual	9 965 312	8 989 408
Consumer debtors - Refuse	174 626 267	147 756 860
Consumer debtors - Service charges	89 827 622	88 707 449
	279 734 232	**250 996 598**
Less: Allowance for impairment		
Other receivables	(1 960 332)	(2 139 217)
Sundry debtors	(2 630 955)	(2 531 736)
Consumer debtors - Refuse	(168 148 735)	(143 389 124)
Consumer debtors - Service charges	(88 883 824)	(85 775 193)
	(261 623 846)	**(233 835 270)**
Net balance		
Accrued interest	-	702 144
Other receivables	81 696	89 137
Sundry debtors	642 048	80 647
VAT input accrual	9 965 312	8 989 408
Consumer debtors - Refuse	6 477 532	4 367 736
Consumer debtors - Service charges	943 798	2 932 256
	18 110 386	**17 161 328**
Sundry debtors		
Current (0 -30 days)	569 953	101 946
31 - 60 days	90 956	34 134
61 - 90 days	44 286	59 815
91 - 120 days	45 108	29 094
121 - 365 days	312 515	289 443
> 365 days	2 210 184	2 097 951
	3 273 002	**2 612 383**
Refuse		
Current (0 -30 days)	3 297 620	3 443 940
31 - 60 days	2 989 048	2 730 938
61 - 90 days	2 928 652	2 630 262
91 - 120 days	2 861 246	2 576 524
121 - 365 days	21 977 853	19 051 680
> 365 days	140 571 848	117 323 516
	174 626 267	**147 756 860**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

9. Receivables from exchange transactions (continued)

Consumer debtors-service charges:		
Current (0 -30 days)	324 043	1 263 985
31 - 60 days	308 895	619 704
61 - 90 days	302 756	621 182
91 - 120 days	302 949	731 017
121 - 365 days	3 098 580	8 876 463
> 365 days	85 490 399	76 595 098
	89 827 622	**88 707 449**

Summary of debtors by customer classification

Consumers (residential)		
Current (0 -30 days)	2 533 122	3 550 358
31 - 60 days	2 463 608	2 519 944
61 - 90 days	2 424 523	2 468 502
91 - 120 days	2 395 985	2 442 456
121 - 365 days	19 309 498	20 200 543
> 365 days	186 519 015	165 669 014
	215 645 751	**196 850 817**

Industrial/ commercial		
Current (0 -30 days)	916 654	943 488
31 - 60 days	704 292	709 734
61 - 90 days	688 646	669 452
91 - 120 days	651 161	767 378
121 - 365 days	4 956 945	6 839 387
> 365 days	34 374 223	24 253 378
	42 291 921	**34 182 817**

National and provincial government		
Current (0 -30 days)	171 887	214 079
31 - 60 days	130 043	120 964
61 - 90 days	118 240	113 490
91 - 120 days	117 049	97 706
121 - 365 days	809 989	888 213
> 365 days	5 169 010	3 996 221
	6 516 218	**5 430 673**

Total		
Current (0 -30 days)	3 621 663	4 707 925
31 - 60 days	3 297 943	3 350 641
61 - 90 days	3 231 408	3 251 444
91 - 120 days	3 164 195	3 307 540
121 - 365 days	25 076 433	27 928 143
> 365 days	226 062 248	193 918 616
	264 453 890	236 464 309
Less: Allowance for impairment	(257 032 559)	(229 164 317)
	7 421 331	**7 299 992**

Figures in Rand	2024	2023

9. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(233 835 270)	(206 442 009)
Contributions to allowance	(27 788 576)	(27 393 261)
	(261 623 846)	**(233 835 270)**

Receivables from exchange general information

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

Provision for credit losses is potential losses that the municipality might experience due to credit risk. An estimated amount to be lost is calculated and is treated as an expense on the municipality's financial statements. Non-payment of debt would lead to an outflow of resources embodying economic benefits or service potential in settlement regardless of the future actions of the municipality.

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 receivables from exchange transactions 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.

The grouping was based on the type of debtor, i.e. government, business, residential, employees and councilors, 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.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	731 901 504	847 155 739
Short-term deposits	189 371 832	179 363 724
	921 273 336	**1 026 519 463**

Figures in Rand	2024	2023

10. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as collateral

	2024	2023
Total financial assets pledged as collateral for services rendered by the Post Office to the Municipality - 850 000 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

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
FNB BANK - CHEQUE - 54660078973	479 516 388	482 829 401	445 096 412	483 399 822
FNB BANK - CALL - 62090588016	201 897 796	188 908 748	201 897 796	188 908 748
FNB BANK - CALL - 62090588793	214 680 595	298 446 613	214 680 595	298 446 613
FNB BANK - MONEY MARKET - 62336900320	59 598 533	55 764 276	59 598 534	55 764 277
Total	**955 693 312**	**1 025 949 038**	**921 273 337**	**1 026 519 460**

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 - Cheque Account.	133 580.89
Payments reflecting in the bank and not yet reflecting in the cashbook as at 30 June 2024 - Cheque Account	-34 553 557.05
Net difference between the Cashbook and Bank Confirmed Balance	**-34 419 976.16**

Figures in Rand	2024	2023

11. Employee benefit obligations

Defined benefit plan

Long service awards

Long service awards policy:

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.

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. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth

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

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

Valuation method:

The Projected Unit Credit (PUC) method is used in the calculations, as required by GRAP25.

The projected unit credit method is an actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Under the PUC methodology, an employee's current salary is projected to future dates using a salary growth scale. It is assumed that benefits that will accrue in the future are earned evenly between the employee's date of joining and the date that the benefit becomes available to the employee. The salaries shown in this report are based on the *30 June 2024* salaries as provided by the Municipality. We have not made any allowance for an average salary increase on 1 July 2024.

In order to determine the present value of the defined benefit obligations (i.e. the actuarial liability) the cost of the benefits payable in the future is attributed between past service (i.e. service before the valuation date) and future service (i.e. service after the valuation date) on a prorated basis. The actuarial present value of the benefits attributed to past service is the defined benefit obligation.

The amount of the actuarial liability that will be attributed to the employee over the one-year period after the valuation date, is known as the current service cost. It represents the value (at the valuation date) of the benefits that will be earned over the following year due to one additional year's service.

In order to determine the defined benefit obligation and the current service cost, future benefits are discounted for investment returns (time-value of money), mortality and other relevant decrements.

Long service award relate to the legal obligation to provide long service leave awards. Actuarial benefits have been calculated for 593 eligible employees as at 30 June 2024 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:

	2024	2023
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(17 238 321)	(16 682 879)
Non-current liabilities	(15 991 033)	(13 866 336)
Current liabilities	(1 247 288)	(2 816 543)
	(17 238 321)	**(16 682 879)**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

11. Employee benefit obligations (continued)

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

Opening balance	16 682 879	17 158 053
Benefits paid	(2 816 543)	(1 963 580)
Net expense recognised in the statement of financial performance	3 371 985	1 488 406
	17 238 321	**16 682 879**

Net expense recognised in the statement of financial performance

Current service cost	1 183 397	1 292 541
Interest cost	1 958 570	1 980 039
Actuarial (gains) losses	230 018	(1 784 174)
	3 371 985	**1 488 406**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	230 018	(1 784 174)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.50 %	11.74 %
CPI	6.06 %	6.53 %
Expected increase in salaries	7.06 %	7.53 %
Real rate	4.15 %	3.92 %
Normal retirement age	65 years	
Average retirement age	63 years	
Mortality	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.

Discount rate:

GRAP25 requires that the market returns on high quality corporate interest bearing bonds should be used on the balance sheet date. Should a deep market of high quality corporate bonds not exist (as is the case in South Africa), the market yields (at the end of the reporting period) on government bonds of a consistent currency and term to that of the liabilities should be used to set the discount rate.

The duration as at 30 June 2023 was calculated to be 8,1 years, which was used to determine the discount rate based on the long term yield on the zero coupon government bond curve as at 30 June 2024. This discount rate was 11,50% p.a.

A discount rate of 11,74% per annum was used in the previous valuation.

The current duration of the past service liability was calculated as 8,3 years, which can be used to determine the discount rate in the next valuation.

Inflation rate:

Our expectation of future inflation amounted to 6,06% p.a. on the valuation date. This was calculated as the real difference between the yield on long-term government bonds of 11,50% and the index-linked bond yield of 5,13% i.e. [1,1150/1,0513]-1.

Inflation was assumed to be 6,53% p.a. in the previous valuation.

Notes to the Audited Annual Financial Statements

11. Employee benefit obligations (continued)

Salary increases:

Escalation in the general level of salaries as a result of inflation and real salary increases. The general trend is for salaries to increase faster than the increase in inflation. We used a salary escalation rate of 7,06% per annum in addition to the above-mentioned merit increases, which includes real growth of approximately 1% per annum (i.e. an inflation rate of 6,06% has been assumed).

In the calculations, we assume that the salary increases are given on 1 July of each year.

A salary escalation rate of 7,53% per annum was used in the previous valuation.

Other assumptions

The results in the main report are based on a discount rate of 11,50% per annum and a salary escalation rate of 7,06% per annum with additional provision for merit increases. This implies a real return of 4,15% per annum (1,1150/1,0706-1), without merit increases.

The results are sensitive to the real rate that is assumed. This is illustrated by doing the calculations using the same salary escalation rate but different discount rates.

The liabilities calculated using different real rates compare as follows:

	One percentage point increase	One percentage point decrease
Employer's accrued liability	16 275 099	18 303 568
Employer's current service costs	1 210 661	1 386 951
Employer's interest costs	2 034 387	1 921 875

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

	2024 R	2023 R	2022 R	2021 R	2020 R
Present value of defined benefit obligation	(17 238 321)	(16 682 879)	(17 158 053)	(14 768 463)	(13 829 533)
Experience adjustments on plan liabilities	230 018	(1 784 174)	1 527 081	(101 841)	(76 510)

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

12. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Change in discount factor	Change in provision of obligation	Total
Environmental rehabilitation	26 596 763	-	3 037 776	(1 710 555)	27 923 984
Provision for leave	26 681 239	171 055	-	-	26 852 294
	53 278 002	**171 055**	**3 037 776**	**(1 710 555)**	**54 776 278**

Reconciliation of provisions - 2023

	Opening Balance	Additions	Change in discount factor	Change in provision of obligation	Total
Environmental rehabilitation	31 993 912	-	3 074 135	(8 471 284)	26 596 763
Provision for leave	24 945 249	1 735 990	-	-	26 681 239
	56 939 161	**1 735 990**	**3 074 135**	**(8 471 284)**	**53 278 002**

Non-current liabilities	27 923 984	26 596 763
Current liabilities	26 852 294	26 681 239
	54 776 278	**53 278 002**

Environmental rehabilitation provision

The provision for environmental rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. For this landfill the rate associated with the maximum period of 10 years was used, i.e. 5.25% above CPI.

Key Assumptions used:

The Remaining Useful life (RUL) of landfill site	10 years
CPI	5.1704%
Discount rate	10.6704%
Net effective discount rate	5.5%

Provision for leave

The Municipality grants its employees either 12,22,24 and 27 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.

13. Finance lease obligation

Minimum lease payments due		
- within one year	-	572 564
	-	572 564
less: future finance charges	-	(27 280)
Present value of minimum lease payments	**-**	**545 284**

Present value of minimum lease payments due		
- within one year	-	545 283

The cellphone lease contracts were signed with Vodacom over a period of 2 years.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

14. Payables from exchange transactions

Trade payables	20 575 551	19 497 367
Payments received in advanced - contract in process	13 537 938	12 628 469
Accruals	11 069 716	44 833 301
Retentions	35 579 985	34 638 657
Accrued bonus	7 120 846	6 595 212
Unallocated deposits	2 076 557	2 513 988
VAT output accruals	20 202 692	17 313 457
	110 163 285	**138 020 451**

15. Consumer deposits

Building plans	73 508	64 070
Housing rental	351 383	320 306
	424 891	**384 376**

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal infrastructure grant	250	28 000 000
Integrated National Electrification Programme Grant	-	13 382
Neighbourhood Development Partnership Grant	4 057 056	-
	4 057 306	**28 013 382**

Movement during the year

Balance at the beginning of the year	28 013 382	4 012 953
Additions during the year	175 202 000	192 876 000
Income recognition during the year	(199 158 076)	(168 875 571)
	4 057 306	**28 013 382**

See note 30 for reconciliation of grants from National/Provincial Government.

17. Sale of goods

Tender documents	105 058	122 498
Sale of property	9 067 356	5 187 056
	9 172 414	**5 309 554**

18. Service charges

Solid waste	28 022 435	27 517 489

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

19. Rendering of services

Building plan fees	797 273	458 365
Property rezoning	84 216	99 423
Application of deed grant	199 878	284 882
Advertising	218 743	42 840
Application fees for land usage	395 157	480 856
Application of sub-division	89 318	67 794
Property transfer fees	645 503	819 238
Cemetery and Burials	350 354	329 343
Clearance certificates	43 419	62 456
Traffic control	1 478	13 926
Trading of animals	3 460	3 021
Demolition application fees	114 791	163 765
	2 943 590	**2 825 909**

20. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	2 854 645	2 592 664

21. Interest on receivables from exchange transactions

Interest on receivables from exchange transactions	11 156 055	10 300 653

22. Agency services

Vehicle Registration	10 783 704	10 464 321

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.

23. Licences and permits

Trading	726 645	784 773

24. Commissions received

Commissions received	12 821	14 919

25. Other income

Staff recoveries	18 121	-
Printing and photocopying	265 263	258 373
Insurance	2 311 605	1 695 238
Sundry revenue	1 253 660	3 712 029
	3 848 649	**5 665 640**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

26. Investment revenue

Interest revenue		
Bank	83 815 978	61 239 715

27. Property rates

Rates received

Residential	27 532 358	40 554 970
Commercial	20 929 145	21 449 984
State	48 311 539	32 449 889
	96 773 042	**94 454 843**

Valuations

Residential	6 820 200 100	6 863 397 100
Commercial	3 035 222 802	2 993 097 802
State	2 918 128 100	2 970 054 500
Municipal	1 181 000 200	1 112 631 200
	13 954 551 202	**13 939 180 602**

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2019.The validity period of the general valuation roll was extended from 01 July 2024 to 30 June 2025. 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 a monthly basis on property owners.

28. Skills development levy refund

Skills development levy refund	1 247 757	661 223

29. Interest from non-exchange receivables

Interest from non-exchange receivables	18 523 795	16 497 571
	18 523 795	**16 497 571**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

30. Government grants & subsidies

Operating grants		
Equitable share	589 600 382	547 969 000
Intergrated national Electrification Program Grant	28 200 000	22 186 618
Financial Management Grant	1 700 000	1 650 000
Expanded Public Works Program Grant	4 237 000	4 864 000
Infrastructure Skills Development Grant	4 920 000	5 250 000
	628 657 382	**581 919 618**
Capital grants		
Municipal Infrastructure Grant	139 144 750	115 912 000
Municipal Disaster Relief Grant	-	4 012 953
Neighbourhood Development Partnership Grant	20 942 944	15 000 000
	160 087 694	**134 924 953**
	788 745 076	**716 844 571**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	199 144 694	168 875 571
Unconditional grants received	589 600 382	547 969 000
	788 745 076	**716 844 571**

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 (2023: R 891), which is funded from the grant.

Municipal Infrastructure Grant

Balance unspent at beginning of year	28 000 000	-
Current-year receipts	111 145 000	143 912 000
Conditions met - transferred to revenue	(139 144 750)	(115 912 000)
	250	**28 000 000**

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

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

Intergrated National Electrification Programme Grant

Balance unspent at beginning of year	13 382	-
Current-year receipts	28 200 000	22 200 000
Conditions met - transferred to revenue	(28 213 382)	(22 186 618)
	-	**13 382**

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.

Expanded Public Works Program Grant

Current-year receipts	4 237 000	4 864 000

Figures in Rand	2024	2023

30. Government grants & subsidies (continued)

Conditions met - transferred to revenue	(4 237 000)	(4 864 000)
	-	-

The grant was used for extended public works programs.

Financial Management Grant

Current-year receipts	1 700 000	1 650 000
Conditions met - transferred to revenue	(1 700 000)	(1 650 000)
	-	-

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

Infrastructure Skills Development Grant

Current-year receipts	4 920 000	5 250 000
Conditions met - transferred to revenue	(4 920 000)	(5 250 000)
	-	-

The grant was used for skills development related to infrastructure improvements

Municipal Disaster Relief Grant

Balance unspent at beginning of year	-	4 012 953
Conditions met - transferred to revenue	-	(4 012 953)
	-	-

Neighbourhood Development Partnership Grant

Current-year receipts	25 000 000	15 000 000
Conditions met - transferred to revenue	(20 942 944)	(15 000 000)
	4 057 056	-

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

31. Public contributions and donations

Donations	-	26 800

The donation relates to a Roadblock Handheld device for scanning of license disks as well as drivers licenses for outstanding offences from TCS to the value of 17 000 and a donation from Mulamuleli Trading and Projects of four 5GHz wireless radio link devices valued at R2 450 each.

32. Fines, Penalties and Forfeits

Building Fines	55 241	4 134 761
Law Enforcement Fines	7 289	2 574
Municipal Traffic Fines	1 991 700	2 976 570
	2 054 230	**7 113 905**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

33. Employee related costs

Basic	223 106 248	211 670 479
Bonus	17 387 927	16 609 963
Medical aid - company contributions	12 688 206	11 461 045
UIF	1 429 038	1 370 439
Leave pay provision charge	1 595 129	3 343 922
Defined contribution plans	40 970 742	39 180 694
Overtime payments	12 450 825	10 418 018
Long-service awards	5 389 412	4 422 544
Acting allowances	203 722	420 010
Car allowance	24 135 520	21 912 785
Housing benefits and allowances	359 381	324 777
Cellphone and telephone allawance	105 240	48 000
Bargain council	77 827	75 298
Fringe benefits	4 955 488	4 351 344
	344 854 705	**325 609 318**

Remuneration of municipal manager

Annual Remuneration	1 262 580	878 830
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	364 024	303 274
13th cheque Bonus	103 507	48 824
Acting allowance	18 368	35 935
Contributions to UIF, SDL, Medical and Pension Funds	8 009	12 709
Fringe benefit	47 759	41 223
	1 804 247	**1 320 795**

Remuneration of chief finance officer

Annual Remuneration	1 050 196	758 842
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	301 276	239 326
Acting allowance	-	66 588
13th cheque Bonus	-	20 486
Leave pay	-	120 559
Contributions to UIF, SDL, Medical and Pension Funds	75 423	54 643
Fringe benefit	37 208	9 428
	1 464 103	**1 269 872**

Senior Manager: Corporate Services

Annual Remuneration	300 653	1 013 865
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	204 793	286 660
Acting allowance	5 705	-
Contributions to UIF, Medical and Pension Funds	13 621	46 088
13th Cheque	2 438	82 794
Fringe benefit	18 078	14 458
	545 288	**1 443 865**

Senior Manager: Technical Services

Annual Remuneration	1 125 309	1 078 752
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	255 531	210 307
Acting allowance	-	54 001
Contributions to UIF, Medical and Pension Funds	78 021	72 988
	1 458 861	**1 416 048**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

33. Employee related costs (continued)

Senior Manager: Planning and Development

Annual Remuneration	734 254	275 053
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	100 179	86 682
13th cheque Bonus	48 950	40 316
Contributions to UIF, Medical and Pension Funds	10 118	5 256
Acting allowance	-	76 958
Leave pay	-	107 806
Fringe benefit	6 916	6 592
	900 417	**598 663**

Senior Manager: Community Services

Annual Remuneration	34 389	672 286
Housing allowance, Car Allowance, Travelling claims and Subsistence allowance	7 999	233 981
Performance Bonuses	-	66 140
Contributions to UIF, Medical and Pension Funds	429	57 063
Leave pay	-	163 278
Acting allowance	6 854	-
Fringe benefit	-	9 840
	49 671	**1 202 588**

34. Remuneration of councillors

Executive Mayor	1 030 005	981 839
Chief Whip	373 814	749 134
Speaker	833 300	790 140
Councillors	31 277 539	29 265 892
	33 514 658	**31 787 005**

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 48: Related Parties for the detailed disclosure regarding councillors' remuneration..

35. Depreciation and amortisation

Property, plant and equipment	82 135 368	76 145 386
Intangible assets	114 490	123 228
	82 249 858	**76 268 614**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

36. Impairment loss

Impairments		
Property, plant and equipment	1 272 692	3 881 535
Reversal of impairments		
Property, plant and equipment	(601 461)	-
Total impairment losses (recognised) reversed	**671 231**	**3 881 535**

37. Finance costs

Trade and other payables	206	-
Finance leases	27 280	66 669
Environment rehabilitation provision	3 037 776	3 074 135
	3 065 262	**3 140 804**

38. Lease rentals on operating lease

Equipment		
Contractual amounts	4 596 531	4 447 659

39. Debt impairment

Debt impairment	45 816 739	63 740 637
Bad debts written off	35 483 602	27 448 253
	81 300 341	**91 188 890**

40. Loss on transfer of assets

Attributable Construction contract costs - INEP	24 491 398	19 292 711

Attributable Construction contract costs - INEP relates to completed INEP electrification projects which were completed and transferred to Eskom.

41. Contracted services

Outsourced Services		
Administrative and Support Staff	1 314 948	1 031 028
Burial Services	141 000	52 186
Catering Services	1 359 939	1 283 819
Hygiene Services	-	166 528
Security Services	17 415 211	12 711 577
Consultants and Professional Services		
Business and Advisory	27 867 154	23 850 916
Infrastructure and Planning	7 312 794	5 765 174
Legal Cost	34 037 716	45 674 742

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

41. Contracted services (continued)

Contractors		
Artists and Performers	74 000	83 900
Audio-visual Services	123 167	244 379
Building	464 384	332 211
Electrical	9 341 605	10 543 396
Employee Wellness	4 803 856	3 439 582
Graphic Designers	13 300	-
Maintenance of Buildings and Facilities	4 278 196	3 080 443
Maintenance of Equipment	5 361 093	4 101 033
Maintenance of Unspecified Assets	91 947 640	97 979 230
Pest Control and Fumigation	28 919	6 821
Stage and Sound Crew	49 600	28 000
	205 934 522	**210 374 965**

42. Transfer and subsidies

Other subsidies		
Poverty Relief	-	1 555 424
LG SETA	-	64 835
Grant in aid	1 696 803	1 146 019
	1 696 803	**2 766 278**

43. General expenses

Advertising	666 633	721 149
Auditors remuneration	5 582 849	5 094 075
Bank charges	232 128	303 296
Consumables	17 859 288	14 644 904
Entertainment	16 000	21 500
Hire	851 179	792 939
Insurance	7 247 945	6 230 353
Skills development levy fund	2 802 876	2 641 854
Indigent Relief	1 381 571	418 863
Fuel and oil	13 524 647	13 640 625
Postage and courier	907 308	657 625
Printing and stationery	828 086	979 725
Protective clothing	6 303 611	3 065 605
Royalties and license fees	789 482	860 282
Subscriptions and membership fees	6 006 027	5 010 845
Telephone and fax	11 380 502	8 695 117
Travel - local	7 726 424	7 241 663
Title deed search fees	8 828	8 134
Utilities - Other	11 991 236	14 481 365
Conference expenses	1 748 691	2 093 290
Dumping fees	4 456 292	3 660 870
Ward committee allowances	7 246 400	5 470 200
Workmen's compensation fund	1 893 474	2 004 472
Servitudes and land surveys	-	5 317
Decommissioning, Restoration & Similar Liability : Landfill	(1 710 555)	(5 462 253)
Cost of site sold	3 345 543	158 380
	113 086 465	**93 440 195**

Figures in Rand	2024	2023

44. Cash generated from operations

	2024	2023
Surplus	161 268 837	94 112 222
Adjustments for:		
Depreciation and amortisation	82 249 858	76 268 614
Gain on sale of assets and liabilities	3 083 299	7 788 528
Finance costs - Finance leases	27 280	66 669
Impairment deficit	671 231	3 881 535
Debt impairment	81 300 341	91 188 890
Movements in retirement benefit assets and liabilities	555 442	(475 174)
Movements in provisions	1 498 276	(3 661 159)
Changes in working capital:		
Inventories	2 021 080	1 687 751
Receivables from exchange transactions	(82 249 399)	(77 881 683)
Receivables from non-exchange transactions	(8 667 212)	8 428 336
Payables from exchange transactions	(27 857 163)	20 027 553
VAT	4 990 068	(4 287 077)
Unspent conditional grants and receipts	(23 956 076)	24 000 429
Consumer deposits	40 515	21 167
	194 976 377	**241 166 601**

45. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	8 145 074	8 145 074
Cash and cash equivalents	921 273 336	921 273 336
	929 418 410	**929 418 410**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	82 839 746	82 839 746
Consumer deposits	424 891	424 891
	83 264 637	**83 264 637**

2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	8 171 920	8 171 920
Cash and cash equivalents	1 026 519 463	1 026 519 463
	1 034 691 383	**1 034 691 383**

Financial liabilities

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

45. Financial instruments disclosure (continued)

	At amortised cost	Total
Trade and other payables from exchange transactions	114 111 782	114 111 782
Consumer deposits	384 376	384 376
Finance lease	545 283	545 283
	115 041 441	**115 041 441**

Receivables from non-exchange transactions and VAT have been removed from the disclosure as a financial instraument due to GRAP 104.03 which states that statutory receivables are excluded from financial instruments.

46. Commitments

Authorised capital expenditure

	2024	2023
Approved and contracted		
• Community assets	4 590 204	16 156 083
• Roads and stormwater Infrastructure	150 676 248	103 625 163
• Solid waste	-	4 714 078
	155 266 452	**124 495 324**

	2024	2023
Total capital commitments		
Approved and contracted	155 266 452	124 495 324

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, grants from National Treasury, etc.

Operating leases - as lessee (expense)

	2024	2023
Minimum lease payments due		
- within one year	2 808 017	3 020 346
- in second to fifth year inclusive	157 465	2 965 482
	2 965 482	**5 985 828**

The municipality entered into an operating lease agreement with Edusolution Bookshop CC (bid no:26/2021/2022A) for 42 High-end multifunction printers, effective from 1 June 2022. 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 Edusolution Bookshop CC (bid no:06/2022/2023) for 2(two) Sharp MX-m1204, Blank Cartridge multifunction printer, effective from 1 November 2022. 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.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

47. 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	Progress	Applicant	Case No.	2024	2023
Bianca Logistics is seeking a relief for damages for failing to get registration documents in time after buying a Grader from the municipality	We have filed a discovery affidavit regarding documents discovered from the Department of Transport & Public works for the alleged tender	Bianca Logistics	529/16	427 000	427 000
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.	The matter is waiting for a trial date	Tshivhase Ungani Martha	662/16	4 266 000	4 266 000
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.	The plaintiff has abandoned the summons	Hilda Mabaya	352/16	310 000	310 000
Mudau Tshimangadzo Noria is suing the municipality for damages alleging that her child was injured by the municipal pipes.	The applicants has submitted a proposal for settlement of the matter at R870 000 and we are still checking the proposal	Mudau Tshimangadzo Noria	534/2017	5 348 000	5 348 000
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	The matter is waiting for a trial date	Shumani Moses	662/15	699 000	699 000
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.	A pre-trial conference was held on the 19th February 2019 and we have filed the pre-trial minutes	Matumba Elekenyani	117/2015	446 000	446 000
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.	A pre-trial conference was held on the 19th February 2019 and we have filed the pre-trial minutes	Nevondo Mukovhe	439/2015	446 000	446 000
Applicant is suing the municipality in an amount of R200 000 regarding Makonde Stadium Project	We have issued a notice to oppose the summons and the matter is on replication stage	Mopicon Construction Pty Ltd	1087/2019 and 1074/2020	220 000	220 000
Applicant is suing the municipality for compensation for damages she incurred on her motor vehicle when hitting a pothole	Applicants submitted a settlement proposal and as such could not be processed as the Executive Committee rejected settlement proposal by the administration	PBN Mawila	762/2019	76 736	76 736

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

47. Contingencies (continued)

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	The matter is postponed sine die	Masithi Awelani	831/2020	2 100 000	2 100 000
Applicant is suing the municipality for expropriation of land without compensation by the Venda Government	We have issued a notice to oppose the summons and the matter is on replication stage	Victor Gidimani Ramabulana	167/2020	6 996 000	6 996 000
Plaintiff is suing the municipality for unlawful arrest, unlawful detention and defamation of character by the traffic officers	We have issued a notice of intention to oppose the application and have since filed the answering affidavit	Hlungwane Sipho Lawrence	1461/2020	1 749 000	1 749 000
Applicant is suing the municipality for towing a grader and storage fees	We have issued a notice of intention to oppose the application and have since filed the answering affidavit	Bianca Towing	1499/2020	108 000	108 000
Plaintiff is suing the municipality for unlawful arrest, unlawful detention and defamation of character by the traffic officers	We have issued a notice of intention to oppose the application and have since filed the answering affidavit	Hlungwane Amos Maitakhole	469/2021	1 749 000	1 749 000
Plaintiff is suing the municipality for falling into a ditch/hole at Muledane area	We have issued a notice of intention to defend	Gomedzo Thomas	328/2021	113 000	113 000
Plaintiff is suing the municipality for defamation of character as a result of case 673/2020 Bianca Towing	We are now exchanging the pleadings	Tshifhiwa Cassius Lukoto	1500/2020	317 000	317 000
The applicant is suing the municipality an amount of R 5 000 000.00 for loss of residential site, financial loss, psychological stress, loss of business and contumelia	We have issued a notice to oppose the summons	Tshitereke Wilson Mufamadi	333/2022	-	113 000
Dorkus Neuky Manari is suing the municipality an amount of R850 000 for emotional stress due to the delay of transfer of site	We have filed an answering affidavit	Dorkus Neuky Manari	1366/2021	911 000	911 000
Madaba Joseph is suing the municipality an amount of R12 000 000 for expropriation of land without compensation	We have issued a notice to oppose the summons and the matter is on replication stage	Madaba Joseph	804/2023	200 000	200 000
Mathoho Musundwa is suing the municipality for an amount of R450 000 due to damages that were incurred by Lebaka Construction during construction of Extension E tarred Road	We have opposed the summons	Mathoho Musundwa	2126/2022	482 000	482 000
Plaintiff is suing the municipality for failing to transfer the site at Tshilungoma into his names	The matter is still on pleading stage	Neduvhuledza Bethuel	945/2017	108 000	108 000
				27 071 736	**27 184 736**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

48. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report note
Members of key management	MT Makumule - Municipality Manager AC Mufamadi - Chief Financial Officer MS Madi - Acting Senior Manager: Community services NA Todani - Senior Manager: Corporate Services NM Sikhwivhilu - Acting Senior Manager: Corporate Services A Gangashe -Senior Manager: Technical Services HA Nemadzhilili - Acting Senior Manager: Planning & Development M Tshivhinda - 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, councillor allowances of the councillors and councillors arrear accounts.

Refer to Note 33 for the disclosure of senior management remuneration.
Refer to Note 57 for the disclosure of councillor arrear accounts.

Notes to the Audited Annual Financial Statements

48. Related parties (continued)

Remuneration of management

Management class: Mayoral Committee members

2024

Name	Basic salary	Car allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr Rambuda AS - Executive Mayor	824 667	-	45 600	172 177	1 042 444
Cllr Mutheiwana FA - Speaker	667 154	-	45 600	105 892	818 646
Cllr Malada TP - Chief Whip	226 847	89 744	26 743	33 335	376 669
	1 718 668	**89 744**	**117 943**	**311 404**	**2 237 759**

2023

Name	Basic salary	Car allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr Rambuda AS - Executive Mayor	787 103	171	40 800	164 522	992 596
Cllr Mutheiwana FA - Speaker	632 279	1 127	40 800	125 084	799 290
Cllr Malada TP - Chief Whip	463 196	177 554	40 800	91 059	772 609
	1 882 578	**178 852**	**122 400**	**380 665**	**2 564 495**

Notes to the Audited Annual Financial Statements

48. Related parties (continued)

Management class: Councillors

2024

Name	Basic salary	Car allowance	Cellphone allowance	Pension,Medical, SDL & Other benefits	Total
Cllr Nelufhangan TL	272 609	-	45 600	41 825	360 034
Cllr Vhulahani L	272 609	-	45 600	44 662	362 871
Cllr Nekhavhambe TS	204 456	78 375	45 600	39 534	367 965
Cllr Nehzhelele N	204 456	78 375	45 600	32 056	360 487
Cllr Mbengeni R	204 456	78 375	45 600	40 026	368 457
Cllr Lalumbe RG	349 847	-	45 600	72 479	467 926
Cllr Matshomo TT	272 609	-	45 600	44 898	363 107
Cllr Phalanndwa NB	204 456	78 375	45 600	32 056	360 487
Cllr Matshavha M	204 456	78 375	45 600	56 694	385 125
Cllr Nemasiwana FJ	272 609	-	45 600	41 825	360 034
Cllr Netshishivhe AA	263 157	99 693	45 600	43 208	451 658
Cllr Ravhuanzwo SL	204 456	78 375	45 600	32 056	360 487
Cllr Mabasa HP	272 609	-	45 600	44 736	362 945
Cllr Netsianda MJ	204 456	78 375	45 600	32 056	360 487
Cllr Mukhathi H	272 609	-	45 600	41 825	360 034
Cllr Mathoma RR	272 609	-	45 600	41 825	360 034
Cllr Mathidi P	272 609	-	45 600	44 069	362 278
Cllr Nelushi TA	204 456	78 375	45 600	50 099	378 530
Cllr Mutheiwana FA	667 154	-	45 600	105 892	818 646
Cllr Tshigwili T	260 851	99 993	45 600	42 808	449 252
Cllr Liphadzi TS	272 609	-	45 600	48 273	366 482
Cllr Thanyani RD	262 385	100 581	45 600	48 143	456 709
Cllr Mphaphuli M	349 847	-	45 600	54 094	449 541
Cllr Mulaudzi ER	272 609	-	45 600	41 825	360 034
Cllr Netangaheni NP	204 456	78 375	45 600	32 056	360 487
Cllr Maela RT	204 456	78 375	45 600	32 056	360 487
Cllr Madzivhandila M	262 385	100 581	45 600	55 533	464 099
Cllr Netshikweta R	262 385	100 581	45 600	43 256	451 822
Cllr Ravhura ME	204 456	78 375	45 600	32 056	360 487
Cllr Munyai TT	204 456	78 375	45 600	33 827	362 258
Cllr Mmbi NM	272 609	-	45 600	42 952	361 161
Cllr Maduse LS	270 316	103 621	45 600	116 602	536 139
Cllr Mulaudzi MM	204 456	78 375	45 600	32 056	360 487
Cllr Muligwe M	272 609	-	45 600	42 952	361 161
Cllr Molaudzi NA	272 609	-	45 600	41 825	360 034
Cllr Makungo TG	204 456	78 375	45 600	65 110	393 541
Cllr Nemalegeni TJ	204 456	78 375	45 600	32 056	360 487
Cllr Maganu AE	272 609	-	45 600	41 825	360 034
Cllr Khangale AC	349 847	-	45 600	59 756	455 203
Cllr Munzhedzi TE	272 609	-	45 600	41 825	360 034
Cllr Ligaraba MJ	204 456	78 375	45 600	32 056	360 487
Cllr Ligaraba LE	449 346	141 443	43 037	146 713	780 539
Cllr Mulaudzi KE	270 316	103 621	45 600	81 351	500 888
Cllr Mulaudzi SN	204 456	78 375	45 600	32 056	360 487
Cllr Malada TP	226 847	89 744	26 743	33 335	376 669
Cllr Mulovhedzi HP	206 863	75 607	45 600	32 058	360 128
Cllr Mahosi NG	204 456	78 375	45 600	32 056	360 487
Cllr Tshifhango AS	272 609	-	45 600	41 825	360 034
Cllr Shavhani ME	484 349	152 304	45 600	156 640	838 893
Cllr Lieba NA	484 349	158 433	45 600	143 977	832 359

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48. Related parties (continued)

Cllr Nekhunguni AE	272 609	-	45 600	41 825	360 034
Cllr Munenyiwa ME	263 157	99 693	45 600	43 340	451 790
Cllr Davhana AJ	204 456	78 375	45 600	106 089	434 520
Cllr Radamba NC	349 847	-	45 600	88 258	483 705
Cllr Muedi ET	204 456	78 375	45 600	32 056	360 487
Cllr Dali TS	223 300	56 705	45 600	34 455	360 060
Cllr Nemaranzhe SK	204 456	78 375	45 600	33 183	361 614
Cllr Lavhengwa L	4 814	1 845	1 600	79	8 338
Cllr Phosha SL	272 609	-	45 600	41 825	360 034
Cllr Rambuda AS	824 667	-	45 600	172 177	1 042 444
Cllr Kwinda SC	484 349	161 018	45 600	103 221	794 188
Cllr Malinda TO	470 335	180 295	45 600	78 783	775 013
Cllr Madumi MA	272 609	-	45 600	41 825	360 034
Cllr Mulovhedzi MK	270 316	103 621	45 600	70 662	490 199
Cllr Madondo LM	211 724	77 285	45 600	34 472	369 081
Cllr Ligege VP	270 316	103 621	45 600	101 811	521 348
Cllr Phosiwa L	204 456	78 375	45 600	32 056	360 487
Cllr Maphiri ME	272 609	-	45 600	41 825	360 034
Cllr Begwa FM	204 456	78 375	45 600	40 067	368 498
Cllr Mphaho TW	204 456	78 375	45 600	32 056	360 487
Cllr Marole RT	239 348	-	45 600	77 331	362 279
Cllr Kwinda MR	204 456	78 375	45 600	32 056	360 487
Cllr Mashawana NE	270 316	103 621	45 600	42 450	461 987
Cllr Bongwe K	272 609	-	45 600	41 825	360 034
Cllr Madzimbalala HE	204 456	78 375	45 600	32 056	360 487
Cllr Tshisikule K	272 609	-	45 600	41 825	360 034
Cllr Razwinzhi IE	272 609	-	45 600	41 825	360 034
Cllr Tshikhuwana LR	206 462	76 068	45 600	32 100	360 230
Cllr Ramulifho HB	204 456	78 375	45 600	38 361	366 792
Cllr Padelani TS	272 609	-	45 600	41 825	360 034
Cllr Badamarema M	272 609	-	45 600	43 868	362 077
Cllr Netshivhumbe G	219 151	-	36 000	40 245	295 396
	22 063 883	**4 406 099**	**3 664 180**	**4 270 606**	**34 404 768**

2023

Name	Basic salary	Car allowance	Cellphone allowance	Pension,Medical, SDL & Other benefits	Total
Cllr Mutandanyi VV	1 976	464	-	30	2 470
Cllr Mbulaheni N	1 976	755	-	32	2 763
Cllr Mabuda MG	2 634	-	-	33	2 667
Cllr Nemadzivhanani FE	2 634	-	-	33	2 667
Cllr Shitiba TV	1 976	755	-	32	2 763
Cllr Makungo TG	-	-	1 286	13	1 299
Cllr Sengani MP	1 976	755	-	32	2 763
Cllr Maphaha NF	1 976	755	-	32	2 763
Cllr Ndou NF	1 976	755	-	32	2 763
Cllr Tuwani TT	1 976	755	-	32	2 763
Cllr Munyai HF	1 976	755	-	32	2 763
Cllr Mawelewele TM	1 976	755	-	32	2 763
Cllr Muditambi MM	1 976	755	-	32	2 763
Cllr Magatshavha SO	1 976	755	-	32	2 763
Cllr Singo L	1 976	755	-	32	2 763
Cllr Rasendedza AM	2 634	-	-	33	2 667
Cllr Netangaheni NP	-	-	1 286	13	1 299
Cllr Nemalegeni TJ	-	-	1 286	13	1 299

Notes to the Audited Annual Financial Statements

Figures in Rand				2024	2023

48. Related parties (continued)

Cllr Tshishonge DE	1 976	755	-	32	2 763
Cllr Malaka MG	1 976	755	-	32	2 763
Cllr Rambuda AS	-	-	1 286	13	1 299
Cllr Tshigwili T	-	-	1 286	13	1 299
Cllr Munyai TT	-	-	1 286	13	1 299
Cllr Netshishivhe AA	-	-	1 286	13	1 299
Cllr Nelushi TA	-	-	1 286	13	1 299
Cllr Munyai NG	1 976	755	-	32	2 763
Cllr Mashawana NE	-	-	1 286	13	1 299
Cllr Tshililo G	1 976	755	-	32	2 763
Cllr Netshisaulu TE	2 612	999	-	41	3 652
Cllr Sadiki SC	1 976	755	-	32	2 763
Cllr Makatu AM	1 976	755	-	32	2 763
Cllr Matambela NP	1 976	755	-	32	2 763
Cllr Tshikalange NT	1 976	755	-	32	2 763
Cllr Nemugumoni T	1 976	755	-	32	2 763
Cllr Nelufhangani TL	-	-	1 286	13	1 299
Cllr Mawela PE	2 634	-	-	33	2 667
Cllr Nenzhelele N	1 976	755	-	32	2 763
Cllr Marole RT	1 976	755	-	13	2 744
Cllr Ramulongo MB	-	-	1 286	32	1 318
Cllr Nemudzivhadi AS	1 976	755	-	32	2 763
Cllr Madzivhandila M	1 976	755	-	13	2 744
Cllr Mphaphuli M	-	-	1 286	13	1 299
Cllr Munenyiwa ME	-	-	1 286	13	1 299
Cllr Maphiri TB	-	-	1 286	32	1 318
Cllr Padelane TS	-	-	1 286	13	1 299
Cllr Mulaudzi N	1 976	755	-	32	2 763
Cllr Lieba NA	-	-	1 286	13	1 299
Cllr Tshifhango AS	-	-	1 286	13	1 299
Cllr Mulaudzi NS	-	-	1 286	13	1 299
Cllr Mutheiwana FA	-	-	1 286	13	1 299
Cllr Ramashia MP	1 976	755	-	32	2 763
Cllr Maduse LS	-	-	1 286	13	1 299
Cllr Mathambo R	2 634	-	-	33	2 667
Cllr Netshifhefhe M	1 976	755	-	32	2 763
Cllr Davhana AJ	-	-	1 286	13	1 299
Cllr Madondo LM	-	-	1 286	13	1 299
Cllr Nemaranzhe K	-	-	1 286	13	1 299
Cllr Kwinda SC	-	-	1 286	13	1 299
Cllr Magoda TP	1 976	755	-	32	2 763
Cllr Mundalamo M	2 634	-	-	33	2 667
Cllr Muedi ET	-	-	1 286	13	1 299
Cllr Malindi OT	-	-	1 286	13	1 299
Cllr Mahosi NG	-	-	1 286	13	1 299
Cllr Mulovhedzi HP	-	-	1 286	13	1 299
Cllr Malada TP	-	-	1 286	13	1 299
Cllr Madzunya E	1 976	755	-	32	2 763
Cllr Ramulifho HB	-	-	1 286	13	1 299
Cllr Gundula TJ	2 634	-	-	33	2 667
Cllr Mandiwana NE	2 534	789	-	38	3 361
Cllr Phalanndwa NR	2 536	969	-	40	3 545
Cllr Mamushiana TD	2 536	969	-	40	3 545
Cllr Tharaga MD	2 634	-	-	33	2 667
Cllr Netshipise LH	1 976	538	-	30	2 544
Cllr Ramaano LP	3 379	-	-	40	3 419
Cllr Mulaudzi KE	-	-	1 286	13	1 299
Cllr Ligaraba LE	-	-	1 286	13	1 299
Cllr Mashatini MH	1 976	755	-	32	2 763

Notes to the Audited Annual Financial Statements

Figures in Rand				2024	2023

48. Related parties (continued)

Cllr Netshifhefhe KJ	1 976	755	-	26	2 757
Cllr Ligaraba MJ	-	-	1 286	13	1 299
Cllr Zhalagome MG	1 976	755	-	32	2 763
Cllr Kwinda MR	-	-	1 286	13	1 299
Cllr Nelufhangan TL	260 739	-	39 514	40 492	340 745
Cllr Vhulahani L	258 105	-	40 800	41 234	340 139
Cllr Nekhavhambe TS	194 459	73 193	40 800	37 406	345 858
Cllr Nehzhelele N	193 579	74 205	40 800	31 742	340 326
Cllr Mbengeni R	193 998	73 723	40 800	37 126	345 647
Cllr Lalumbe RG	330 760	-	40 800	60 947	432 507
Cllr Matshomo TT	258 105	-	40 800	41 688	340 593
Cllr Phalanndwa NB	194 152	73 546	40 800	34 660	343 158
Cllr Matshavha M	194 546	73 546	40 800	35 904	344 796
Cllr Nemasiwana FJ	258 105	-	40 800	40 472	339 377
Cllr Netshishivhe AA	272 431	70 108	39 514	43 335	425 388
Cllr Ravhuanzwo SL	193 998	73 723	40 800	31 717	340 238
Cllr Mabasa HP	258 105	-	40 800	40 864	339 769
Cllr Netsianda MJ	194 767	72 839	40 800	31 004	339 410
Cllr Mukhathi H	258 105	-	40 800	40 472	339 377
Cllr Mathoma RR	258 105	-	40 800	40 472	339 377
Cllr Mathidi P	258 105	-	40 800	43 501	342 406
Cllr Nelushi TA	195 554	74 961	39 514	41 410	351 439
Cllr Mutheiwana FA	632 279	1 127	39 514	125 071	797 991
Cllr Tshigwili T	209 574	80 334	39 514	34 121	363 543
Cllr Liphadzi TS	258 105	-	40 800	46 295	345 200
Cllr Thanyani RD	249 081	93 931	40 800	41 551	425 363
Cllr Mphaphuli M	333 395	-	39 514	52 504	425 413
Cllr Mulaudzi ER	258 105	-	40 800	40 472	339 377
Cllr Netangaheni NP	195 554	74 961	39 514	31 023	341 052
Cllr Maela RT	194 459	73 193	40 800	31 973	340 425
Cllr Madzivhandila M	250 606	96 063	39 514	41 742	427 925
Cllr Netshikweta R	248 884	94 158	40 800	42 330	426 172
Cllr Ravhura ME	194 152	73 546	40 800	31 004	339 502
Cllr Munyai TT	195 554	74 961	39 514	36 014	346 043
Cllr Mmbi NM	258 105	-	40 800	41 688	340 593
Cllr Maduse LS	260 509	99 857	39 514	82 337	482 217
Cllr Mulaudzi MM	194 459	73 193	40 800	33 708	342 160
Cllr Muligwe M	258 105	-	40 800	41 688	340 593
Cllr Molaudzi NA	258 105	-	40 800	40 472	339 377
Cllr Makungo TG	195 554	74 961	39 514	39 297	349 326
Cllr Nemalegeni TJ	195 554	74 961	39 514	32 635	342 664
Cllr Maganu AE	258 105	-	40 800	40 472	339 377
Cllr Khangale AC	330 760	-	40 800	53 280	424 840
Cllr Munzhedzi TE	258 105	-	40 800	40 472	339 377
Cllr Ligaraba MJ	195 558	74 961	39 514	31 023	341 056
Cllr Ligaraba LE	261 319	68 452	39 514	80 670	449 955
Cllr Mulaudzi KE	260 509	99 857	39 514	104 247	504 127
Cllr Mulaudzi NS	198 261	75 995	39 514	31 058	344 828
Cllr Malada TP	463 196	177 554	39 514	91 046	771 310
Cllr Mulovhedzi HP	266 288	-	39 514	40 547	346 349
Cllr Mahosi NG	198 261	75 995	39 514	31 058	344 828
Cllr Tshifhango AS	261 222	-	39 514	40 496	341 232
Cllr Shavhani ME	459 718	143 655	40 800	158 943	803 116
Cllr Lieba NA	461 049	155 328	39 514	135 707	791 598
Cllr Nekhunguni AE	258 105	-	40 800	40 472	339 377
Cllr Munenyiwa ME	272 431	70 108	39 514	43 516	425 569
Cllr Davhana AJ	195 554	74 961	39 514	31 327	341 356
Cllr Radamba NC	330 760	-	40 800	51 876	423 436
Cllr Muedi ET	196 114	75 175	39 514	31 030	341 833

Notes to the Audited Annual Financial Statements

48. Related parties (continued)

Cllr Dali TS	258 105	-	40 800	40 472	339 377
Cllr Nemaranzhe K	195 554	74 961	39 514	31 479	341 508
Cllr Lavhengwa L	131 121	48 913	27 200	20 691	227 925
Cllr Phosha LS	258 105	-	40 800	40 472	339 377
Cllr Rambuda AS	787 103	171	39 514	164 509	991 297
Cllr Kwinda SC	460 489	168 587	39 514	143 186	811 776
Cllr Malindi TO	449 422	172 274	39 514	96 487	757 697
Cllr Madumi MA	258 105	-	40 800	40 472	339 377
Cllr Mulovhedzi MK	256 751	97 003	40 800	63 964	458 518
Cllr Madondo LM	395 921	132 951	39 514	120 119	688 505
Cllr Ligege VP	255 938	97 938	40 800	101 900	496 576
Cllr Phosiwa L	194 152	73 546	40 800	31 004	339 502
Cllr Maphiri ME	258 105	-	40 800	40 472	339 377
Cllr Begwa FM	194 459	73 193	40 800	34 974	343 426
Cllr Mphaho TW	194 459	73 193	40 800	31 004	339 456
Cllr Marole RT	240 062	755	39 514	67 154	347 485
Cllr Kwinda MR	197 173	74 077	39 514	31 032	341 796
Cllr Mashawana NE	257 802	98 822	39 514	47 893	444 031
Cllr Bongwe K	258 105	-	40 800	41 090	339 995
Cllr Madzimbalala HE	194 152	73 546	40 800	31 004	339 502
Cllr Tshisikule K	258 105	-	40 800	40 472	339 377
Cllr Razwinzhi IE	258 105	-	40 800	40 472	339 377
Cllr Tshikhuwana LR	247 548	14 261	40 800	39 165	341 774
Cllr Ramulifho HB	195 554	73 594	39 514	37 213	345 875
Cllr Padelani TS	260 081	-	39 514	40 491	340 086
Cllr Badamarema M	255 198	-	40 800	40 436	336 434
	21 462 699	**4 113 804**	**3 291 200**	**4 117 221**	**32 984 924**

Refer to note 34 "Remuneration of councillors"

49. Change in estimate

Property, plant and equipment

In terms of the requirements of GRAP 17 the useful lives of all asset items were reviewed by management at year end. The remaining useful live expectations of some asset items differed from previous estimates. This resulted in a revision of some of the previous estimates which was accounted for as a change in accounting estimate. The effect of this revision is an increase in the depreciation charges for the current period of 2024:R1 115 025,39

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

50. 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:

50.1 During the current year, it was noted that Land inventory relating to sites that was sold was erroneously included in the Land Inventory register

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

	2023
Statement of financial position	
Accumulated surplus - Increase/(Decrease)	161 680
Statement of financial position	
Inventory: Land - Increase/(Decrease)	(161 680)

50.2 During the current year, it was noted that Land inventory relating to sites that was sold in the prior year was erroneously included in the Land Inventory register

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

	2023
Statement of financial performance	
General expenses:Cost of site sold - (Increase)/Decrease	8 379.53
Statement of financial position	
Inventory: Land - Increase/(Decrease)	(8 379.53)

50.3 During the current year, it was noted that Land PPE was subdivided to be available for sale and was erroneously not transferred to Land Inventory

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

	2023
Statement of financial position	
Inventory: Land - (Increase)/Decrease	18 448.38
Statement of financial position	
PPE: Land - Increase/(Decrease)	(18 448.38)

50.4 During the current year, it was noted that expenditure for Makwarela outdoor gym project was erroneously included on Indigenous games platform project that was completed and donated to tribal councils in the previous financial year

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

	2023
Statement of financial position	
Community Assets - WIP - (Increase)/Decrease	696 004.80
Statement of financial performance	
Gain/loss on disposal of assets and liabilities - Increase/(Decrease)	(696 004.80)

50.5 During the current year, it was noted that RAL road was erroneously not included in the assets register of the municipality

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

	2023
Statement of financial position	
Cost: Roads and Stormwater Infrastructure - (Increase)/Decrease	223 714 235.51
Accumulated Depreciation: Roads and Stormwater Infrastructure - (Increase)/Decrease	(9 284 250.05)
Accumulated surplus - (Increase)/Decrease	(223 714 235.51)
Statement of financial performance	
Depreciation:Roads Infrastructure - (Increase)/Decrease	9 284 250.05

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

50. Prior-year adjustments (continued)

50.6 During the current year, it was noted that Tshikombani outdoor gyms that were donated to the municipality were erroneously not included in the assets register of the municipality

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

Statement of financial position	2023
Cost Model:Community Assets - (Increase)/Decrease	224 911.86
Community Assets:Accumulated Depreciation - (Increase)/Decrease	(12 261.81)
Accumulated surplus - (Increase)/Decrease	(224 911.86)

Statement of financial performance	
Depreciation:Community Assets - (Increase)/Decrease	12 261.81

50.7 During the current year, it was noted that transport assets that were auctioned were erroneously not derecognised in the assets register of the municipality

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

Statement of financial position	2023
Transport Assets:Owned and In-use:Accumulated Depreciation:Disposals - Increase/(Decrease)	838 983.87
Transport Assets:Owned and In-use:Cost:Disposals - Increase/(Decrease)	(1 607 740.00)

Statement of financial performance	
Gains and Losses:Disposal of Fixed and Intangible Assets:Transport Assets:Losses - (Increase)/Decrease	768 756.13

50.8 During the current year, it was noted that transport assets depreciation was erroneously not calculated correctly in the assets register of the municipality

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

Statement of financial position	2023
Accumulated Surplus/(Deficit):Correction of Prior Period Error - Increase/(Decrease)	467 367.32
Transport Assets:Owned and In-use:Accumulated Depreciation:Disposals - (Increase)/Decrease	(749 920.21)

Statement of financial performance	
Depreciation:Transport Assets - (Increase)/Decrease	282 552.89

50.9 During the current year, it was noted that transport assets residual value was erroneously not calculated correctly in the assets register of the municipality

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

Statement of financial position	2023
Transport Assets:Owned and In-use:Accumulated Depreciation:Disposals - Increase/(Decrease)	60 702.81

Statement of financial performance	
Depreciation:Transport Assets - Increase/(Decrease)	(60 702.81)

Figures in Rand	2024	2023

50. Prior-year adjustments (continued)

50.10 During the current year, it was noted that a GPS device was erroneously included in the assets register of the municipality after it was lost

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

Statement of financial position	2023
Accumulated Surplus/(Deficit):Correction of Prior Period Error - Increase/(Decrease)	43 155.75
Computer Equipment:In-use:Accumulated Depreciation - Increase/(Decrease)	286 841.09
Statement of financial position	
Computer Equipment:In-use:Cost - Increase/(Decrease)	(329 996.84)

50.11 During the current year, it was noted that Ablution block that was donated to the municipality was erroneously not included in the assets register of the municipality

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

Statement of financial position	2023
Cost Model:Community Assets - (Increase)/Decrease	1 086 452.95
Community Assets:Accumulated Depreciation - (Increase)/Decrease	(25 024.00)
Accumulated surplus - (Increase)/Decrease	(1 086 452.95)
Statement of financial performance	
Depreciation:Community Assets - (Increase)/Decrease	25 024.00

50.12 During the current year, it was noted that legal fees invoices relating to the prior years were erroneously not included in the income statement of the municipality due to late submission of invoices by attorneys

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

Statement of financial performance	2023
Contracted services - (Increase)/Decrease	23 079 151.94
Statement of financial position	
Payables from exchange transactions - (Increase)/Decrease	(26 157 000.23)
Accumulated surplus - Increase/(Decrease)	2 422 627.64
Receivables from exchange transactions - (Increase)/Decrease	655 220.65

50.13 During the current year, it was noted that SITA nvoices relating to prior years were erroneously not included in the income statement of the municipality due to late submission of invoices.

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

Statement of financial performance	2023
Contracted services - (Increase)/Decrease	5 869.03
Statement of financial position	
Payables from exchange transactions - (Increase)/Decrease	(210 467.07)
Accumulated surplus - Increase/(Decrease)	178 699.72
Receivables from exchange transactions - (Increase)/Decrease	25 898.32

50. Prior-year adjustments (continued)

50.14 During the current year, it was noted that water nvoices relating to prior years were erroneously not included in the income statement of the municipality due to late submission of invoices.

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

	2023
Statement of financial performance	
General Expenses - (Increase)/Decrease	513 909.42
Statement of financial position	
Payables from exchange transactions - (Increase)/Decrease	(1 153 235.86)
Accumulated surplus - Increase/(Decrease)	488 752.10
Receivables from exchange transactions - (Increase)/Decrease	150 574.34

50.15 During the current year, it was noted that seminar invoices relating to prior years were erroneously recorded in the accounting records of the municipality

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

	2023
Statement of financial performance	
General Expenses - Increase/(Decrease)	(48 849.78)
Statement of financial position	
Payables from exchange transactions - Increase/(Decrease)	48 849.78

50.16 During the current year, it was noted INEP projects disclosed as Loss on transfer were erroneously not accounted correctely in terms of the guideline that requires it to be accounted as Atributable construction contract costs in the Statement of Financial Performance

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

	2023
Statement of financial performance	
Attributable construction contract costs - INEP - (Increase)/Decrease	19 292 712
Loss on disposal of assets and liabilities - Increase/(Decrease)	(19 292 712)

50.17 During the current year audit , it was noted that debtors approved for write off in 2022/23 financial year as per council resolution were erroneously recorded in the 2023/24 financial year instead of 2022/23 financial year.

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

	2023
Statement of financial performance	
Debt Impairment - (Increase)/Decrease	73 866.07
Statement of financial position	
Receivables from exchange transactions - Increase/(Decrease)	(73 866.07)

Statement of financial position

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

50. Prior-year adjustments (continued)

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions		16 403 500	757 828	-	17 161 328
Inventories		28 342 429	(170 059)	18 448	28 190 818
Property, plant and equipment		1 847 947 130	214 898 937	(18 448)	2 062 827 619
Payables from exchange transactions		(110 548 602)	(27 471 849)	-	(138 020 451)
Accumulated Surplus		(2 737 560 869)	(221 263 318)	-	(2 958 824 187)
		(955 416 412)	**(33 248 461)**	**-**	**(988 664 873)**

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Depreciation and amortisation		66 725 227	9 543 387	-	76 268 614
Contracted services		187 289 944	23 085 021	-	210 374 965
Loss on disposal of assets and liabilities		7 715 777	72 751	-	7 788 528
General expenditure		92 966 756	473 439	-	93 440 195
Loss on transfer of assets		19 292 712	-	(19 292 712)	-
Attributable Construction contract costs - INEP		-	-	19 292 712	19 292 712
Debt Impairment		91 115 024	73 866	-	91 188 890
Surplus for the year		**465 105 440**	**33 248 464**	**-**	**498 353 904**

Cash flow statement

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash flow from operating activities					
Surplus		(127 360 685)	33 248 464	-	(94 112 221)
Depreciation and amortisation		66 725 227	9 543 387	-	76 268 614
Loss on disposal of assets and liabilities		7 715 777	72 751	-	7 788 528
Inventories		1 679 359	8 392	-	1 687 751
Receivables from exchange transactions		(77 148 612)	(733 071)	-	(77 881 683)
Payables from exchange transactions		(4 255 598)	24 283 151	-	20 027 553
Loss on transfer of assets		19 292 712	-	(19 292 712)	-
		(113 351 820)	**66 423 074**	**(19 292 712)**	**(66 221 458)**
Cash flow from investing activities					
Purchase of property, plant and equipment		(221 309 215)	-	19 292 712	(202 016 503)

51. Comparative figures

When the presentation or classification of items in the audited annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

51. Comparative figures (continued)

Where material accounting errors, which relate to prior periods, have been identified in the current 12 months, 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.

The presentation and classification of items in the current year is consistent with prior periods..

52. Risk management

Financial risk management

Liquidity risk

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

At 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	82 839 746	-	-	-
Consumer deposits	424 891	-	-	-

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	114 111 782	-	-	-
Consumer deposits	384 376	-	-	-
Finance lease obligation	545 283	-	-	-

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.

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

Financial instrument	2024	2023
FNB Money Market Investments	59 598 534	55 764 276
FNB Current Account	445 096 412	483 399 825
FNB Call Account	416 578 391	487 355 362
Receivables from exchange transactions	8 145 074	8 171 920

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

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 2024), the financial instruments exposed to interest rate risk were as follows:

Financial instrument	2024	2023
FNB Money Market Investments	59 598 534	55 764 276
FNB Current Account	445 096 412	483 399 825
FNB Call Account	416 578 391	487 355 362

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

53. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 3 086 844 564 and that the municipality's total assets exceed its liabilities by R 3 086 844 564.

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

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.

54. Unauthorised expenditure

Add: Unauthorised expenditure - current	1 003 375	-

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

Cash	1 003 375	-

Recoverability steps taken/criminal proceedings

Current financial year unauthorised expenditure will be reported to Council in the next financial year

Disciplinary steps taken/criminal proceedings

No criminal or disciplinary steps have yet been taken as a consequence of the above expenditure.

55. Fruitless and wasteful expenditure

Opening balance as previously reported	3 366 023	1 175 055
Add: Fruitless and wasteful expenditure identified - current	7 923	2 960 411
Less: Amount recovered - current	(18 327)	-
Less: Amount written off - current	(494 560)	(685 817)
Correction of prior period error	365 468	(83 626)
Closing balance	**3 226 527**	**3 366 023**

Fruitless and wasteful expenditure is presented inclusive of VAT

Amount recovered

After the council committee investigations, council adopted the council committee recommendations to recover an amount of R18 327.

Flight tickets cost	18 121	-
Interest on Eskom Account	206	-
	18 327	**-**

Recoverability steps taken/criminal proceedings

Management submitted all fruitless and wasteful expenditure incurred in current and prior periods to council for investigation. At 30 June 2024, all fruitless and wasteful expenditure were investigated by the Municipal Public Accounts Committee and a total amount of R 494 560 (2023: R 685 817) was approved for write off by Council.

Disciplinary steps taken/criminal proceedings

No criminal or disciplinary steps have yet been taken as a consequence of the above expenditure.

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

56. Irregular expenditure

Opening balance as previously reported	34 290 238	837 730
Add: Irregular expenditure - current	16 983 804	9 747 289
Add: Irregular expenditure - prior period	-	25 445 981
Less: Amount written off - current	(42 647 040)	(1 740 762)
Closing balance	**8 627 002**	**34 290 238**

Irregular expenditure is presented inclusive of VAT.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R42 647 040 (2023: R1 740 762) from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Council Resolition - SC 01/08/2024	34 290 237	-
Council Resilution - SC 01/08/2024	3 078 495	-
Council Resolution - SC 01/08/2024	2 785 715	-
Council Resolution - SC 01/08/2024	2 492 593	-
Council Resolution No: SC 06/06/2023	-	1 740 762
	42 647 040	**1 740 762**

Recoverability steps taken/criminal proceedings

Management submitted all irregular expenditure incurred in prior periods to council for investigation. At 30 June 2024,all prior year and current year irregular expenditure that was being investigated by the Municipal Public Accounts Committee were approved for write off except for the 4th quarter irregular expenditure.

Disciplinary steps taken/criminal proceedings

No criminal or disciplinary steps have yet been taken as a consequence of the above expenditure.

57. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	4 156 062	3 670 628
Amount paid - current year	(4 156 062)	(3 670 628)
	-	-

Material losses through criminal conduct

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

Audit fees

Current year subscription / fee	5 580 625	5 094 075
Amount paid - current year	(5 580 625)	(5 094 075)
	-	-

PAYE and UIF

Current year subscription / fee	59 747 478	55 024 910
Amount paid - current year	(59 747 478)	(55 024 910)
	-	-

Figures in Rand	2024	2023

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

Pension and Medical Aid Deductions

Current year subscription / fee	84 422 789	79 533 911
Amount paid - current year	(84 422 789)	(79 533 911)
	-	-

Defined contribution plan

Municipal Gratuity Fund	14 060 971	13 579 754
Momentum provident Funds	2 531 177	2 386 325
National Fund for Municipal workers	18 276 213	16 880 881
Municipal Employees pension fund	6 102 382	6 301 316
Municipal Councillors pension fund	3 171 900	3 129 846
	44 142 643	**42 278 122**

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.

Councillors' arrear consumer accounts

There were no Councillors that had arrear accounts outstanding for more than 90 days at 30 June 2024:

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Ligaraba MJ	389	-	389
Cllr Ligaraba LE	303	-	303
Cllr Dali TS	838	-	838
Cllr Malindi OT	4 794	-	4 794
Cllr Madondo LM	24	-	24
Cllr Mulaudzi MH	276	-	276
	6 624	-	**6 624**

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

Figures in Rand	2024	2023

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the 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	5 039 557	4 277 224
Training	930 153	863 221
Accommodation	1 338 042	1 257 360
Upgrading of road infrastructure	-	27 999 999
Membership fees	-	285 261
Screening services	-	75 268
Exhibition Show - Durban Indaba	236 837	-
Transport & Car rental	30 642	-
	7 575 231	**34 758 333**

Awards to close family members

Municipal Supply Chain Management Regulations 45(a), (b) & (c) of Government Gazette No.27636 issued on 30 May 2005 states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous 12 months, including—

(a) the name of that person;
(b) the capacity in which that person is in the service of the state; and
(c) the amount of the award

Bidder and Name of state employee	**Capacity**	**Amount**
THN Investment – Munzhedzi Neluvhalani – Spouse of director	Department of Health – Nurse	588 212
Lindelani Queen Tshavhungwe	Official – Limpopo Public Works, Roads and Infrastructure (Spouse of director of Big Gaga)	18 700
Tshibalanganda Rofhiwa Constance	Chief Accounting Clerk – Department of Health – Spouse to director of Gerson Matamela Holdings	6 162 015
R W Moekwa	Eskom – Spouse of director of ADY EM Technical	3 789 861
Ramaano Mbulaheni Steven	SAPS – Major – Spouse to a director of Malili Trading Enterprise	25 250
Mpho Mabuda Daswa	Department of Water & Sanitation – Scientist Manager – Spouse of director of Mulaifa Development Projects	8 749 990
Mulaudzi Thanyani Eric	Teacher - Department of Education (spouse of the director of SM & N Holdings)	12 220
Makwela Lerato	Department of Mineral Resources – Daughter of the director of Mascon Group (Pty) Ltd	15 840 100
Nkululeko Nondzaba	Bojanala Municipality – Mayor – Mother of a shareholder of Munsoft (Pty) Ltd	2 215 978
		37 402 326

58. Accounting by principals and agents

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

Details of the arrangment(s) are as follows:

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 provincial government, through the respective provincial department of transport, is mandated to collect motor vehicle licenses on an annual basis. The provincial department of transport determines the fee that is payable annually by motor vehicle owners, which varies depending on the type of motor vehicle owned.

To make the payment of the motor vehicle licenses easier, the provincial departments entered into a contractual arrangement with the Thulamela local municipality to undertake this activity on their behalf. In terms of the arrangement:

- The provinicial department of transport issues the motor vehicle licence renewal form to the respective owners of the motor vehicles, indicating the amount due for the year
- The municipality provide facilities for owners of motor vehicles to pay their licences.
- The provinicial department provides the municipality with access to its IT systems so that they can capture the amounts received and issue the motor vehicle licenses on their behalf. The system automatically generates the motor vehicle license upon capturing the payment of the fees due.
- The municipality collect the fees due from motor vehicles owners and simultaneously issue the new licenses on behalf of the provincial government.
- The municipalities are required to pay over any revenue (cash) collected to the provincial government in respect of motor vehicle licenses.
- The municipalities are entitled to retain 20% and 3% of the cash collected for undertaking this activity for the provincial Department of Transport and AARTO respectively.

Figures in Rand	2024	2023

58. Accounting by principals and agents (continued)

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R10 783 704 (2023: R10 464 321).

Additional information

Revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement

Category(ies) of revenue received or to be received on behalf of the principal, are:

Categories
Licensing

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

Revenue received or to be received on behalf of the principal	25 946 769	25 420 479

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Reconciliation of the carrying amount of payables

Revenue received or to be received on behalf of the principal	25 946 769	25 420 479
Amounts transferred to the principal	(23 918 577)	(25 420 479)
	2 028 192	**-**

All categories		
Revenue received or to be received on behalf of the principal	25 946 769	25 420 479
Amounts transferred to the principal	(23 918 577)	(25 420 479)
	2 028 192	**-**

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023

59. Segment information

General information

Identification of segments

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues, expenditures, liabilities and assets relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units

Segments were identified based on the Municipal Finance Management Act section 71 monthly budget statements, which executive management and Council review to make strategic decisions and monitor segment performance. The disclosure of information about segments in the budget statements is organised around the type of service delivered, and is presented in a standardised format. As such, it is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18.

The four key business units comprise of:

- Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;
- Economic and environmental services which includes planning and development, road transport and environmental protection services
- Trading services which includes energy sources, water management, waste water management and waste management services
- Governance and administration which includes executive and council, finance and administration and internal audit

Aggregated segments

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	**Goods and/or services**
Community and public safety	Community and social services, sport and recreation facilities, crime prevention, traffic enforcement, public housing and health. These activities are performed by various departments with aligned objectives
Economic and environmental services	Urban planning and development, transport, road maintenance and environmental protection. These activities are performed by various departments with aligned objectives.
Trading services	Collecting and disposing of waste in a safe manner, as required by legislation. Ensuring the general cleanliness of the city's streets, public spaces, beaches and rivers. Providing the link between Eskom and electricity consumers
Governance and administration (Unallocated)	All aspects of governance and the centralised financial administration of the Municipality

Notes to the Audited Annual Financial Statements

Figures in Rand

59. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Community and public safety	Economic and environmental services	Trading services	Total
Revenue				
Sale of goods	-	9 067 357	-	9 067 357
Service charges	-	-	28 022 436	28 022 436
Rendering of services	534 641	2 362 071	3 460	2 900 172
Rental of facilities and equipment	1 141 629	1 713 016	-	2 854 645
Interest received from exchange receivables	-	125 849	11 030 206	11 156 055
Agency services	-	10 783 704	-	10 783 704
Licences and permits	591 320	135 327	-	726 647
Other income	-	438 305	817 496	1 255 801
Government grants & subsidies	-	169 244 694	-	169 244 694
Fines, Penalties and Forfeits	-	2 054 230	-	2 054 230
Total segment revenue	**2 267 590**	**195 924 553**	**39 873 598**	**238 065 741**
Other unallocated revenue				822 615 100
Entity's revenue				**1 060 680 841**

Notes to the Audited Annual Financial Statements

Figures in Rand

59. Segment information (continued)

	Community and public safety	Economic and environmental services	Trading services	Total
Expenditure				
Employee related costs	31 838 300	158 512 076	57 969 787	248 320 163
Depreciation and amortisation	13 108 415	60 139 578	4 432 729	77 680 722
Impairments loss	996 413	276 279	-	1 272 692
Reversal of impairment loss	-	(601 461)	-	(601 461)
Finance costs	-	-	3 037 776	3 037 776
Debt Impairment	-	-	27 868 242	27 868 242
Contracted services	14 393 066	106 080 957	-	120 474 023
Transfers and Subsidies	1 696 803	-	-	1 696 803
Loss on disposal of assets and liabilities	13 285	2 527 875	-	2 541 160
Attributable Construction contract costs - INEP	24 491 398	-	-	24 491 398
General Expenses	18 490 079	37 059 953	6 270 880	61 820 912
Total segment expenditure	**105 027 759**	**363 995 257**	**99 579 414**	**568 602 430**
Total segmental surplus/(deficit)	**(102 760 169)**	**(168 070 704)**	**(59 705 816)**	**(330 536 689)**
Unallocated expenses				(330 809 561)
Total revenue reconciling items				822 615 100
Entity's surplus (deficit) for the period				**161 268 850**
Assets				
Property, plant and equipment	(1 587 135 622)	1 778 150 495	95 845 816	286 860 689
Intangible assets	-	1 447 664	-	1 447 664
Inventories	(11 183 318)	(19 760 339)	(14 138 423)	(45 082 080)
Receivables from non-exchange transactions	-	4 830 264	5 299 988	10 130 252
Receivables from exchange transactions	(188 759 787)	173 788 344	(85 509 840)	(100 481 283)
Cash and cash equivalents	(532 696 425)	(479 065 353)	1 884 873	(1 009 876 905)
Total segment assets	**(2 319 775 152)**	**1 459 391 075**	**3 382 414**	**(857 001 663)**
Unallocated assets				4 130 506 318

Notes to the Audited Annual Financial Statements

Figures in Rand

59. Segment information (continued)

	Community and public safety	Economic and environmental services	Trading services	Total
Total assets as per Statement of financial Position				**3 273 504 655**
Liabilities				
Provisions	-	-	(27 923 984)	(27 923 984)
Payables from exchange transactions	(1 657 550)	(47 130 787)	(5 469 049)	(54 257 386)
Unspent conditional grants and receipts	-	(4 057 306)	-	(4 057 306)
Total segment liabilities	**(1 657 550)**	**(51 188 093)**	**(33 393 033)**	**(86 238 676)**
Unallocated liabilities				(100 421 409)
Total liabilities as per Statement of financial Position				**(186 660 085)**

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

59. Segment information (continued)

2023

	Community and public safety	Economic and environmental services	Trading services	Total
Revenue				
Sale of goods	-	5 187 057	-	5 187 057
Service charges	-	-	27 517 488	27 517 488
Rendering of services	343 269	2 417 162	3 021	2 763 452
Rental of facilities and equipment	1 602 092	990 572	-	2 592 664
Interest received from exchange receivables	-	137 914	10 162 739	10 300 653
Agency services	-	10 464 321	-	10 464 321
Licences and permits	664 069	120 704	-	784 773
Other income	2 194	483 997	943 511	1 429 702
Public contributions and donations	17 000	-	-	17 000
Government grants & subsidies	-	141 026 000	-	141 026 000
Fines, Penalties and Forfeits	-	7 113 905	-	7 113 905
Total segment revenue	**2 628 624**	**167 941 632**	**38 626 759**	**209 197 015**
Other unallocated revenue				754 901 709
Entity's revenue				**964 098 724**

Notes to the Audited Annual Financial Statements

Figures in Rand

59. Segment information (continued)

	Community and public safety	Economic and environmental services	Trading services	Total
Expenditure				
Employee related costs	29 848 167	144 994 930	55 480 061	230 323 158
Depreciation and amortisation	11 990 804	57 349 976	3 349 304	72 690 084
Impairments loss	698 123	3 183 412	-	3 881 535
Finance costs	-	-	3 074 135	3 074 135
Debt Impairment	-	-	22 722 308	22 722 308
Contracted services	14 261 212	108 781 386	166 528	123 209 126
Attributable Construction contract costs - INEP	19 292 711	-	-	19 292 711
Transfers and Subsidies	1 146 019	-	-	1 146 019
Loss on disposal of assets and liabilities	2 773 609	4 289 110	4 779	7 067 498
General Expenses	19 005 921	31 542 778	1 199 255	51 747 954
Total segment expenditure	**99 016 566**	**350 141 592**	**85 996 370**	**535 154 528**
Total segmental surplus/(deficit)	**(96 387 942)**	**(182 199 960)**	**(47 369 611)**	**(325 957 513)**
Total revenue reconciling items				754 901 709
Unallocated expenses				(334 831 975)
Entity's surplus (deficit) for the period				**94 112 221**
Assets				
Property, plant and equipment	(1 647 332 220)	1 638 349 302	80 370 371	71 387 453
Intangible assets	-	1 562 154	-	1 562 154
Inventories	(8 267 572)	(14 402 855)	(11 205 056)	(33 875 483)
Receivables from non-exchange transactions	-	4 841 330	5 299 988	10 141 318
Receivables from exchange transactions	(188 466 488)	171 683 192	(89 216 781)	(106 000 077)
Cash and cash equivalents	(415 478 811)	(293 942 517)	22 681 505	(686 739 823)
Total segment assets	**(2 259 545 091)**	**1 508 090 606**	**7 930 027**	**(743 524 458)**
Unallocated assets				3 906 024 552

Notes to the Audited Annual Financial Statements

Figures in Rand

59. Segment information (continued)

	Community and public safety	Economic and environmental services	Trading services	Total
Total assets as per Statement of financial Position				**3 162 500 094**
Liabilities				
Provisions	-	-	(26 596 763)	(26 596 763)
Payables from exchange transactions	(8 592 074)	(36 968 044)	(6 292 994)	(51 853 112)
Unspent conditional grants and receipts	-	(28 000 000)	-	(28 000 000)
Total segment liabilities	**(8 592 074)**	**(64 968 044)**	**(32 889 757)**	**(106 449 875)**
Unallocated liabilities				(130 474 497)
Total liabilities as per Statement of financial Position				**(236 924 372)**

Measurement of segment surplus or deficit, assets and liabilities

Information about geographical areas

The municipality's operations are located in the Republic of South Africa, in the Limpopo Province. Information to report on different geographic areas is not available, and the cost to develop this functionality would be excessive.