

**Blouberg Local Municipality
Annual Financial Statements
for the year ended 30 June 2022**

Blouberg Local Municipality

(Registration number LIM351)

Annual Financial Statements for the year ended 30 June 2022

General Information

Legal form of entity

Local Municipality
Category B

Nature of business and principal activities

Local Government and the provision of basic services to the local community

Executive committee

Mayor
Speaker
Chief Whip

Thamaga MN
Boloka MP
Rangata MJ

Members of executive committee

Makobela SR
Raseruthe MA
Raphasha DS
Mosena DD
Motswaba LP
Keetse PP
Tlouamma NM
Maifo ML

Councillors

Masebe KP
Lehong MV
Tihako NB
Mashamaite MG
Mapunya PW
Manaka NA
Makhura KH
Baloyi HP
Motsoko L
Mahlape NJ
Molokomme MM
Mmoko ML
Mphago MA
Tlepyane S
Mokami ME
Mathekga MJ
Thema NR
Magwai RT
Pheedi MS
Makhura MH
Seokotsa MM
Moetji NT
Mokobodi MM
Sehata NA
Ntjana MI
Lehonye TJ
Maripa MS
Mailula MS
Maribeng MK
Dau MP
Maphoto MD

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General Information

	Kobola JS Tlabela FP
Grading of local authority	Grade 3
Municipal Manager	Ramothwala RJ
Chief Finance Officer (CFO)	Mabote NJ
Registered office	2nd Building Dendron Road Senwabarwana 0790
Business address	2nd Building Dendron Road Senwabarwana 0790
Postal address	P.O.Box 1593 Senwabarwana 0790
Bankers	ABSA
Auditors	Auditor- General of South Africa

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

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MFMA	Municipal Finance Management Act
AFS	Annual Financial Statements
AGSA	Auditor General South Africa
CFO	Chief Financial Officer
CoGTA	Corporative Governance and Traditional Affairs
GRAP	Generally Recognised Accounting Practice
FMCMM	Financial Management Capability Maturity Model
FMG	Financial Management Grants
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers (previously IMFO)
IPSAS	International Public Sector Accounting Standards
IDP	Integrated Development Plan
MEC	Member of the Executive Council
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Tax
LED	Local Economic Development
CDM	Capricorn District Municipality
WIP	Work In Progress
IFRS	International Financial Reporting Standards
MISA	Municipal Infrastructure Support Agent
MM	Municipal Manager
NT	National Treasury
LPT	Limpopo Provincial Treasury
SDBIP	Service Delivery Budget and Implementation Plan
COGHSTA	Cooperative Governance, Human Settlements and Traditional Affairs.
NSF	National Skills Fund
SALBC	South African Local Government Bargaining Council
WSP	Water Service Provider
INEP	Integrated National Electrification Programme Grant
EPWP	Expanded Public Works Programme

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SETAS	Sector Education and Training Authority
EEDSM	Energy Efficiency Demand Side Management
EEDMG	Energy Efficiency and Demand-side Management Grant
UIF	Unemployment Insurance Fund
SDL	Skills Development Levy

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Accounting Officer's Responsibilities and Approval

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

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

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

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

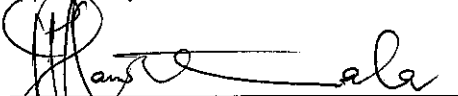
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 7 to 67, which have been prepared on the going concern basis, were approved by the on 01 March 1900 and were signed on its behalf by:



Ramothwala RJ
Municipal Manager

Date: 31/08/2022

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Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	8	5,367,219	7,407,469
Receivables from exchange transactions	9	227,718	137,476
Receivables from non-exchange transactions	10	67,302,326	93,363,410
VAT receivable	11	2,641,754	764,605
Consumer debtors	12	11,675,856	11,800,300
Cash and cash equivalents	13	84,834,551	38,247,161
		172,049,424	151,720,421
Non-Current Assets			
Investment property	3	8,950,501	8,374,000
Property, plant and equipment	4	977,360,374	943,304,992
Intangible assets	5	240,698	306,593
Investments	6	4,637,973	3,083,441
		991,189,546	955,069,026
Total Assets		1,163,238,970	1,106,789,447
Liabilities			
Current Liabilities			
Finance lease obligation	14	485,217	485,217
Payables from exchange transactions	17	48,223,717	50,695,357
Unspent conditional grants and receipts	15	24,315,315	394,098
Provisions	16	21,463,531	14,555,684
		94,487,780	66,130,356
Non-Current Liabilities			
Finance lease obligation	14	289,098	673,285
Employee benefit obligation	7	8,260,000	7,623,154
Provisions	16	582,583	919,369
		9,131,681	9,215,808
Total Liabilities		103,619,461	75,346,164
Net Assets		1,059,619,509	1,031,443,283
Accumulated surplus		1,059,619,509	1,031,443,283

* See Note 37

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Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	31,015,660	30,264,180
Rental of facilities and equipment	20	550,413	551,690
Licences and permits		4,516,988	3,824,031
Photocopies & Electricity illegal connections		94,386	11,306
CDM - Commissions received		374,638	341,007
Cemetery, Burial and Plans approval fees		185,650	208,172
Valuation Services		3,338	1,305
Interest charged on outstanding debtors		470,644	574,279
Sale of Inventory - Sites/Land	21	724,060	10,841
Cattle Grazing		42,039	129,916
Interest received - investment	22	2,018,716	1,535,693
Fair value adjustments	3	779,732	49,558
Total revenue from exchange transactions		40,776,264	37,501,978
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	29,497,011	27,550,104
Interest charges on overdue account	23	1,549,115	1,677,760
Transfer revenue			
Government grants & subsidies	24	276,764,783	295,178,822
Fines		444,600	464,000
Donations		4,363,478	-
Total revenue from non-exchange transactions		312,618,987	324,870,686
Total revenue	18	353,395,251	362,372,664
Expenditure			
Employee related costs	25	(119,457,329)	(114,653,323)
Remuneration of councilors	26	(17,213,957)	(16,412,062)
Depreciation and amortisation	27	(30,420,608)	(29,419,186)
Finance costs	28	(675,188)	(523,655)
Provision for Debt Impairment	29	(2,370,463)	(8,188,217)
Bulk purchases	30	(50,884,660)	(36,471,696)
Contracted services	31	(21,813,873)	(22,014,985)
Loss on disposal of assets and liabilities		(229,252)	(470,254)
Actuarial losses	7	(667,189)	(1,304,763)
General Expenses	32	(81,486,511)	(79,775,495)
Total expenditure		(325,219,030)	(309,233,636)
Surplus for the year		28,176,221	53,139,028

* See Note 37

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	977,685,255	977,685,255
Adjustments		
Correction of errors (Note 37)	619,000	619,000
Balance at 01 July 2020 as restated*	978,304,255	978,304,255
Changes in net assets		
Surplus for the year	53,139,028	53,139,028
Total changes	53,139,028	53,139,028
Opening balance as previously reported	1,031,399,263	1,031,399,263
Adjustments		
Correction of prior period errors (Note 37)	44,025	44,025
Restated* Balance at 01 July 2021 as restated*	1,031,443,288	1,031,443,288
Changes in net assets		
Surplus for the year	28,176,221	28,176,221
Total changes	28,176,221	28,176,221
Balance at 30 June 2022	1,059,619,509	1,059,619,509
Note(s)		

* See Note 37

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Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from rate payers and other		91,316,216	37,866,715
Grants		300,686,000	288,515,001
Interest income		2,018,716	1,535,693
		<u>394,020,932</u>	<u>327,917,409</u>
Payments			
Employee costs		(136,671,286)	(131,125,655)
Suppliers		(147,872,482)	(138,700,175)
Finance costs		(675,186)	(523,655)
		<u>(285,218,954)</u>	<u>(270,349,485)</u>
Net cash flows from operating activities	33	<u>108,801,978</u>	<u>57,567,924</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(60,380,953)	(57,351,263)
Proceeds from sale of property, plant and equipment	4	105,084	-
Increase in investments		(1,554,532)	1,765
		<u>(61,830,401)</u>	<u>(57,349,498)</u>
Net cash flows from investing activities		<u>(61,830,401)</u>	<u>(57,349,498)</u>
Cash flows from financing activities			
Finance lease movements		(384,187)	(393,823)
		<u>(384,187)</u>	<u>(393,823)</u>
Net increase/(decrease) in cash and cash equivalents		<u>46,587,390</u>	<u>(175,397)</u>
Cash and cash equivalents at the beginning of the year		38,247,161	38,422,558
Cash and cash equivalents at the end of the year	13	<u>84,834,551</u>	<u>38,247,161</u>

* See Note 37

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	42,874,945	(3,550,000)	39,324,945	31,015,660	(8,309,285)	Refer to note 48 (1)
Rental of facilities and equipment	231,080	-	231,080	550,413	319,333	
Licences and permits	4,617,176	-	4,617,176	4,516,988	(100,188)	
Commissions received	1,166,000	-	1,166,000	374,638	(791,362)	Refer to note 48 (2)
Interest received on outstanding debtors	1,682,300	450,000	2,132,300	2,019,759	(112,541)	
Other income	2,500,894	-	2,500,894	325,413	(2,175,481)	Refer to note 48 (3)
Sale of inventory - sites	12,200,000	-	12,200,000	724,060	(11,475,940)	Refer to note 48 (4)
Interest received - investment	1,910,120	-	1,910,120	2,018,716	108,596	Refer to note 48 (5)
Total revenue from exchange transactions	67,182,515	(3,100,000)	64,082,515	41,545,647	(22,536,868)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	31,243,927	(1,900,000)	29,343,927	29,497,011	153,084	
Transfer revenue						
Government grants & subsidies	264,045,000	36,900,000	300,945,000	276,764,783	(24,180,217)	Refer to note 48 (6)
Fines	3,809,390	(2,000,000)	1,809,390	444,600	(1,364,790)	Refer to note 48 (7)
Donations income	-	-	-	4,363,478	4,363,478	Refer to note 48 (8)
Total revenue from non-exchange transactions	299,098,317	33,000,000	332,098,317	311,069,872	(21,028,445)	
Total revenue	366,280,832	29,900,000	396,180,832	352,615,519	(43,565,313)	
Expenditure						
Personnel	(133,004,351)	(27,585)	(133,031,936)	(119,457,329)	13,574,607	Refer to note 48 (9)
Remuneration of councillors	(18,841,061)	-	(18,841,061)	(17,213,957)	1,627,104	Refer to note 48 (10)
Depreciation and amortisation	(40,140,615)	-	(40,140,615)	(30,420,608)	9,720,007	Refer to note 48 (11)
Finance costs	-	-	-	(675,188)	(675,188)	
Debt impairment	(9,271,744)	-	(9,271,744)	(2,370,463)	6,901,281	Refer to note 48 (12)
Bulk purchases	(42,506,000)	-	(42,506,000)	(50,884,660)	(8,378,660)	Refer to note 48 (13)

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Contracted Services	(53,234,768)	(6,937,000)	(60,171,768)	(21,813,873)	38,357,895	Refer to note 48 (14)
General Expenses	(44,523,232)	3,404,000	(41,119,232)	(81,486,511)	(40,367,279)	Refer to note 48 (14)
Total expenditure	(341,521,771)	(3,560,585)	(345,082,356)	(324,322,589)	20,759,767	
Operating surplus	24,759,061	26,339,415	51,098,476	28,292,930	(22,805,546)	
Loss on disposal of assets and liabilities	-	-	-	(229,252)	(229,252)	
Fair value adjustments	-	-	-	779,732	779,732	
Actuarial gains/losses	-	-	-	(667,189)	(667,189)	
	-	-	-	(116,709)	(116,709)	
Surplus before taxation	24,759,061	26,339,415	51,098,476	28,176,221	(22,922,255)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	24,759,061	26,339,415	51,098,476	28,176,221	(22,922,255)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	4,521,648	-	4,521,648	5,367,219	845,571	Refer to note 48 (15)
Receivables from exchange transactions	2,852,175	-	2,852,175	227,718	(2,624,457)	Refer to note 48 (16)
VAT receivable	1,300,000	-	1,300,000	2,641,754	1,341,754	
Consumer debtors	122,606,081	-	122,606,081	78,978,182	(43,627,899)	Refer to note 48 (17)
Cash and cash equivalents	72,822,814	13,532,059	86,354,873	84,834,551	(1,520,322)	
	204,102,718	13,532,059	217,634,777	172,049,424	(45,585,353)	

Non-Current Assets

Investment property	8,544,772	-	8,544,772	8,950,501	405,729	
Property, plant and equipment	981,686,931	2,584,153	984,271,084	977,360,374	(6,910,710)	
Intangible assets	412,488	(40,000)	372,488	240,698	(131,790)	
Investments	8,108,657	-	8,108,657	4,637,973	(3,470,684)	
	998,752,848	2,544,153	1,001,297,001	991,189,546	(10,107,455)	
Total Assets	1,202,855,566	16,076,212	1,218,931,778	1,163,238,970	(55,692,808)	

Liabilities

Current Liabilities

Finance lease obligation	321,972	-	321,972	485,217	163,245	
Payables from exchange transactions	445,383	-	445,383	48,223,717	47,778,334	Refer to note 48 (18)
Unspent conditional grants and receipts	9,000,000	-	9,000,000	24,315,315	15,315,315	Refer to note 48 (19)
Provisions	17,767,377	-	17,767,377	21,463,531	3,696,154	Refer to note 48 (20)
	27,534,732	-	27,534,732	94,487,780	66,953,048	

Non-Current Liabilities

Finance lease obligation	2,173,222	-	2,173,222	289,098	(1,884,124)	
Employee benefit obligation	-	-	-	8,260,000	8,260,000	
Provisions	-	-	-	582,583	582,583	
	2,173,222	-	2,173,222	9,131,681	6,958,459	
Total Liabilities	29,707,954	-	29,707,954	103,619,461	73,911,507	

Net Assets	1,173,147,612	16,076,212	1,189,223,824	1,059,619,509	(129,604,315)	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	1,173,147,612	16,076,212	1,189,223,824	1,059,619,509	(129,604,315)	
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Blouberg Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	264,045,000	12,900,000	276,945,000	300,686,000	23,741,000	Refer to note 48 (21)
Interest income	1,910,120	-	1,910,120	2,018,716	108,596	
Other receipts	94,873,795	(7,000,400)	87,873,395	91,316,216	3,442,821	
	360,828,915	5,899,600	366,728,515	394,020,932	27,292,417	
Payments						
Suppliers and employees	(290,251,587)	(3,355,145)	(293,606,732)	(285,218,957)	8,387,775	Refer to note 48 (22)
Net cash flows from operating activities	70,577,328	2,544,455	73,121,783	108,801,975	35,680,192	
Cash flows from investing activities						
Purchase of property, plant and equipment	(68,143,915)	(2,544,153)	(70,688,068)	(60,380,952)	10,307,116	Refer to note 48 (23)
Proceeds from sale of property, plant and equipment	-	-	-	105,084	105,084	
Short term investments	-	-	-	(1,554,532)	(1,554,532)	
Net cash flows from investing activities	(68,143,915)	(2,544,153)	(70,688,068)	(61,830,400)	8,857,668	
Cash flows from financing activities						
Finance lease payments	-	-	-	(384,185)	(384,185)	
Net increase/(decrease) in cash and cash equivalents	2,433,413	302	2,433,715	46,587,390	44,153,675	
Cash and cash equivalents at the beginning of the year	14,523,887	-	14,523,887	38,247,161	23,723,274	
Cash and cash equivalents at the end of the year	16,957,300	302	16,957,602	84,834,551	67,876,949	

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Accounting Policies

1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

The preparation of these financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements where applicable.

Fair value estimation

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

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives assets

The municipality's management determines the estimated useful lives and related depreciation charges for the assets in use. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Receivables /Investments and/or loans

The municipality assesses its trade receivables, investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, judgements has to be made as to whether there were observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment is measured at the reporting date taking into account the different classes of debtors and the history of payment success of debtors.

1.5 Comparative figures

Budget information in accordance with GRAP 1 and 24 has been provided in the statement of comparison of the budget and actual and forms part of the financial statements.

When the presentation or classification of the items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the classification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in the 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 municipality's material variance is considered when there is a 6% deviation from the budget and actual.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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1.6 Investment property (continued)

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

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

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

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

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.7 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

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.

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

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1.7 Property, plant and equipment (continued)

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

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

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

Item	Depreciation method	Average useful life
Infrastructure		5 - 65
Roads and paving		5 - 55
Concrete		5 - 85
Electricity		5 - 55
Computer Equipment		5 - 19
Plant and Machinery		5 - 20
Buildings		5 - 55
Recreational facilities		5 - 55
Security		5 - 55
Halls		5 - 55
Libraries		5 - 55
Parks and gardens		5 - 55
Other assets		5 - 55
Other property, plant and equipment		5 - 55
Specialist vehicles		5 - 55
Office equipment		5 - 13
Furniture and fittings		5 - 19
Motor vehicles		5 - 25
Bins and Containers		10 - 20
Specialised past and equipment		5 - 10
Other items of plant and equipment		5 - 15
Leased assets		3 - 5
Emergency equipment		5 - 10
Paintings and artifacts		5 - 50
Land		Indefinite

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as change in the accounting estimate.

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

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

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

1.8 Intangible assets

An asset is identifiable if it either:

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

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

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1.8 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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 softwares	Straight line	5 to 8 years

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 an 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 Investments

The municipality recognise investments at fair value. Interest on investments are recognised on statement of financial performance.

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1.10 Financial Instruments

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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1.10 Financial instruments (continued)

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

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

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;
- 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.

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1.10 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
Exchange:	Financial asset measured at amortised cost
Trade and other receivables	
Cash and cash equivalents	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Non-exchange:	Financial asset measured at amortised cost
Consumer receivables: property rates	

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
Trade and other payables	Financial liability measured at amortised cost
Finance lease obligations	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.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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 purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

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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 purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

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 .

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.

1.12 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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 first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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1.12 Inventories (continued)

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

1.13 Employee benefits

Short-term employee benefits

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

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

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

Defined benefit plans

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

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

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

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

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

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

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

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

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

1.14 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.

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1.14 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a 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 35.

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.

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1.14 Provisions and contingencies (continued)

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

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

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

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

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 Capital Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.16 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.

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1.16 Revenue from exchange transactions (continued)

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.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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.

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1.17 Revenue from non-exchange transactions (continued)

Control of an asset arises 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.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

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

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

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

Recognition

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

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

Measurement

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

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

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1.17 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Fines

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

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

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

Grants

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised when the criteria, conditions or obligations have not been met.

Gifts and donations, including goods in-kind

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

1.18 Investment income

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

1.19 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.

1.20 Accounting by principals and agents

Identification

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

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

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

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1.20 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

The assessment of whether an 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.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.22 Fruitless and wasteful expenditure

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

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1.22 Fruitless and wasteful expenditure (continued)

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

1.23 Irregular expenditure

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

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

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

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

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

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

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

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

1.24 Budget information

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 an accrual basis and presented by functional classification linked to performance outcome objectives.

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

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

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

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1.25 Related parties

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

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

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

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

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

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

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

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

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

1.26 Events after reporting date

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

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

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

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

1.27 VAT

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis in accordance with Section 15(2) of the VAT Act (Act 89 of 1991). VAT is accounted for on accrual basis in the financial records.

VAT output refers to tax charged by municipality and the entities on a taxable supply and is declared in the Part A of the VAT 201 return. Input tax and other deductions are deducted from the output tax liability to arrive at the net VAT payable (or refundable) for any particular tax period.

The net amount of VAT recoverable from or payable to the taxation authority is reported separate from other receivables or payables in the statement of financial position.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties		
• GRAP 104 (amended): Financial Instruments	01 April 2025	Impact is currently being assessed
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact

2.2 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 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee Benefits	01 April 2025	Impact is currently being assessed
• GRAP 104: Financial Instruments	01 April 2025	Impact is currently being assessed

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3. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	8,950,501	-	8,950,501	8,374,000	-	8,374,000

Reconciliation of investment property - 2022

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	8,374,000	(203,231)	779,732	8,950,501

Reconciliation of investment property - 2021

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	9,163,772	(839,330)	49,558	8,374,000

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.

Details of valuation

The effective date of the revaluations was Wednesday, 30 June 2021. Revaluations were performed by an independent valuer, Mod Hope Properties by Modiba Kholofelo, registered as a Professional Associated Valuer in terms of the Property Valuer's Professional Act, 2000 (Act No 47 of 2000). Mod Hope Properties are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

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4. Property, plant and equipment

	2022		2021	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land	7,756,290	-	7,756,290	-
Buildings	40,571,293	(25,405,951)	15,165,342	(23,783,099)
Infrastructure	1,070,933,848	(433,899,506)	637,034,342	(414,054,249)
Community Assets	192,905,056	(66,244,501)	126,660,555	(60,207,142)
Other Assets	48,057,919	(19,056,390)	29,001,529	(16,326,615)
WIP - Community Assets	73,543,448	-	73,543,448	-
WIP - Infrastructure	88,198,868	-	88,198,868	-
Total	1,521,966,722	(544,606,348)	977,360,374	(514,371,105)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	7,756,290	-	-	-	-	7,756,290
Buildings	16,788,194	-	-	-	(1,622,852)	15,165,342
Infrastructure	633,026,306	483,087	-	23,370,206	(19,845,257)	637,034,342
Community	131,035,486	-	-	1,662,428	(6,037,359)	126,660,555
Other Assets	24,594,437	7,590,673	(334,336)	-	(2,849,246)	29,001,529
WIP - Community assets	34,012,551	41,193,325	-	(1,662,428)	-	73,543,448
WIP - Infrastructure	96,091,728	15,477,346	-	(23,370,206)	-	88,198,868
Total	943,304,992	64,744,431	(334,336)	-	(30,354,714)	977,360,374

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4. Property, plant and equipment (continued) Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	8,026,290	-	-	(270,000)	-	7,756,290
Buildings	17,547,895	851,815	-	-	(1,611,516)	16,788,194
Infrastructure	645,421,477	499,578	(107,003)	6,623,916	(19,411,662)	633,026,306
Community	135,315,705	-	-	1,704,758	(5,984,979)	131,035,486
Other Assets	21,961,300	5,341,529	(363,258)	-	(2,345,134)	24,594,437
WIP Community Assets	23,373,917	12,073,392	-	(1,434,758)	-	34,012,551
WIP Infrastructure	62,882,119	39,833,525	-	(6,623,916)	-	96,091,728
	914,528,703	58,599,839	(470,261)	-	(29,353,291)	943,304,992

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
General expenses

3,256,735 5,447,674

Delayed projects

There were no delayed projects in current financial year.

Pledged as security

No assets are pledged as security.

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

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5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	750,685	(509,987)	240,698	750,685	(444,092)	306,593

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	306,593	(65,895)	240,698

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	372,489	(65,896)	306,593

6. Investments

Name of company	Held by	Carrying amount 2022	Carrying amount 2021
ABSA Bank -20-7075-0019	Blouberg Local Municipality	3,082,280	3,083,441
ABSA Bank -93-6800-0389	Blouberg Local Municipality	1,555,693	-
		4,637,973	3,083,441

The Municipality has a long term investment in an ABSA fixed deposit as Eskom Guarantee to an amount of R3 079 000 in capital. The balances were R3 082 280 (2021: R3 083 441) as at 30 June 2022. The difference from the capital amount is due to accrued interest at the end of each financial period. The municipality does not have access to the account, only receives interest on investment. During the year an amount of R108 687.84 (2021: R112 989) interest was earned from the investment.

New investment: Eskom Guarantee

The Municipality has a new investment in an ABSA fixed deposit as Eskom Guarantee to an amount of R 1 521 000 in capital. The municipality does not have access to the account, only receives interest on investment. During the year an amount of R34 694 interest was earned from the investment and capitalized.

7. Employee benefit obligations

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

Carrying value	2022	2021
Present value of fund obligation	7,623,154	6,150,587
Current service costs	566,998	511,503
Interests costs	574,158	480,870
Benefits paid	(1,171,499)	(824,569)
Actuarial (gains)/losses	667,189	1,304,763
Balance as at 30 June	8,260,000	7,623,154
Current assets	-	-
Non-current liabilities	(8,260,000)	(7,623,154)
	(8,260,000)	(7,623,154)

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7. Employee benefit obligations (continued)

Key assumptions used

Rate of interest

Discount rate	11.20 %	8.17 %
Consumer price inflation	7.44 %	4.64 %
Salary Inflation	8.44 %	5.64 %
Net effective discount rate	2.55 %	2.39 %

Provision for long - service awards

The employees of Blouberg Municipality qualifies for the following long service award additional leave for various periods of uninterrupted service:

- 10 years uninterrupted service: 10 working day's leave
- 15 years uninterrupted service: 20 working day's leave
- 20 years uninterrupted service: 30 working day's leave
- 25 years uninterrupted service: 30 working day's leave
- 30 years uninterrupted service: 30 working day's leave
- 35 years uninterrupted service: 35 working day's leave
- 40 years uninterrupted service: 30 working day's leave
- 45 years uninterrupted service: 30 working day's leave

The Long Service Awards are defined benefits plans. As at year end 30 June 2022 182 (2021: 171) employees were eligible for Long Service Bonuses.

The Employer's Unfunded Accrued Liability as at 30 June 2022 is estimated at R8 260 000 (2021: R7 623 154). The current cost for the year ending 30 June 2022 is estimated at R566 998 (2021: R511 503).

The actual expense cost for the year ending 30 June 2022, and the net change in the accrued obligation over the financial year ending 30 June 2022 are determined as follows:

Net change in the accrued obligation

Current service cost	566,998	511,503
Current interest cost	574,158	480,870
Actuarial (gain)/loss	667,189	1,304,763
Net expense recognised in income statement	1,808,345	2,297,136
Actual benefit payments	(1,171,499)	(824,569)
Net change in the accrued liability over the financial year ending	636,846	1,472,567

8. Inventories

Inventory sites	4,021,847	3,958,695
Consumable stores	1,345,372	3,448,774
	5,367,219	7,407,469

9. Receivables from exchange transactions

Prepaid electricity Accrued	226,997	136,755
Other Receivables	721	721
Equitable share	-	-
	227,718	137,476

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9. Receivables from exchange transactions (continued)		
Reconciliation of provision for impairment of receivables from exchange transactions		
Opening balance	-	-
Provision for impairment	-	-
	-	-
10. Receivables from non-exchange transactions		
Traffic Fines	444,600	462,500
Other receivable- Senior Managers	211,143	19,337
Other receivables from non-exchange transactions	1,688,171	2,228,602
Rates	64,958,412	90,652,971
	67,302,326	93,363,410
Receivables from non-exchange transactions gross balances:		
Traffic fines	6,444,527	6,082,477
Other receivables - Senior Managers	211,143	19,337
Other receivables from non-exchange transactions	1,688,171	2,228,602
Rates	81,973,497	108,884,489
	90,317,338	117,214,905
Less: Allowance for impairment		
Traffic fines	(5,999,927)	(5,619,977)
Rates	(17,015,085)	(18,231,518)
	(23,015,012)	(23,851,495)
Net receivables from non-exchange transactions	67,302,326	93,196,245
Included in the Traffic fines receivables there is a provision for impairment of R5 999 927 (2021: R5 619 977). Included also is a debt write off of R- (2021: R-).		
Included in the property rates receivable there is a provision for impairment of R17 015 085 (2021: R18 231 518). Included also is a debt write off of R- (2021: R-).		
Receivables from non-exchange transactions		
The ageing of these receivables is as follows:		
Rates		
Current	1,125,137	797,425
31-60 days	260,128	236,509
61-90 days	352,100	233,574
91-120 days	348,726	232,035
121-365 days	25,672,171	24,003,770
>365 days	54,214,628	79,939,201
Traffic fines		
Current	54,300	18,800
31-60 days	100,900	98,300
61-90 days	48,500	72,600
91-120 days	46,400	24,200
121-365 days	112,100	481,300
>365 days	6,082,477	5,387,277

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Figures in Rand	2022	2021
10. Receivables from non-exchange transactions (continued)		
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	(23,851,495)	(21,027,003)
Provision for impairment	836,483	(2,824,492)
	(23,015,012)	(23,851,495)
11. VAT receivable		
VAT	2,641,754	764,605
12. Consumer debtors		
Gross balances		
Electricity	18,524,220	17,542,691
Refuse	4,459,563	2,976,018
VAT on Services	3,438,424	3,073,640
Sundries	2,453,771	2,201,127
	28,875,978	25,793,476
Less: Allowance for impairment		
Electricity	(13,281,317)	(10,543,557)
Refuse	(2,525,554)	(1,623,127)
Sundries	(1,393,251)	(1,826,492)
	(17,200,122)	(13,993,176)
Net balance		
Electricity	5,242,903	6,999,134
Refuse	1,934,009	1,352,891
VAT on Services	3,438,424	3,073,640
Sundries	1,060,520	374,635
	11,675,856	11,800,300
Electricity		
Current (0 -30 days)	901,268	1,582,137
31 - 60 days	469,019	426,414
61 - 90 days	534,442	395,918
91 - 120 days	749,894	868,253
121 - 365 days	3,613,685	3,947,745
> 365 days	12,255,912	10,322,224
	18,524,220	17,542,691
Refuse		
Current (0 -30 days)	319,677	243,850
31 - 60 days	140,175	112,746
61 - 90 days	148,350	111,784
91 - 120 days	160,034	111,291
121 - 365 days	1,332,771	839,723
> 365 days	2,358,556	1,556,624
	4,459,563	2,976,018

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12. Consumer debtors (continued)		
Sundries		
Current (0 -30 days)	56,462	49,175
31 - 60 days	16,972	24,127
61 - 90 days	24,764	24,060
91 - 120 days	24,560	23,998
121 - 365 days	178,359	176,111
> 365 days	2,152,654	1,903,656
	2,453,771	2,201,127

Reconciliation of allowance for impairment

Balance at beginning of the year	(13,993,176)	(10,565,929)
Contributions to allowance	(3,206,946)	(3,427,247)
	(17,200,122)	(13,993,176)

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	660	5,005
Short-term Investment	5,985,432	5,119,402
Bank balances	78,848,459	33,122,754
	84,834,551	38,247,161

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
ABSA BANK - Current Account - 11 5016 9476	78,848,458	33,122,754	32,986,061	78,848,458	33,122,754	32,986,061
ABSA BANK - Current Account - 40 5735 0474	-	-	157,765	-	-	157,765
ABSA BANK - Short-term investment Account - 93 540 119 04	5,985,432	5,119,402	5,271,311	5,985,432	5,119,402	5,271,311
Total	84,833,890	38,242,156	38,415,137	84,833,890	38,242,156	38,415,137

NEDBANK ACCOUNT -037-8811-376-14

During the current year the municipality invested in Nedbank fixed deposit account number 037-8811- 376-14 which earned interest totalling R 359 679. The first investment of R30 000 000 was invested from 17 December 2021 to 17 February 2022 which earned the municipality a interest of R 230 844. The re-invest the R30 000 000 which earned interest of R 128 836 for a period of 17 February 2022 to 22 March 2022.

ABSA ACCOUNT – 20-8015-8403

During the current year the municipality invested in Absa fixed deposit account number 20-8015-8403 which earned interest totalling R 264 756. The first investment of R30 000 000 was invested from 17 December 2021 to 17 February 2022 which earned the municipality interest of R 222 180. The municipality re-invest the R30 000 000 which earned interest of R 42 575 for a period of 17 February 2022 to 03 March 2022.

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Figures in Rand	2022	2021
14. Finance lease obligation		
Minimum lease payments due		
- within one year	485,217	485,217
- in second to fifth year inclusive	363,913	849,130
	<u>849,130</u>	<u>1,334,347</u>
less: future finance charges	(74,815)	(175,845)
Present value of minimum lease payments	<u>774,315</u>	<u>1,158,502</u>
Present value of minimum lease payments due		
- within one year	425,470	384,187
- in second to fifth year inclusive	348,845	774,315
	<u>774,315</u>	<u>1,158,502</u>
Non-current liabilities	289,098	673,285
Current liabilities	485,217	485,217
	<u>774,315</u>	<u>1,158,502</u>

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10% (2021: 10%).

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

Defaults and breaches

In the current financial year the municipality never defaulted and/or breached any terms and conditions of the lease contract.

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

Rand	774,315	1,158,502
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For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note .

The fair value of finance lease liabilities approximates their carrying amounts.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrascture Grant (MIG)	24,158,175	161,955
Capricorn District Municipality Grant (CDM)	135,395	135,395
Integrated National Electrification Programme Grant (INEP)	-	96,748
Disaster Relief Grant (DRG)	21,745	-
	<u>24,315,315</u>	<u>394,098</u>

Movement during the year

Balance at the beginning of the year	394,098	7,057,920
Additions during the year	23,921,217	(6,663,822)
	<u>24,315,315</u>	<u>394,098</u>

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Figures in Rand	2022	2021
15. Unspent conditional grants and receipts (continued)		
Non-current liabilities	-	-
Current liabilities	24,315,315	394,098
	24,315,315	394,098

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

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

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

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

16. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	14,555,684	6,907,847	-	21,463,531
Provision for performance bonus	919,369	-	(336,786)	582,583
	15,475,053	6,907,847	(336,786)	22,046,114

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Provision for restoration cost for landfill site	12,825,271	1,730,413	14,555,684
Provision for performance bonus	614,326	305,043	919,369
Total Provisions	13,439,597	2,035,456	15,475,053
Non-current liabilities		582,583	919,369
Current liabilities		21,463,531	14,555,684
		22,046,114	15,475,053

The provision represents management's best estimate of the municipality's liability on the experience and knowledge.

Provision for performance bonus

Performance bonus is the benefit paid to the senior management after performance assessment are being done and expectations or targets are met. Performance bonus is calculated at 14% of total package.

Environmental rehabilitation provision

The Alldays and Senwabarwana land fill sites are permitted facilities in terms of section 20 of Environmental Conservation Act 73 of 1989. The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation discounted at 7%, which is the prime rate as at June 2022. Both landfill sites are expected to be in operation for a period of 5 years from July 2019.

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Figures in Rand	2022	2021
17. Payables from exchange transactions		
Trade payables	6,371,058	10,635,854
Payments received in advance	1,943,757	1,696,633
Retentions	15,121,303	15,749,797
13th cheque provision	2,573,951	2,227,535
Accrued leave pay	11,278,507	10,146,181
Prepaid electricity accrual	185,722	207,629
Sale of stands deposits	929,720	683,555
Other Creditors	1,681,535	991,366
Landfill site	1,758,009	5,184,268
Unallocated deposits	6,380,155	3,172,539
	48,223,717	50,695,357

Sale of sites

Included in payables from exchange transactions is the amount of R246 165 (2021: R360 132) relating to monies paid by customers for the sale of stands. Once ownership has been transferred to customers, a reallocation will be made from payables to sale of stands in the statement of financial performance thereby realising the revenue from sale of stands.

Accrued for leave

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 SALBC agreement. The leave provision is calculated by taking the total basic salary divide by number of working days per year multiply by the number of days unused/remaining.

Unallocated deposits

This relate to monies received from individuals and companies with either incorrect reference numbers or without references which cannot be allocated when identified as received for less than three years. This relates to monies both received in current year and prior years, the municipality policy is to recognise the monies received unallocated as revenue when it is not claimed for more than a period of three years. All those monies which have been received for more than three years, an advert in the local newspaper is done to allow those who deposited monies in the municipality account to come forward and provide supporting documentations so that the municipality can allocate funds for a reasonable period of time. Failure of individuals to provide evidence will result in the municipality recognising the monies as revenue.

18. Revenue

Service charges	31,015,660	30,264,180
Rental of facilities and equipment	550,413	551,690
Licences and permits	4,516,988	3,824,031
Photocopies & Electricity Fines - Illegal connections	94,386	11,306
CDM - Commissions received	374,638	341,007
Cemetry, Burial and Plans approval fees	185,650	208,172
Valuation services	3,338	1,305
Interest charged on Outstanding Debtors	470,644	574,279
Sale of Inventory - Sites/Land	724,060	10,841
Cattle Grazing	42,039	129,916
Interest received - Investments & Current accounts	2,018,716	1,535,693
Property rates	29,497,011	27,550,104
Property rates - penalties imposed	1,549,115	1,677,760
Government grants & subsidies	276,764,783	295,178,822
Fines	444,600	464,000
Other transfer revenue 1	4,363,478	-
	352,615,519	362,323,106

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Figures in Rand	2022	2021
18. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	31,015,660	30,264,180
Rental of facilities and equipment	550,413	551,690
Licences and permits	4,516,988	3,824,031
Photocopies & Electricity Illegal connections	94,386	11,306
CDM - Commissions received	374,638	341,007
Cemetery, Burial & Plans approval fees	185,650	208,172
Valuation Services	3,338	1,305
Interest on Outstanding Debtors	470,644	574,279
Sale of Inventory - Sites/Land	724,060	10,841
Cattle Grazing	42,039	129,916
Interest received - investment	2,018,716	1,535,693
	39,996,532	37,452,420
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	29,497,011	27,550,104
Property rates - penalties imposed	1,549,115	1,677,760
Transfer revenue		
Government grants & subsidies	276,764,783	295,178,822
Fines	444,600	464,000
Other transfer revenue 1	4,363,478	-
	312,618,987	324,870,686
19. Service charges		
Sale of electricity	29,116,330	28,825,555
Refuse removal	1,899,330	1,438,625
	31,015,660	30,264,180
20. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	550,413	551,690
21. Sale of inventory - Sites/Stands		
Sale of inventory - Sites/Stands	724,060	10,841
22. Interest received - investment		
Interest revenue		
Investments	2,018,716	1,535,693

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Figures in Rand	2022	2021
23. Property rates		
Rates received		
Residential	2,245,236	2,132,220
Commercial	2,650,537	2,537,450
State-owned	23,186,261	21,556,970
Small Holdings & Farms	1,414,977	1,323,464
	<u>29,497,011</u>	<u>27,550,104</u>
Interest charges on overdue account	1,549,115	1,677,760
	<u>31,046,126</u>	<u>29,227,864</u>
Valuations		
Residential	559,120,820	559,120,820
Commercial	425,023,000	425,023,000
State-owned	385,260,000	385,260,000
Municipalities	100,167,482	100,167,482
Other	8,380,500	8,380,500
Small Holdings and farms	3,484,082,565	3,484,082,565
	<u>4,962,034,367</u>	<u>4,962,034,367</u>
<p>Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2016. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. There was an additional 2 years extension that was granted on the valuations of land and buildings up to 2023 financial period.</p>		
24. Government grants and subsidies		
Operating grants		
Equitable share	203,614,703	235,077,753
Financial Management Grant (FMG)	2,400,000	2,500,000
Expanded Public Works Programme (EPWP)	1,266,000	1,547,000
Disaster Relief Grant	12,878,255	-
National Skills Fund Grant (NSF)	-	157,764
	<u>220,158,958</u>	<u>239,282,517</u>
Capital grants		
Municipal Infrastructure Grant (MIG)	56,605,825	43,363,045
Integrated National Electrification Programme Grant (INEP)	-	12,533,260
	<u>56,605,825</u>	<u>55,896,305</u>
	<u>276,764,783</u>	<u>295,178,822</u>

Equitable Share

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

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Figures in Rand	2022	2021
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24. Government grants and subsidies (continued)

Financial Management Grant (FMG)

Current-year receipts	2,400,000	2,500,000
Conditions met - transferred to revenue	(2,400,000)	(2,500,000)
	-	-

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Grant provides direct support to municipalities to develop financial management and technical capacity for the implementation of the MFMA, its regulations and associated financial reforms.

Municipal infrastructure Grant (MIG)

Balance unspent at beginning of year	161,955	-
Current-year receipts	80,764,000	43,525,000
Conditions met - transferred to revenue	(56,605,825)	(43,363,045)
Repayment of grant	(161,955)	-
	24,158,175	161,955

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

To provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities. To Improved access to basic services infrastructure for poor communities, through the use of labour-intensive construction methods where it is technically feasible. To Improved reliability of basic services infrastructure for poor communities.

The municipality received additional allocation amounting to R24 million for municipality infrastructure grant due to good performance.

Expanded Public Works Programme (EPWP)

Current-year receipts	1,266,000	1,547,000
Conditions met - transferred to revenue	(1,266,000)	(1,547,000)
	-	-

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

To provide Expanded Public Works Programme (EPWP) incentive funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

Capricorn District Municipality (CDM)

Balance unspent at beginning of year	135,395	135,395
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Conditions still to be met - remain liabilities (see note 15).

CDM grant - disposal of unwanted waste through compaction inside the working cell.

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Figures in Rand	2022	2021
24. Government grants and subsidies (continued)		
Integrated National Electrification Programme (INEP)		
Balance unspent at beginning of year	96,748	6,630,008
Current-year receipts	-	6,000,000
Conditions met - transferred to revenue	-	(12,533,260)
Repayment of grant	(96,748)	-
	<u>-</u>	<u>96,748</u>

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

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure.

Disaster Relief Grant (DRG)

Current-year receipts	12,900,000	-
Conditions met - transferred to revenue	(12,878,255)	-
	<u>21,745</u>	<u>-</u>

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

To provide for the immediate release of funds for disaster response.

To enable a timely response to immediate needs after a disaster has occurred.

25. Employee related costs

Basic Salary	67,979,362	65,331,211
Bonus	5,351,554	5,611,383
Medical aid - company contributions	4,566,699	4,417,211
Unemployed Insurance Fund (UIF)	582,938	603,119
Skills Development Levy (SDL)	927,128	984,517
Leave payout	1,172,290	679,705
Pension Fund contributions	15,242,090	14,108,813
Travel, motor car, accommodation, subsistence and other allowances	16,011,808	15,583,703
Overtime payments	3,273,367	2,592,188
Long-service awards	566,998	511,503
13th Cheques	114,477	114,477
Acting allowances	172,574	580,444
Car allowance	328,558	529,601
Housing benefits and allowances	213,157	208,221
Daily Allowances	112,532	130,253
Bargaining Council	157,331	147,711
Standby allowance	474,228	427,330
Telephone & CellPhone allowances	2,210,238	2,091,933
	<u>119,457,329</u>	<u>114,653,323</u>

The amounts disclosed below for senior managers have been included in the table above.

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Figures in Rand	2022	2021
25. Employee related costs (continued)		
Remuneration of municipal manager		
Annual Remuneration	378,352	760,422
Acting allowance	70,144	-
Car Allowance	-	301,564
13th Cheque	63,368	63,368
Contributions to UIF, Medical and Pension Funds	729,956	139,455
Other Allowances	8,861	75,264
Leave Pay	115,584	-
Subsistence and Travelling Allowance	16,314	-
	1,382,579	1,340,073

Remuneration of chief finance officer

Annual Remuneration	613,309	613,309
Car Allowance	228,037	228,037
13th Cheque	51,109	51,109
Contributions to UIF, Medical and Pension Funds	137,286	137,508
Other allowances	-	65,538
Subsistence and Travelling Allowance	53,545	-
	1,083,286	1,095,501

Remuneration of Senior Management

There is no acting allowances paid during the year on the Director Technical Services because the managers acting on the position were earning above the minimum entry notch for the directors.

Remuneration of Senior Management 2022 (included in employee related cost)	Technical Services	Economic Development and Planning	Corporate Services	Community Services	Total
Annual Remuneration	613,309	297,543	613,309	583,770	2,107,931
Acting allowance	-	14,654	-	-	14,654
Leave Pay out	-	93,187	-	-	93,187
13th Cheque	51,109	51,089	51,109	-	153,307
Car allowance	228,878	75,672	228,037	205,466	738,053
Contributions to UIF, Medical and Pension Funds	137,177	45,817	137,286	139,264	459,544
Other allowances	65,537	21,846	65,537	62,950	215,870
Back pay	-	-	-	129,347	129,347
Subsistence and Travelling Allowance	44,553	8,221	84,683	36,821	174,278
	1,140,563	608,029	1,179,961	1,157,618	4,086,171

Remuneration of Senior Management 2021	Technical Services	Economic Development and Planning	Corporate Services	Community Services	Total
Annual Remuneration	669,295	613,069	613,069	180,310	2,075,743
13th Cheque	17,036	51,089	51,109	-	119,234
Travel, motor car, accomodation, substance and other allowances	214,896	227,017	228,037	59,158	729,108
Contributions to UIF, Medical and Pension Funds	128,496	137,455	137,508	40,331	443,790
Other allowances	65,537	65,537	65,537	19,259	215,870
	1,095,260	1,094,167	1,095,260	299,058	3,583,745

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Figures in Rand	2022	2021
26. Remuneration of councillors		
Mayor	893,157	895,750
Chief Whip	658,745	678,900
Executive Committee Members	3,209,733	2,537,589
Speaker	726,754	710,219
Councillors	11,725,568	11,589,604
	17,213,957	16,412,062
In-kind benefits		
The Mayor, Chief Whip, Speaker and three Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council		
The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.		
27. Depreciation and amortisation		
Property, plant and equipment	30,354,713	29,353,290
Intangible assets	65,895	65,896
	30,420,608	29,419,186
28. Finance costs		
Finance leases	101,030	42,785
Long Service Awards	574,158	480,870
	675,188	523,655
The interest paid is made up of Long service award and the finance lease on the office equipment.		
29. Provision for debt impairment		
Debt impairment	2,370,463	8,188,217
30. Bulk purchases		
Electricity - Eskom	50,884,660	36,471,696
31. Contracted services		
Presented previously		
Fleet Services	247,979	254,571
Operating Leases	2,615,362	2,515,249
Other Contractors	18,950,532	19,245,165
	21,813,873	22,014,985

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Figures in Rand	2022	2021
32. General expenses		
Advertising	497,443	818,157
Audit fees	4,458,544	3,362,927
Bank charges	541,582	604,952
Provision for restoration costs of landfill site	3,481,587	1,972,577
EPWP costs	3,396,592	4,202,649
Consulting and professional fees	25,677,648	26,585,930
Municipal Demarcation costs	490,000	-
Workmens Compensation Costs	501,988	482,936
MPAC expenses	84,471	7,052
Insurance	1,352,689	1,201,060
Conferences, Accomodation and seminars	1,519,758	897,340
IT expenses	943,585	1,912,272
Fuel Costs	2,281,785	2,384,785
Postage Costs	1,526	-
Printing and stationery	368,687	133,996
Promotions	89,837	49,675
Master Plans for LDP	1,025,051	217,895
Repairs and maintenance	3,186,677	5,447,674
Poverty Alleviation	455,107	457,365
Subscriptions and membership fees	2,627,292	2,007,554
Telephone and fax	2,049,892	1,720,743
Training Costs	36,365	-
Subsistence and travel	9,292,420	8,183,940
Group Insurance	86,721	109,286
Special Focus	140,771	500
Audit committee fees	409,004	334,031
Bursaries	107,817	204,865
Public participation	166,873	181,786
Licence fees - vehicles	171,008	3,674
Refreshments	219,130	49,336
Remuneration of ward committee members	3,959,903	4,129,726
Free basic services electricity	1,222,857	1,032,780
Support of ward committee	910,754	889,080
Other expenses	9,731,147	10,188,952
	81,486,511	79,775,495
33. Cash generated from operations		
Surplus	28,176,221	53,139,028
Adjustments for:		
Depreciation and amortisation	30,420,608	29,419,186
Loss on sale of assets and liabilities	229,252	470,255
Fair value adjustments	(779,732)	(49,558)
Debt impairment	2,370,463	8,188,217
Movements in employee benefits obligation	636,846	1,472,567
Movements in provisions	6,571,061	2,035,456
Donated assets	(4,363,478)	-
Changes in working capital:		
Inventories	2,243,490	270,989
Receivables from exchange transactions	(90,242)	235,239
Consumer debtors	(2,246,019)	(10,697,476)
Receivables from non-exchange transactions	26,061,084	(18,317,345)
Payables from exchange transactions	(2,471,644)	(2,972,517)
VAT	(1,877,149)	1,037,705
Unspent conditional grants and receipts	23,921,217	(6,663,822)
	108,801,978	57,567,924

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34. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	37,744,510	42,600,030
Total capital commitments		
Already contracted for but not provided for	37,744,510	42,600,030
Authorised operational expenditure		
Already contracted for but not provided for		
• Security services	10,213,696	27,223,301
• Consulting services	854,025	2,417,968
• Town Planning Professional Services	493,401	1,443,162
• Operation and Maintenance of Senwabarwana Landfill site	-	2,768,000
• Township Registration	541,684	1,248,759
• Township Establishment	79,350	-
• Mobile Communication Services	-	1,415,499
• Land Use Scheme	130,704	-
• Sanitary Bins	-	533,014
• Supply and Delivery of Traffic Uniform	483,300	-
• Provision of Short Term Insurance Service for 24 Months	1,522,400	-
• Leasing of 10 photocopying machines	1,060,781	-
	15,379,341	37,049,703
Total operational commitments		
Already contracted for but not provided for	15,379,341	37,049,703
Total commitments		
Total commitments		
Authorised capital expenditure	37,744,510	42,600,030
Authorised operational expenditure	15,379,341	37,049,703
	53,123,851	79,649,733

This committed expenditure relates to Security, consulting, growth strategy and special development services and property, plant and equipments and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

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35. Contingencies

Litigation claims are in progress against the municipality relating to various matters who alleges that the municipality has infringed on certain laws and regulations and they are seeking damages totaling -. The municipality's lawyers and management consider the likelihood of the actions against the municipality being successful is unlikely, and the case should be resolved within the next two years.

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims.

There is no reimbursement from any third parties for potential obligations of the municipality.

Contingent Liabilities

Below is a detail explanation of the nature and financial impact:	300,000	300,000
1. Kgamaki Jonas Mangweta: Case No. LP/PLK/RC 499/2015 - The plaintiff is suing the municipality for defamation.		
2. Machuene Charlese Keetse - The plaintiff is suing the Municipality and the Minister of Police for unlawful arrest and detention. The matter is still pending, awaiting for trial date.	300,000	300,000
3. Joseph Manaka - The plaintiff is suing both the municipality and Eskom after he was electrocuted by a half fallen electrical pole after a disaster caused by heavy rainfalls and Winds.	3,800,000	3,800,000
4. Overland cruises and logistics - The plaintiff is suing the Premier of Limpopo and the Municipality for non-payment of service rendered, the Premier's office procured transport services to ferry residents of Blouberg Municipality to Polokwane during a memorial service of the late former President Nelson Mandela. N J Morero Attorneys has been appointed to act on behalf of the municipality. The matter was provisionally withdrawn and awaiting for new trial date.	574,800	574,800
5. Tebogo Mokoboti - The plaintiff is suing the Municipality for damages which she claim to have suffered as a results of a collision which between her vehicle and the Council's grader. The matter is still pending, Awaiting further particulars (discovery documents) and trial date from the court.	51,101	51,101
6. Pension Fund For Municipal Councilors - The Municipality received a letter of demand from the Municipal Councilors Pension Fund for outstanding contributions by some of the Municipality's Councilors and sought a legal opinion from Lebea and Associates Attorneys on the letter of demand. The matter is still pending, awaiting for summons MC Incorporated Attorneys.	7,800,000	7,800,000
	12,825,901	12,825,901

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36. Related parties

Relationships

Members of key management

Councillors

Executive Committee Members

Municipal Manager

Chief Financial Officer

Related party transactions

Debtors Balance with key management

Councillor Thamaga NM

229,826

257,772

The above executive members have balances included in the Receivables from exchange and non-exchange transactions relating to the assessment rates, refuse, water and interest charged on overdue accounts. Payables as and when the members pay to the municipality.

Compensation to accounting officer and other key management

Short-term employee benefits

2,572,820

2,291,638

Key management information

Remuneration of management

Municipal Manager and Chief Financial Officer

2022

Name	Basic salary	Bonuses and performance related payments	Car Allowance	Post-employment benefits	Other benefits received	Total
Machaba MJ	378,352	63,368	-	729,956	210,903	1,382,579
Mabote NJ	613,309	51,109	228,037	137,286	119,082	1,148,823
	991,661	114,477	228,037	867,242	329,985	2,531,402

2021

Name	Basic salary	Bonuses and performance related payments	Car Allowance	Post-employment benefits	Other benefits received	Total
Machaba MJ	760,422	63,368	301,564	139,455	75,264	1,340,073
Mabote NJ	613,309	51,109	228,037	137,509	65,537	1,095,501
	1,373,731	114,477	529,601	276,964	140,801	2,435,574

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36. Related parties (continued)

Councillors/Executive Committee Members

2022

	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Total
Thamaga MN	580,612	255,367	112,463	948,442
Boloka MP	313,057	150,664	68,830	532,551
Rangata MJ	395,231	185,333	170,010	750,574
Makobela SR	475,158	209,006	152,172	836,336
Motswaba LP	294,377	142,170	89,707	526,254
Raseruthe MA	364,664	183,633	117,957	666,254
Maifo ML	272,974	160,121	184,021	617,116
Keetse PP	170,490	85,911	2,938	259,339
Tlouamma NM	240,777	128,498	95,216	464,491
Mosena DD	170,490	85,911	66,885	323,286
Raphasha DS	246,771	122,018	140,649	509,438
Lehong MV	202,688	110,071	97,611	410,370
Moetjie NT	202,688	110,071	159,426	472,185
Pheedi MS	373,442	155,217	-	528,659
Tshoshi MM	180,781	65,833	67,466	314,080
Makgakga JP	180,781	66,836	61,959	309,576
Makhura MH	233,255	111,778	105,975	451,008
Morapedi AM	180,781	66,836	53,906	301,523
Maila MP	100,854	43,382	56,463	200,699
Ntlatla MW	100,854	43,170	63,050	207,074
Mathidza SE	76,280	35,891	-	112,171
Masekwameng MR	76,280	35,891	38,777	150,948
Mojodo MD	76,280	35,890	42,263	154,433
Seema MI	76,280	36,106	40,948	153,334
Mokobodi CS	76,280	36,106	37,916	150,302
Moshokoa MS	76,280	36,106	37,160	149,546
Murathi MS	76,280	36,106	40,735	153,121
Molema MN	76,280	36,106	41,611	153,997
Sebetha MJ	76,280	36,106	41,606	153,992
Mathekgga MJ	208,681	105,699	51,876	366,256
Ramoba MR	76,280	35,891	48,414	160,585
Sekgoloane MJ	97,893	42,291	60,885	201,069
Molokomme MM	202,688	110,071	96,538	409,297
Mphago MA	202,688	110,719	80,099	393,506
Modingwana MG	76,280	36,106	41,333	153,719
Maleka NG	76,280	35,891	37,390	149,561
Magwai RT	202,688	110,719	94,763	408,170
Madzhie AE	76,280	35,890	-	112,170
Selamolela S	76,280	35,890	47,913	160,083
Madibana SS	76,280	36,106	-	112,386
Phoshoko NC	76,280	36,106	35,751	148,137
Mabolola SJ	76,280	36,106	31,994	144,380
Chula MI	76,280	36,106	26,486	138,872
Morudu Mf	76,280	36,106	33,644	146,030
Madibana MR	76,280	36,106	29,548	141,934
Madioppe MT	76,280	36,106	40,949	153,335
Tjumana MM	76,280	35,890	45,379	157,549
Molalagotla DM	59,390	27,980	-	87,370
Lehonye TJ	132,401	68,608	973	201,982
Mapunya PW	132,401	68,608	973	201,982

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36. Related parties (continued)				
Manaka NA	132,401	68,608	9,141	210,150
Makhura KH	132,401	68,608	41,840	242,849
Tlhako NB	132,401	68,608	973	201,982
Mashamaite MG	132,401	68,608	37,470	238,479
Motsoko L	132,401	68,608	25,828	226,837
Mahlape NJ	132,401	68,608	49,454	250,463
Mmoko ML	132,401	68,608	1,277	202,286
Tlepyane S	132,401	68,608	36,266	237,275
Mokami ME	132,401	68,608	34,264	235,273
Thema NR	132,401	68,608	41,757	242,766
Seokotsa MM	132,401	68,608	41,732	242,741
Mokobodi MM	132,401	68,608	37,032	238,041
Sehata AQ	132,401	68,608	8,755	209,764
Tlabela FP	129,510	76,279	37,903	243,692
Maphoto MD	132,401	68,608	7,860	208,869
Mailula MS	132,401	68,608	973	201,982
Ntjana MI	132,401	68,608	15,155	216,164
Dau MP	132,401	68,608	3,833	204,842
Maribeng MK	132,401	68,608	973	201,982
Kobola JS	132,401	68,608	32,457	233,466
Baloyi HP	132,401	68,608	22,318	223,327
Maripa MS	132,401	68,608	973	201,982
Masebe KP	132,401	68,608	14,376	215,385
Teffo LT	16,891	9,027	-	25,918
	11,256,938	5,513,811	3,495,238	20,265,987

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36. Related parties (continued)

2021

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Total
Pheedi MS	624,090	279,985	1,742	905,817
Tshoshi MM	468,068	221,048	188,626	877,742
Thamaga MN	499,272	232,837	73,844	805,953
Mathidza SE	197,501	118,876	33,899	350,276
Makobela SR	468,068	221,048	164,004	853,120
Mashalane MS	468,068	221,048	126,253	815,369
Morapedi AM	468,068	221,048	145,277	834,393
Makhura MH	261,126	142,884	131,040	535,050
Rangata MJ	261,126	142,884	181,271	585,281
Maila MP	261,126	142,884	163,569	567,579
Ntlatla MW	261,126	142,884	147,963	551,973
Masekwameng MR	197,501	123,549	78,118	399,168
Raseruthe MA	197,501	123,549	112,281	433,331
Lehong MV	197,501	123,549	113,434	434,484
Tlouamma NM	197,501	123,549	77,178	398,228
Moetjie NT	197,501	123,549	165,788	486,838
Mojodo MD	197,501	123,549	156,012	477,062
Seema MI	197,501	123,549	113,343	434,393
Maifo ML	197,501	123,549	184,902	505,952
Mokododi CS	197,501	123,549	66,507	387,557
Moshokoa MS	197,501	123,549	107,280	428,330
Murathi MS	197,501	123,549	112,585	433,635
Molema MN	197,501	123,549	111,678	432,728
Sebetha MJ	197,501	123,549	116,125	437,175
Makgakga JP	197,501	123,549	102,477	423,527
Ramoba MR	197,501	123,549	121,482	442,532
Sekgoloane MJ	253,460	123,549	166,219	543,228
Molokomme MM	197,501	123,549	112,607	433,657
Mphago MA	197,501	123,549	94,637	415,687
Modingwana MG	197,501	123,549	125,195	446,245
Setwaba DS	197,501	123,549	133,621	454,671
Maleka NG	197,501	123,549	54,172	375,222
Magwai RT	197,501	123,549	108,965	430,015
Madzhe AE	197,501	123,549	67,338	388,388
Selamolela S	197,501	123,549	134,492	455,542
Madibana SS	197,501	123,549	70,958	392,008
Phoshoko NC	197,501	123,549	73,875	394,925
Mabolola SJ	197,501	123,549	73,244	394,294
Chula MI	197,501	123,549	72,585	393,635
Morudu MF	197,501	123,549	69,461	390,511
Madibana MR	197,501	123,549	72,173	393,223
Madioppe MT	197,501	123,549	75,945	396,995
Tefo LT	197,501	123,549	97,305	418,355
Tjumana MM	197,501	123,549	95,527	416,577
	10,811,131	6,164,543	4,794,997	21,770,671

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36. Related parties (continued)

Management class: Senior management

2022

Name	Technical Services	Local Economic Development	Corporate Services	Community Services	Total
Annual remuneration	613,309	297,543	613,309	583,770	2,107,931
Acting Allowance	-	14,654	-	-	14,654
Leave pay out	-	93,187	-	-	93,187
13th Cheque	51,109	51,089	51,109	-	153,307
Travel, Motor Car, Accomodation	228,878	75,672	228,037	205,466	738,053
Contribution to UIF and Medical Aid	137,177	45,817	137,286	139,264	459,544
Other allowances	65,537	21,846	65,537	62,950	215,870
Subsistence and Travelling Allowance	44,553	8,221	84,683	36,821	174,278
	1,140,563	608,029	1,179,961	1,028,271	3,956,824

2021

Name	Technical Services	Local Economic Development	Corporate Services	Community Services	Total
Annual remuneration	669,295	613,069	613,069	180,310	2,075,743
13th Cheque	17,036	51,089	51,109	-	119,234
Travel, Motor Car, Accomodation	214,896	227,017	228,037	59,158	729,108
Contribution to UIF and Medical Aid	128,496	137,455	137,508	40,331	443,790
Other allowances	65,537	65,537	65,537	19,259	215,870
	1,095,260	1,094,167	1,095,260	299,058	3,583,745

37. Prior period errors

Rates for business and commercial properties of R3,618,479 with an impairment loss of R3,451,314 and a balance of R167,165 were incorrectly classified as consumer debtors. Rates for business and commercial properties have been re-classified correctly to receivables from non exchange transactions.

Investment property of R619,000 and fair value adjustment of R32,000 which relates to land that is owned by municipality for investment purposes was recognised retrospectively after noted that it was not recorded in the financial records.

Property plant and Equipment (Transformers) with a cost of R499,578 has been incorrectly classified as Buildings in the previous financial period have been reclassified to Infrastructure under electrical assets for both previous year and current year and depreciation was also adjustment as per the correct useful life, the effect of depreciation was R12,025.

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

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37. Prior period errors (continued)

Statement of financial position

2020

	As previously reported	Correction of error	Re-classification	Restated
Investment Property	7,723,000	619,000	-	8,342,000
Accumulated surplus	(977,685,255)	(619,000)	-	(978,304,255)
	<u>(969,962,255)</u>	-	-	<u>(969,962,255)</u>

2021

	As previously reported	Correction of error	Re-classification	Restated
Consumer debtors	167,165	-	(167,165)	-
Receivables from non exchange transactions	90,485,806	-	167,165	90,652,971
Accumulated surplus	943,317,017	(12,025)	-	943,304,992
	<u>(1,030,804,307)</u>	<u>(651,000)</u>	-	<u>(1,031,455,307)</u>
	<u>3,165,681</u>	<u>(663,025)</u>	-	<u>2,502,656</u>

Statement of financial performance

2021

	As previously reported	Correction of error	Restated
Depreciation	29,407,162	12,025	29,419,187
Fair Value adjustment	(17,558)	(32,000)	(49,558)
	<u>29,389,604</u>	<u>(19,975)</u>	<u>29,369,629</u>

Disclosure

Note 10. Receivables from non-exchange transactions

Rates	-	<u>90,652,971</u>
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38. Risk management

Financial risk management

In running its operations the city is exposed to variety of financial risks: market, liquidity, credit and interest rate risks. Section 62.(1)(c)(i) Of MFMA states that the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control in response to this the municipality's adopted National Treasury Public Sector Risk Management Framework and is committed to the effective management of the risks. The process is called risk monitoring and control. It involves monitoring the identified risks including the above mentioned financial risks, identifying new risks, and evaluating the overall effectiveness of the risk management plan in reducing the risks.

The municipality's Treasury is committed to the effective management of the financial risks, with Treasury office responsible for management of market, liquidity, and interest rate risks. The Revenue office is responsible for credit risk management. In the course of the municipality's business operations it is exposed to interest rate, credit, liquidity and market risk. The Municipality has developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

There was no change in the exposure to risks and how they arise since the previous financial year, with the exception for the impact of the COVID-19 pandemic which also contributed towards the credit risk due to the effect that it had on consumers' ability to pay for their municipality accounts. The objectives, policies and processes for managing the risk and the methods used to measure the risk since the previous financial year remained the same.

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

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 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	48,223,717	-	-	-
At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	50,432,213	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

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38. Risk management (continued)

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will be negatively affected by the adverse changes in interest rates. Interest rate risk arises from the fluctuations in the economic market due to the economic climate. The Municipality manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate borrowings and investments, as well as by entering into interest rate swap contracts on outstanding borrowings. The Municipality's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:

The Municipality has significant exposure to interest rate risk due to the volatility in South African interest rates, fluctuations in interest rates on bonds issued and short-term investment will impact the Municipality's cash flow negatively. The municipality's interest rate risk arises from interest that is being earned on the cash deposits and investments that the municipality has invested with the ABSA bank. Investments issued at variable rates expose the municipality to cash flow interest rate risk.

39. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality to remain in force for as long as it takes to restore the solvency of the municipality.

40. Events after the reporting date

The municipality have not identified any material non-adjusting events after the reporting date relating to the financial period then ended 30 June 2022.

41. Impact of COVID-19

The World Health Organisation declared the outbreak of COVID-19 a global pandemic during March 2020. As COVID-19 started to spread around the world governments implemented various measures to contain the spread of the virus. In many countries this resulted in the temporary closure of businesses and restrictions on the movement of people and goods. The pandemic has had a significant impact on the global economy in terms of growth and unemployment. The Municipality's country of trading, South Africa has been hit hard by lockdown regulations.

It is off-course impossible to predict when normality will return, and the country will be able to re-commence normal economic activity. The Municipality has been affected with regards to lost collection revenue for the services the Municipality provide to the public in the area. This was a result of economic hardships such as increase in unemployment which resulted in reduced income to spend and also limited economic activities.

The Municipality acted swiftly and decisively to mitigate the impact of COVID-19 on its operations, including steps to reduce operational expenditure and conserve cash, access available government support schemes, and to minimise the disruption of account collections. In addition, strict COVID-19 protocols have been implemented across all areas of operation to ensure the safety of employees and customers. Notwithstanding these measures, the pandemic has had a severe impact on the Municipality's performance for the current period, most notably on revenue generation. These impacts are covered in more detail throughout the annual financial statements. The impact of the pandemic on the Municipality's significant judgements and estimates applied in the preparation of its financial statements is discussed in the notes.

While the uncertainty around COVID-19 is expected to continue for many months ahead, the Municipality's strong balance sheet and ability to manage margins and costs effectively positions it to succeed in these challenging times.

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42. Unauthorised expenditure		
Opening balance as previously reported	3,348,006	3,348,006
Opening balance as restated	3,348,006	3,348,006
Add: Expenditure identified - current	7,086,649	-
Less: Approved/condoned/authorised by council	(3,348,006)	-
Closing balance	7,086,649	3,348,006

Unauthorized Expenditure: R7,086,649

The municipality has an unauthorised expenditure of R7,086,649 due to increase on Eskom Tarrif.

Unauthorized Expenditure: R3, 348,006.18

The Municipality has an opening balance of R3, 348,006.18 due to Provision for Impairment on debtors.

The said expenditure amount was taken to Council (SC06/2020-21) held on the 29th June 2021 of which referred the matter to MPAC for further investigation. On 19 October 2021 the council approved the unauthorised expenditure for write off.

43. Fruitless and wasteful expenditure

Opening balance as previously reported	2,492	3,514
Opening balance as restated	2,492	3,514
Less: Amounts recoverable - current	-	(1,022)
Less: Amount written off - prior period	(2,492)	-
Closing balance	-	2,492

Fruitless and Wasteful Expenditure: R2,492.00

The current year expenditure is because of interest charged due to late submission of Schedules to pension funds (CRF and NMWF) the reason being the suspended payroll officer was not on duty.

The opening balance Fruitless expenditure amount of R2 492 has been written of on 27 July 2022 (Mpac recommendation - after investigation).

44. Irregular expenditure

Opening balance as previously reported	33,782,515	3,496,151
Opening balance as restated	33,782,515	3,496,151
Add: Irregular Expenditure - current	8,337,640	30,286,364
Less: Amount written off - current	(13,814,057)	-
Less: Amount written off - prior period	(28,306,098)	-
Closing balance	-	33,782,515

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44. Irregular expenditure (continued)

Amounts written-off

Opening Balance: R33,782,515.00

The Municipality has an opening balance of R 33 782 515 as a result of contravention of SCM Reg22(Ingwe, PJMJ , Izigi Molokwane Trading JV, Mode-Hope) and CIDB Reg25 (Urich) and MFMA Circular 65 (Tlou Intergrated Tech.).

The said irregular expenditure was taken to council(SC06/2020-21) held on the 29 June 2021 which referred the matter to MPAC for further investigations.

Current Year Expenditure: R8,337,640.00

The current year irregular expenditure amount is because of contravention of CIDB Reg25(Urich) , MFMA circular (Tlou Intergrated Tech).

The irregular expenditures were written off on the 19 October 2021 and 27 July 2022.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,509,988	1,516,690
Amount paid - current year	(1,509,988)	(1,516,690)
	-	-

Audit fees

Current year subscription / fee	4,458,544	3,867,366
Amount paid - current year	(4,458,544)	(3,867,366)
	-	-

The difference relate to an accrual raised for an invoice which was paid and not reversed in the prior year.

PAYE and UIF

Current year subscription / fee	22,870,246	23,582,791
Amount paid - current year	(22,870,246)	(23,582,791)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	20,039,696	22,224,844
Amount paid - current year	(20,039,696)	(22,224,844)
	-	-

VAT

VAT receivable	2,641,754	764,605
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VAT output payables and VAT input receivables are shown in note .

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Thamaga M	9,618	220,208	229,826
30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Thamaga M	40,690	217,082	257,772
Councillor Selamolela	985	7,475	8,460
Councillor Tshoshi M	1,318	6,328	7,646
	42,993	230,885	273,878

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

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46. Deviation from supply chain management regulations

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

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

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

Deviations were noted by council on the 30 October 2021 and 27 July 2022.

Supplier name and details	Reason	Amount
Batsibi Technologies - Payday Services Data Recovery	Emergency	196,650
Workshop Electronics (Pty) Ltd - Annual calibration of vehicle testing	Sole Provider for the service	17,223
Redi 4 Ma3 Trading - Renewal of Vehicle Licenses	Impossible to obtain other quotations	195,196
Mohodi Community Radio Station - Advertising for Women month message	Only local Radio Station available for the service	38,000
Mohodi Community Radio Station - Procurement of airing of Vaccination drive message	Only local Radio Station available for the service	32,000
Workshop Electronics (Pty) Ltd - Service and Maintenance of Vehicle Testing Equipments	Sole Provider for the service	16,539
Truvelo Manufactures - Calibration of Prolessor Machine	Sole Provider for the service	15,790
Workshop Electronics (Pty) Ltd - Service and Maintenance of Vehicle Testing Equipments	Sole Provider for the service	26,437
Lexis Nexis - Purchasing of criminal records and management acts	Sole Provider for the service	6,042
Subtotal		<u>543,877</u>
		<u>543,877</u>

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47. Distribution Losses		
Electricity	3,284,008	5,751,258

The municipality purchased units 22 489 423 (2021: 23 519 031 units) from Eskom and sold 20 640 531 units (2021: 19 810 295 units) resulting in a difference of 3 284 008 units (2021: 3 708 740 units) between the purchases and sales. This amounts to a distribution loss of 8.22% (2021: 15.77%).

48. Explanation of Variances on Actual Costs Versus Budgeted Costs

Note 1 - The decrease is as a result of non payments by businesses and residential customers, most of our customers were retrenched from their work.

Note 2 - The decrease is as a result of non payments by businesses and residential customers, most of our customers were retrenched from their work.

Note 3 - The decrease was due to loss of income by residents.

Note 4 - The decrease is due to delay on tribunal sittings.

Note 5 - The increase was due to interest rate and availability of cash in the bank.

Note 6 - The decrease is due to the unspent grant on MIG and resulting to roll over.

Note 7 - The decrease is due to number of fines withdrawn or reduced by the prosecutor.

Note 8 - The donation income was a result of assets that were donated to the municipality by Road Traffic Management Corporation (RTMC) and were recognised at their fair value.

Note 9 - The decrease was due to none increases on senior managers and unfilled vacant post during the financial year.

Note 10 - The councillors did not receive the increase as budgeted for during the financial period 2022/21.

Note 11 - The reduction in depreciation was due less project that were capitalised than what the municipality anticipated.

Note 12 - The decrease in the impairment was due to exclusion of government entities from the impairment consideration on their debt.

Note 13 - The increase in spending on bulk purchases was as a result on unanticipated increases in Eskom tariffs more than what we had budgeted.

Note 14 - The contracted services and general expenses were budgeted together if the the spending and the budgeting combined together the spending of the two line items it is in line within the budget.

Note 15 - Less land sites were sold during the financial period and there was a transfer of land sites from investment property to land inventory.

Note 16 - The significant amount of other receivables from exchange transactions were written of in the previous financial period after the budget has been submitted.

Note 17 - The result of reduced debtors is due to increase in significant amounts of consumer debtors being impairment as a result of increase in non payment of services being provided.

Note 18 - The budget for trade payables from exchange transactions is included in the normal expenses budget therefore the amount incurred is within the budgeted amount of expenses.

Note 19 - The result of more unspent grant was due to unanticipated changes to the regulations of supply chain issued by national treasury with regards to the Preferential Procurement Regulations of 2017.

Note 20 - The increase in provision was due to the increase in the valuation of the landfill site as per the experts report.

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48. Explanation of Variances on Actual Costs Versus Budgeted Costs (continued)

Note 21 - The increase in grants received as per cashflow is due to additional funding that was received during the year.

Note 22 - The decrease was due to none increases on senior managers and unfilled vacant post during the financial year.

Note 23 - The decrease was due to the increase in unspent grant due to unanticipated changes to the regulations of supply chain issued by national treasury with regards to the Preferential Procurement Regulations of 2017.

49. Accounting by principals and agents

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

Details of the arrangement(s) is/are as follows:

Water Service Authority (WSA) and Water Service Provider (WSP) Service Level Agreement

WSA (CDM) was authorized in terms of Structures Act Section 84(1) b and 84(1) to perform functions and exercises the powers as Water Service Authority. The District Municipality appointed Local Municipalities as WSPs in line with Water Service Provider Contract regulations (R980 of 19th July 2002) on interim basis. The contract commenced on the 1st July 2018 and remain effective until revised, reviewed, changed or amended by the parties. In terms of SLA, WSP shall account for the revenue collected as commission earned from the agency services in line with paragraph 8.3 titled Revenue Collection and implement credit Control and Debt Collection in line with paragraph 8.4 of the Service Level Agreement.

Memorandum of Understanding between Department of Roads and Transport (DRT) and Blouberg Local Municipality (BLM)

DRT is responsible for general motor vehicle registration and drivers' licenses in terms of applicable National and Provincial Road Traffic legislations. MOU formalizes the relationship between the two state organs and establishes the terms and conditions which the Municipality shall provide functions on behalf of DRT, in line with applicable legislations to the citizens of the republic and as envisaged by Batho Pele Principles. In terms of the MOU, BLM shall collect and retain monies as per annexure B and C of the MOU and pay to DRT a percentage agreed in the annexures, within a period of 30 days of each calendar month.

Memorandum of Understanding between Ontec (Pty) Ltd and Blouberg Local Municipality (BLM)

Ontec is contracted to the municipality, to provide on line vending service to pre paid customers. The agent manages pre paid meters and collects revenue on behalf of the municipality from third party vendors. The agent is paid (10,25%) based on commission of revenue collected on a monthly basis.

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 (WSA) is R (374,638) (2021:R 341,007).

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal (DRT) is R 4 516 988 (2021: R4 389 161).

Entity as principal

Fee paid

The aggregate amount of compensation fee that the entity recognised as fees for the transactions carried out on behalf of the agent is R1 174 490 (2021: R1 379 709).