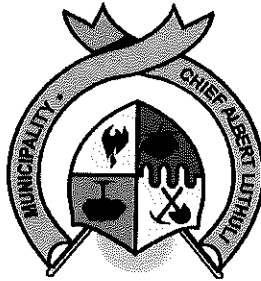


Audited
BY
2022-06-30
Auditor General South Africa
Mpumalanga Business Unit

Chief Albert Luthuli Local Municipality
(Registration number MP301)
Annual Financial Statements
for the year ended 30 June 2021



Chief Albert Luthuli Local Municipality
(Registration number MP301)
Annual Financial Statements for the year ended 30 June 2021

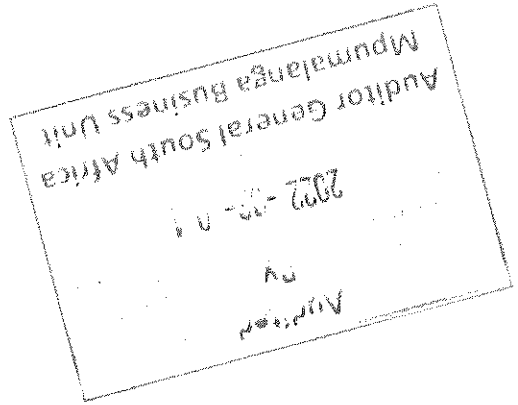
Chief Albert Luthuli Local Municipality
 (Registration number MP301)
 Annual Financial Statements for the year ended 30 June 2021

General Information

Local Municipality MP301
 Nkosi D.P.
 Executive Mayor
 Legal form of entity
 Municipal Demarcation Code
 Nkosi D.P.

Speaker
 Chief Whip
 Mayoral Committee
 Councillors

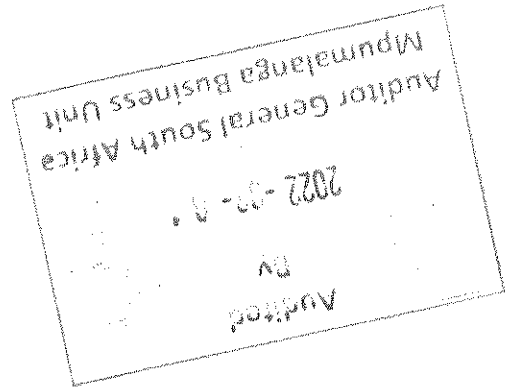
Mngomezulu M.W
 Masuku-Sidu L
 Magaula M.P.
 Nkosi S.Z.
 Makhubela N.V.
 Mntsi-Nkosi N
 Cindi N.R
 Gindza S.V
 Djudu Z.M
 Lubede E.J
 Mbhele J.S
 Motung R.M
 Mthombeni S.F
 Ngubeni A
 Nkosi A.D
 Nkosi G.J
 Nkosi J.S
 Nkosi V.L
 Nkosi T.J
 Shabangu L.D
 Sikhakhane N.B
 Simelane N.B
 Simelane J.D
 Thomo N.G
 Thabede M.J
 Mthembu M.S
 Malaza M.A
 Nkosi B.G
 Ngwenya R.D
 Nkosi T.S
 Shongwe J.D
 Jele J.J
 Nhlabathi N.C
 Khumalo M.J
 Mkhwanazi H.L.Z
 Zulu G.G
 Ngoma Z.S.G
 Van der Walt L
 Njanya M.L
 Matsaba M.L
 Hlabathi P.Z
 Zwane F.C
 Ndebele J.C.H



Chief Albert Luthuli Local Municipality
 (Registration number MP301)
 Annual Financial Statements for the year ended 30 June 2021

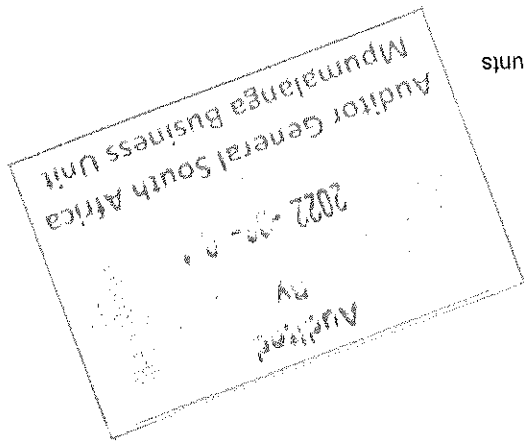
General Information

Nkosi S.P	
Zulu W	
Mbuli T.G	
Mhisi T.G	
Khoza D.P	
MS Dlamini	Accounting Officer
28 Kerk Street Carolina Mpumalanga 1185	Registered office
28 Kerk Street Carolina Mpumalanga 1185	Business address
Private Bag X24 Carolina 1185	Postal address
Grade 4 Mhisi M.G.T	Grading of local authority
Standard Bank of South Africa Limited	Bankers
Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors	Auditors
Guzana Attorneys Mohlala Attorneys Mokoena Attorneys	Attorneys



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

Accounting Officer's Responsibilities and Approval	5
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Statement of Financial Performance	10
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COLD	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
AGSA	Auditor-General of South Africa
MIG	Municipal Infrastructure Grant
INEP	Integrated National Electrification Programme
EEDSM	Energy Efficiency Demand Side Management Grant
FMG	Financial Management Grant
WSIG	Water Services Infrastructure Grant

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

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

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

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

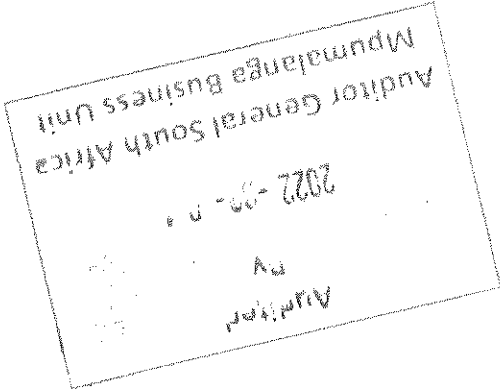
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal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

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

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements have been audited by the municipality's external auditors and their report is presented on page 8.

The annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the accounting officer on June 30, 2021 and were signed on by:

Accounting Officer
M.S. Dlamini



Audit Committee Report

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

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises. During the current year 8 meetings were held.

Name of member	Number of meetings attended
Stanley Ngobeni (Professional Accountant, RGA)	8
(Chairperson)	
Siyakhula Simelane CA (SA)	8
Obed Thenga (BCOM HONS, CGAP, MFMP)	8
Anil Singh (RGFP, ICMA, MFMP)	7

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury.

The audit committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

The effectiveness of internal control

Our review of the internal control environment revealed that there has been a room for improvement in the system of internal control of the municipality and reducing matters of emphasis and none compliance issues of previous year. Furthermore, there are several deficiencies in the system of internal control and/or deviations there were reported by the internal auditors and the Auditor-General. However, the Audit Committee notes management's commitment and action plan to correct deficiencies.

In-year management and monthly/quarterly report

The municipality does have an effective monthly and quarterly reporting system to the Council as required by the Municipal Finance Management Act (MFMA).

Performance management

The Audit Committee reviewed functionality of the performance management system and it appears to be somewhat functional, however there is a room for improvement in so far as achievement of planned targets is concerned and submission of portfolio of evidence timeously.

Risk management

The Audit Committee is of the opinion that municipality's risk management appears to be effective for the better of the year and material respect, and the municipality did implement a comprehensive risk management strategy and related policies. Management has no sound and effective approach has been followed in developing strategic risk management plans and there is a sense of appreciation of the impact of the municipality's risk management framework on the control environment. There is a room for improvement in so far as fraud prevention.

Compliance with laws and regulations

A number of non-compliance with the enabling laws and regulations were revealed by Audit Committee, AGSA, and Internal Audit during the year. Thus there is a room for improvement in so far as establishing an effective system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

Internal audit

The Audit Committee is satisfied with the effectiveness of Internal Audit, and recommends that Management and Council should capacitate this unit.

Audit Committee Report

Progress in implementation of AGSA findings from prior year

AGSA recommendations were not fully implemented by management at the time of this report, the progress was sitting at 88% in terms of implementation. There is a room for improvement in this regard and the Audit Committee recommended to the municipality to prioritise the implementation of recommendations by AGSA.

Progress on implementations of internal audit recommendations

A material number of internal audit recommendations were implemented by management. There is a room for improvement in this regard and thus, the Audit Committee recommended to prioritise the implementation of recommendations by Internal Audit.

Implementations of Audit Committee Recommendations by management

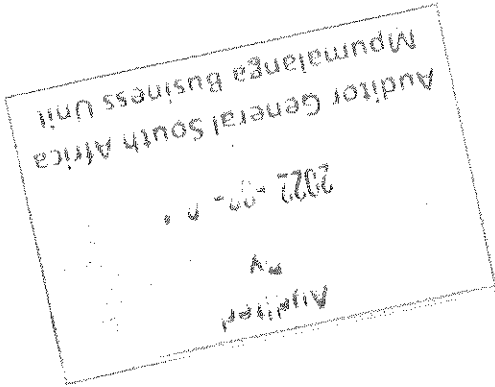
A material number of Audit committee recommendations to management were implemented the progress was sitting at 95% in terms of implementation. There is a room for improvement in this regard and thus, the Audit Committee recommended to municipality to fast track the implementation of recommendations by Audit Committee.

Conclusion

The Audit and Performance Committee wishes to acknowledge the commitment from Council, management and staff of the municipality. The stability in terms of the political and administrative leadership of the municipality has contributed to these improvements report above. We would also like to thank the Executive Mayor for his support, Councillors, senior management for their efforts and internal audit for their contribution.

SAB Ngobeni (Mr)
Chairperson of the Audit Committee
Chief Albert Lutshui Local Municipality

Date: _____



Chief Albert Lutulu Local Municipality
(Registration number MP301)
Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

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

1. Review of activities

Main business and operations

2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 1 672 292 394 (2020: R1 369 608 745) and that the municipality's total assets exceeds its liabilities by R 1 756 992 857 (2020: R 1 454 309 208).

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.

3. Subsequent events

The investigation into unauthorised, irregular and fruitless and wasteful expenditure was concluded after 30 June 2021.

4. COVID-19

The COVID-19 pandemic has had an impact on the operational and strategic functioning of the municipality. During the year under review the municipality has spent an amount to the tune of R3 818 293 in aid of compliance to the National State of Disaster Regulations. Funds were spent on necessities which include personal protective equipment and sanitizers as a means of protecting municipal employees and the community at large.

The virus has been anticipated to be in existence through the financial year which will result in a significant bearing on the future functioning of the municipality.

The pandemic is proposed to have a major impact on the performance and cashflow of the institution due to its decimation of economic activities from a global perspective. We are therefore anticipating reduced revenue collection which will have a significant impact on the financial performance of the municipality. This will also have a negative impact on the cashflow projections of the municipality which will result directly to a diminished liquidity position for the municipality.

5. Accounting policies

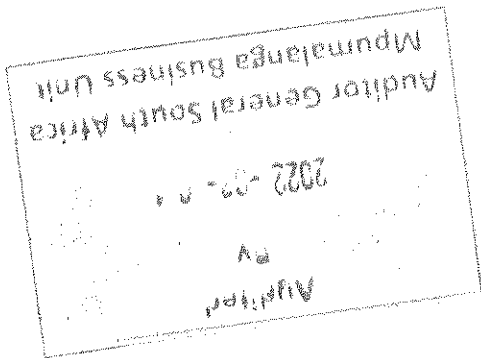
The annual financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations of such statements issued by the Accounting Standards Board.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name MS Dlamini

Nationality South African



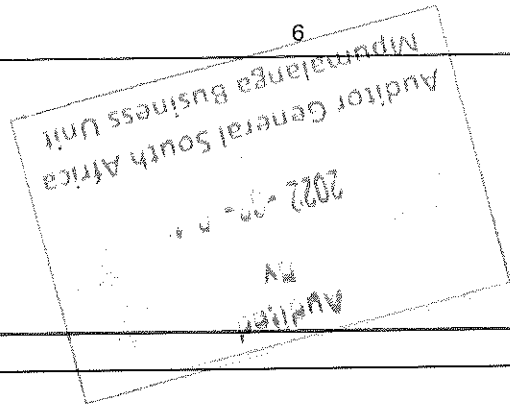
Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020
Restated*			
Assets			
Current Assets			
Cash and cash equivalents	2	97 774 418	56 073 361
Receivables from exchange transactions	3	35 769 460	47 264 269
Receivables from non-exchange transactions	4	107 505 703	148 903 553
Inventories	5	4 239 024	3 844 840
Investments	6	4 119 100	3 922 289
VAT receivable	7	17 265 149	20 998 627
Operating lease asset	8	488 194	119 665
Non-Current Assets			
Operating lease asset	8	539 232	428 625
Investments	6	428 504	409 508
Investment property	9	37 114 000	35 159 000
Property, plant and equipment	10	1 749 529 947	1 419 683 598
Total Assets		2 013 071 674	1 778 508 392
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	112 572 262	135 790 278
Finance lease obligation	12	3 515 965	3 741 109
Unspent conditional grants and receipts	13	10 608 024	78 999 999
Provisions	14	16 780 297	13 986 653
Employee benefit obligation	15	855 000	879 000
Long service award	16	1 339 000	993 000
Non-Current Liabilities			
Finance lease obligation	12	1 971 043	1 769 866
Employee benefit obligation	15	8 986 000	8 804 000
Provisions	14	90 256 227	70 637 271
Long service award	16	9 195 000	8 598 000
Total Liabilities		256 078 818	324 199 176
Net Assets		1 756 992 856	1 454 309 216
Reserves			
Revaluation reserve	17	84 700 463	84 700 463
Accumulated surplus		1 672 292 394	1 369 608 745
Total Net Assets		1 756 992 857	1 454 309 208



Chief Albert Luthuli Local Municipality
(Registration number MP301)
Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand

	2021	2020	Restated*
Revenue			
Revenue from exchange transactions	64 715 868	56 421 126	
Service charges	1 964 574	1 944 058	
Rental income	11 817 221	13 359 202	
Interest received from exchange transactions - consumers	146 211	155 118	
Licences and permits	3 022 360	1 963 477	
Other income	7 239 623	5 668 210	
Interest received - investment	-	224 711	
Gain on disposal of assets and liabilities	1 963 539	1 460 424	
Fair value adjustments	90 869 396	81 196 326	
Total revenue from exchange transactions	1 043 198 613	721 050 131	
Revenue from non-exchange transactions			
Taxation revenue	96 011 645	67 907 426	
Property rates	41 897 418	47 364 444	
Interest received from non-exchange transactions - consumers	810 697 635	519 097 257	
Transfer revenue	1 480 000	3 358 860	
Government grants & subsidies	2 242 519	2 125 818	
Fines	29	29	
Donations	22	22	
Total revenue from non-exchange transactions	952 329 217	639 853 805	
Total revenue	1 995 527 830	1 360 903 936	
Expenditure			
Employee related costs	(178 495 170)	(200 706 155)	
30	(178 495 170)	(200 706 155)	
31	(20 023 990)	(19 945 299)	
32	(45 055 711)	(45 528 424)	
33	(12 303 789)	(11 196 476)	
34	(7 777 975)	(3 347 404)	
36	(176 892 057)	(166 870 737)	
37	(86 605 870)	(84 876 557)	
38	(107 963 188)	(97 128 294)	
26	(333 244)	-	
39	(82 852 985)	(54 873 115)	
General Expenses	(740 514 964)	(662 261 476)	
Total expenditure	(1 360 903 936)	(1 360 903 936)	
Surplus for the year	634 623 894	0	

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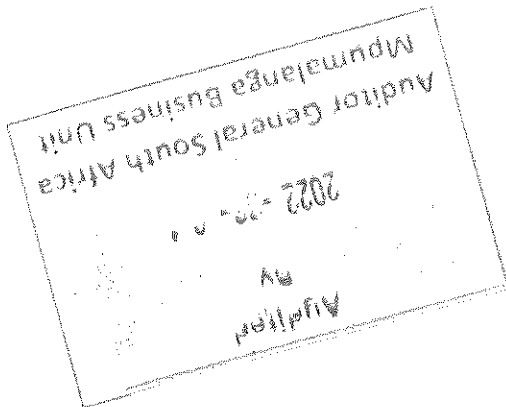
Chief Albert Luthuli Local Municipality
 (Registration number MP301)
 Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	84 700 463	1 228 101	1 312 801 618
Adjustments	-	-	-
Correction of errors	82 718 935	-	82 718 935
Balance at 01 July 2019 as restated*	84 700 463	1 310 820 090	1 395 520 553
Changes in net assets	-	58 788 655	58 788 655
Surplus for the year	-	58 788 655	58 788 655
Total changes	-	58 788 655	58 788 655
Restated* Balance at 01 July 2020	84 700 463	1 369 608 745	1 454 309 208
Changes in net assets	-	302 683 649	302 683 649
Surplus for the year	-	302 683 649	302 683 649
Total changes	-	302 683 649	302 683 649
Balance at 30 June 2021	84 700 463	1 672 292 394	1 756 992 857

Note(s)

17

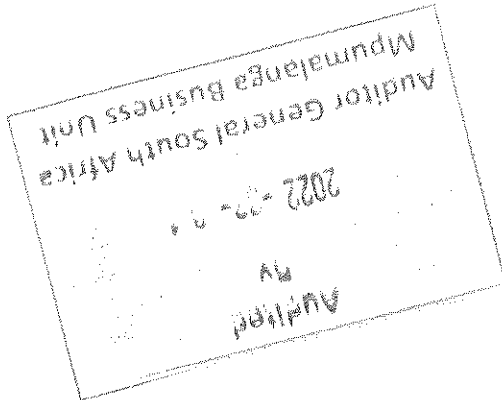


Chief Albert Luthuli Local Municipality
(Registration number MP301)
Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand

	2021	2020	Restated*
Cash flows from operating activities			
Receipts			
Service charges	92 685 272	79 019 503	
Government grants and subsidies	742 305 660	598 097 256	
Interest received - investments	7 239 623	5 616 634	
Other receipts	5 133 145	5 762 653	
	847 363 700	688 496 046	
Payments			
Employee related costs	(216 835 501)	(196 056 943)	
Suppliers	(300 198 308)	(206 122 658)	
	(517 033 809)	(402 179 601)	
Net cash flows from operating activities	330 329 891	286 923 507	
Cash flows from investing activities			
Purchase of property, plant and equipment	(366 917 588)	(199 684 992)	
Proceeds from sale of investment property	1 292 204	1 304 348	
Movement in operating lease asset	(110 607)	(347 321)	
Movement in investments	(215 807)	(51 574)	
	(660 328)	(394 249)	
Net cash flows from investing activities	(198 779 539)	(198 779 539)	
Cash flows from financing activities			
Finance lease payments	(6 079 151)	(5 504 896)	
	(6 079 151)	(5 504 896)	
Net cash flows from financing activities	(6 079 151)	(5 504 896)	
Net increase/(decrease) in cash and cash equivalents	(41 701 057)	81 862 450	
Cash and cash equivalents at the beginning of the year	97 774 418	15 911 968	
Cash and cash equivalents at the end of the year	56 073 361	97 774 418	



Chief Albert Luthuli Local Municipality
(Registration number MP301)
Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
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Statement of Financial Performance

Revenue						
Revenue from exchange transactions	106 063 320	-	106 063 320	64 715 868	(41 347 452)	57
Service charges	13 891	112 810	126 701	1 964 574	1 837 873	57
Rental of facilities and equipment	10 638 209	(3 050 988)	7 587 221	11 817 221	4 230 000	57
Interest received - consumers	-	-	-	146 211	146 211	57
Licences and permits	794 034	(311 872)	482 162	3 022 360	2 540 198	57
Other income	2 170 774	(1 991 527)	179 247	7 239 623	7 060 376	57
Interest received - investment	119 680 228	(5 241 577)	114 438 651	88 905 857	(25 532 794)	57
Total revenue from exchange transactions	119 680 228	(5 241 577)	114 438 651	88 905 857	(25 532 794)	
Revenue from non-exchange transactions	99 663 775	-	99 663 775	96 071 645	(3 592 130)	57
Taxation revenue	99 663 775	-	99 663 775	96 071 645	(3 592 130)	57
Property rates	-	-	-	41 897 918	41 897 918	
Property rates - penalties imposed	-	-	-	41 897 918	41 897 918	
Transfer revenue	755 385 225	(12 213 225)	743 172 000	810 697 635	67 525 635	57
Government grants & subsidies	-	-	-	1 480 000	1 480 000	57
Donations	179 274	-	179 274	2 242 519	2 063 245	57
Fines, Penalties and Forfeits	855 228 274	(12 213 225)	843 015 049	952 329 217	109 314 168	57
Total revenue from non-exchange transactions	855 228 274	(12 213 225)	843 015 049	952 329 217	109 314 168	
Total revenue	974 908 502	(17 454 802)	957 453 700	1 041 235 074	83 781 374	
Expenditure	(171 135 225)	(6 068 579)	(177 203 804)	(200 706 155)	(23 502 351)	57
Employee Costs	(27 948 386)	-	(27 948 386)	(20 023 990)	7 924 396	57
Remuneration of councillors	(47 405 346)	-	(47 405 346)	(45 055 711)	2 349 635	57
Depreciation and amortisation	-	-	-	(12 303 789)	(12 303 789)	57
Impairment loss	(1 460 312)	910 141	(550 171)	(7 777 975)	(7 227 804)	57
Finance costs	(56 658 443)	8	(56 658 435)	(176 892 057)	(120 233 622)	57
Debt Impairment	(94 626 251)	(6 033 789)	(100 660 040)	(86 605 870)	14 054 170	57
Bulk purchases	(91 713 209)	(6 400 023)	(98 113 232)	(107 963 188)	(9 849 956)	57
Contracted Services	(57 745 408)	(45 473 525)	(103 218 933)	(82 852 985)	20 365 948	57
General Expenses	(548 692 580)	(63 065 767)	(611 758 347)	(740 181 720)	(128 423 373)	
Total expenditure	(548 692 580)	(63 065 767)	(611 758 347)	(740 181 720)	(128 423 373)	
Operating surplus	426 215 922	(80 520 569)	345 695 353	301 053 354	(44 641 999)	
Loss on disposal of assets and liabilities	-	-	-	(333 244)	(333 244)	
Fair value adjustments	-	-	-	1 963 539	1 963 539	
Surplus before taxation	426 215 922	(80 520 569)	345 695 353	302 683 649	(43 011 704)	

Chief Albert Lutshui Local Municipality
 (Registration number MP301)
 Annual Financial Statements for the year ended 30 June 2021

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					
Actual Amount on Comparable	426 215 922	(80 520 569)	345 695 353	302 683 649	(43 011 704)
Basis as Presented in the					
Budget and Actual					
Comparative Statement					

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Chief Albert Luthuli Local Municipality
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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

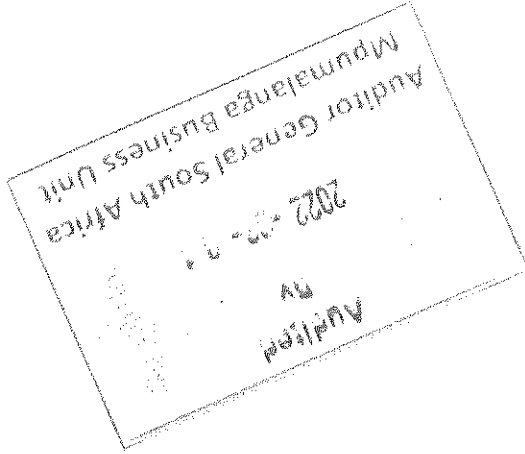
Budget on Cash Basis		Approved budget		Adjustments		Final Budget		Actual amounts on comparable basis		Difference between final budget and actual		Reference
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Statement of Financial Position												
Assets												
Current Assets												
13 823 291	90 862 772	104 686 063	56 073 361	(48 612 702)	13 823 291	34 687 528	191 831 472	226 519 000	35 769 460	(190 749 540)	57	57
Receivables from exchange transactions												
154 038 786	22 214 054	176 252 840	107 505 703	(68 747 137)	154 038 786							57
Receivables from non-exchange transactions												
13 980 000	(3 145 160)	10 834 840	4 239 024	(6 595 816)	13 980 000	4 119 100	4 291 116	4 119 100	18 480 576	(172 016)	57	57
Inventories												
410 000	3 881 116	4 291 116	4 119 100	(172 016)	410 000							57
Investments												
-	-	-	488 194	488 194	-							57
VAT receivable												
-	-	-	488 194	488 194	-							57
Operating lease asset												
216 939 605	305 644 254	522 583 859	226 675 418	(295 908 441)	216 939 605							57
Non-Current Assets												
-	-	-	539 232	539 232	-							57
Operating lease asset												
-	409 508	409 508	428 504	18 996	-							57
Investments												
69 903 786	(34 744 786)	35 159 000	37 114 000	1 955 000	69 903 786							57
Investment property												
1 282 885 592	1 456 079 131	2 738 964 723	1 749 529 947	(989 434 776)	1 282 885 592							57
Property, plant and equipment												
1 352 789 378	1 421 743 853	2 774 533 231	1 787 611 683	(986 921 548)	1 352 789 378							57
Liabilities												
Current Liabilities												
200 346 318	202 259 823	402 606 141	112 572 262	(290 033 879)	200 346 318							57
Payables from exchange transactions												
-	-	3 515 965	3 515 965	3 515 965	-							57
Finance lease obligation												
-	-	10 608 024	10 608 024	10 608 024	-							57
Unspent conditional grants and receipts												
27 052 157	12 406 366	39 458 523	16 780 297	(22 678 226)	27 052 157							57
Provisions												
-	-	855 000	855 000	855 000	-							57
Employee benefit obligation												
-	88 039 271	88 039 271	90 256 227	2 216 956	-							57
Long service award												
-	-	-	9 195 000	9 195 000	-							57
Total Liabilities												
227 398 475	302 705 460	530 103 935	256 078 818	(274 025 117)	227 398 475							57
Net Assets												
1 342 330 508	1 424 682 647	2 767 013 155	1 758 208 283	(1 008 804 872)	1 342 330 508							57
Net Assets Attributable to Owners of Controlling Entity												
84 700 463	-	84 700 463	84 700 463	-	84 700 463							57
Reserves												
84 700 463	-	84 700 463	84 700 463	-	84 700 463							57
Revaluation reserve												

Chief Albert Lutshui Local Municipality
 (Registration number MP301)
 Annual Financial Statements for the year ended 30 June 2021

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					
Accumulated surplus	1 263 676 000	363 060 000	1 626 736 000	1 672 292 393	45 556 393
Total Net Assets	1 348 376 463	363 060 000	1 711 436 463	1 756 992 856	45 556 393



Chief Albert Lutshui Local Municipality
 (Registration number MP301)
 Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Cash Flow Statement

Cash flows from operating activities

	2021	2020	2019
Receipts			
Service charges	133 839 122	133 839 122	133 839 122
Government grants and subsidies	742 305 635	742 305 635	742 305 660
Interest received - investments	2 170 774	2 170 774	7 239 623
Other receipts	3 157 949	3 157 949	5 133 145
	881 473 480	881 473 480	847 363 700
Payments			
Employee related costs	(205 152 190)	(219 621 843)	(216 835 501)
Suppliers	(302 542 376)	(302 542 376)	(300 198 308)
	(507 694 566)	(522 164 219)	(517 033 809)
Net cash flows from operating activities	373 778 914	(14 469 653)	330 329 891

	2021	2020	2019
Cash flows from investing activities			
Purchase of property, plant and equipment	(315 048 702)	(315 048 702)	(366 917 588)
Proceeds from sale of investment property	-	-	1 292 204
Movement in operating lease asset	-	-	(110 607)
Movement in investments	-	-	(215 807)
Net cash flows from investing activities	(315 048 702)	(315 048 702)	(365 951 798)

	2021	2020	2019
Cash flows from financing activities			
Finance lease payments	-	-	(6 079 151)
Net increase/(decrease) in cash and cash equivalents	58 730 212	(14 469 653)	44 260 559
Cash and cash equivalents at the beginning of the year	18 733 292	94 743 888	113 477 180
Cash and cash equivalents at the end of the year	77 463 504	80 274 235	157 737 739

Reconciliation

	2021	2020	2019
Cash and cash equivalents at the end of the year	77 463 504	80 274 235	157 737 739
Adjustment			
56 073 361	(101 664 379)		
57	(15 702 762)		

Auditor General South Africa
 Mpumalanga Business Unit
 2022-03-01

Accounting Policies

Figures in Rand	2021	2020
	Note(s)	

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, 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. All figures have been rounded to the nearest 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.

These accounting policies are consistent with the previous period.

1.1 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.

1.2 Significant judgements and sources of estimation uncertainty

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

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

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

Distribution losses

Distribution losses were assessed and management determined the estimate after consultation with management experts. The adjustment was based on available information. Additional disclosure has been included in note 37- Bulk Purchases.

Impairment testing

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

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 14 - Provisions.

1.2 Significant judgments and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The municipality used the government bond rate to discount future cash flows except where stated otherwise.

Allowance for doubtful debts

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

1.3 Investment property

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

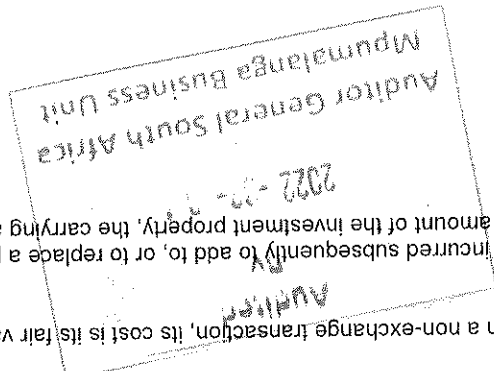
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

Investment property is initially recognised at cost. 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.



Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value, refer to note 9.

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.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on property, plant and equipment.

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

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

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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 obliged to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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
Land	Straight-line	Indefinite
Buildings	Straight-line	10-50 years
Leasehold property	Straight-line	0-100 years
Infrastructure	Straight-line	15-80 years
Community	Straight-line	10-50 years
Other assets	Straight-line	2-35 years

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

Items of municipality 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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

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

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

1.5 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. **Business Unit**

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:
• Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

Accounting Policies

1.5 Financial instruments (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
 - It is settled at a future date.
- Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

- equity instruments or similar forms of unissued capital;
- a formal designation of a class of such transfers (or a class of resources) 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.

Chief Albert Luthuli Local Municipality

(Registration number MP301)
Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Financial instruments (continued)

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.

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost

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

Class	Category
Trade payables	Financial liability measured at amortised cost

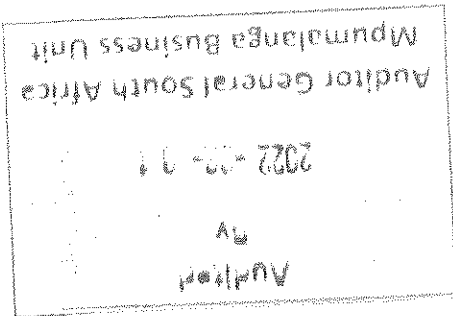
Initial recognition

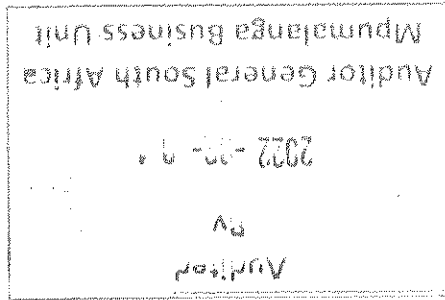
The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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





Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.5 Financial Instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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.

1.6 Leases

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

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

Accounting Policies

1.6 Leases (continued)

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessee

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

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

Accounting Policies

Chief Albert Luthuli Local Municipality
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1.7 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, a water rising 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.

Water is regarded as inventories when the municipality purchases water in bulk with the intention to resell it to consumers or to use it internally, or wherever the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes). However, water in water dams under control of the municipality, that are filled by natural resources and that has not been treated, cannot be measured reliably as there is no cost attached to the water, and is therefore not recognised as inventories.

1.8 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

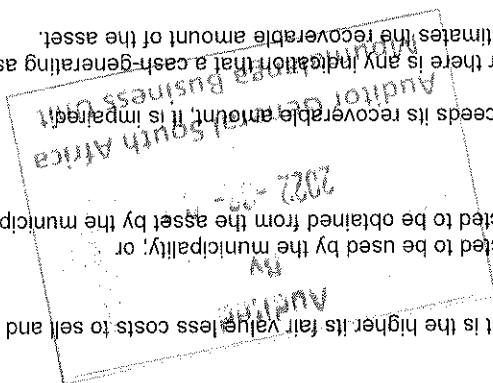
- the period of time over which an asset is expected to be used by the municipality, or
- the number of production or similar units expected to be obtained from the asset by the municipality.

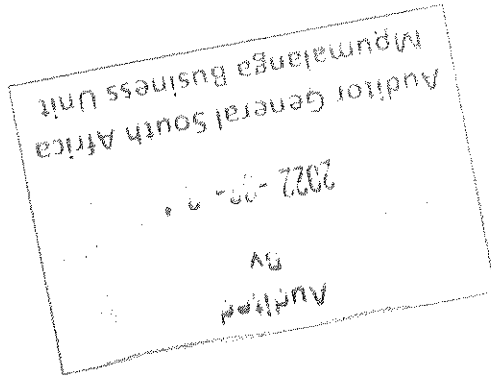
Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

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

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





1.8 Impairment of cash-generating assets (continued)

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Accounting Policies

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Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

1.9 Impairment of non-cash-generating assets

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

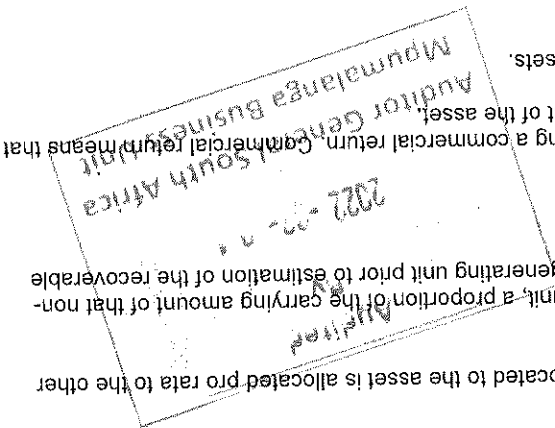
Non-cash-generating assets are assets other than cash-generating assets.

Identification

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

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

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



Accounting Policies

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

Value in use

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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

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

Accounting Policies

1.10 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

A present obligation exists when the entity has no realistic alternative but to make the payments.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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

To the extent that, at the beginning of the financial period, any cumulative unrecognized actuarial gain and 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 unrecognized actuarial gains and losses and unrecognized past service costs, and reduces by the fair value of plan assets.

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

Accounting Policies

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

If the municipality 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 the municipality:

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

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is

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

Accounting Policies

1.11 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

Decommissioning, restoration and similar liability

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

- If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.8 and 1.9.

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

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

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are imposed for breaches of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.12 Discontinued operations

Discontinued operation is a component of the municipality that has been disposed of, and:

- represents a distinguishable activity, group of activities or geographical area of operations
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled municipality acquired exclusively with a view to resale.

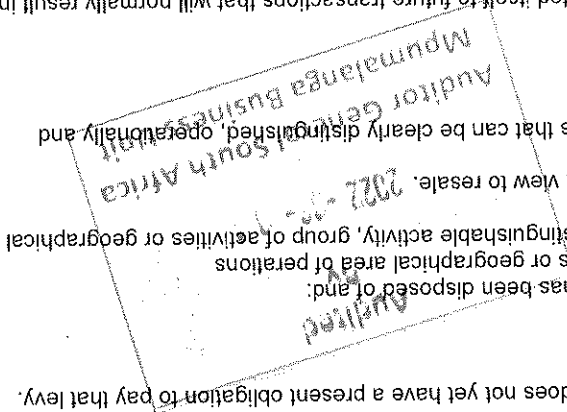
A component of the municipality is the operations and cash flows that can be clearly distinguished, operationally, and for financial reporting purposes, from the rest of the municipality

1.13 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:



Accounting Policies

1.13 Commitments (continued)

- 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.

1.14 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.

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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.

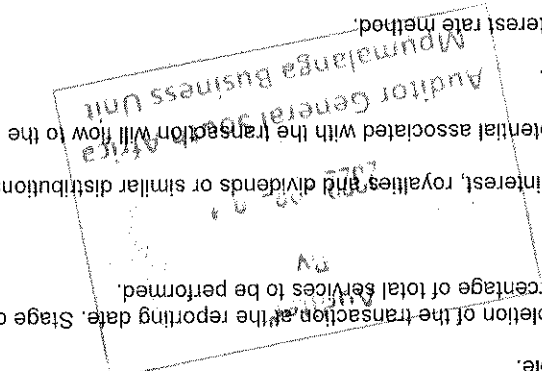
Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

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

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

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



Accounting Policies

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the municipality receives value from another municipality without directly giving approximately equal value in exchange

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.

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.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which ever is earlier. When government remit grants on a re-imbursment basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Concessional loans received

A concessional loan is a loan granted to or received by the municipality on terms that are not market related. The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.16 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.

Accounting Policies

1.17 Service concession arrangements: Grantor

Identification

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:

- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
 - the operator constructs, develops, or acquires from a third party; or
 - is an existing asset of the operator;
- is provided by the grantor which:
 - is an existing asset of the grantor; or
 - is an upgrade to an existing asset of the grantor.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial ownership, or otherwise, any significant residual interest in the asset at the end of the arrangement

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The municipality measures initially a service concession asset at its fair value.

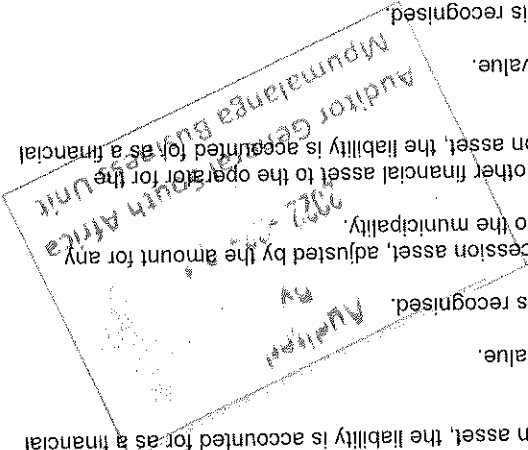
The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:

- a reduction in the liability recognised
- a finance charge; and
- charges for services provided by the operator.



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Accounting Policies

1.17 Service concession arrangements: Grantor (continued)

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determined using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

1.18 Comparative figures

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

1.19 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

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

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

1.22 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

Accounting Policies

1.23 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.24 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 41.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:

1.25 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.26 Budget information

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

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

The 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.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.27 Related parties

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.28 Events after reporting date

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

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

Accounting Policies

1.28 Events after reporting date (continued)

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.

1.29 Conditional grants and receipts

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. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.30 Expenditure

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

Expenses are recognised as when they satisfy the definitions and recognition criteria for those elements in the Framework for the Preparation and Presentation of Financial Statement

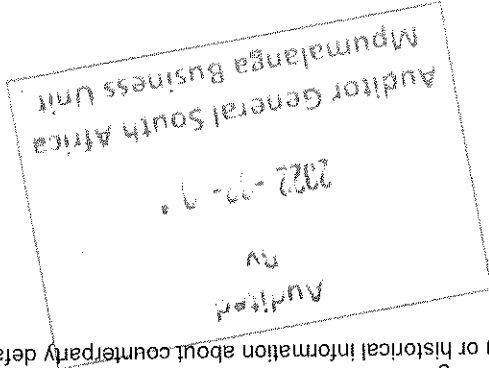
Notes to the Annual Financial Statements

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	2021	2020
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3 649	3 649
Bank balances	707 707	278 925
Other cash and cash equivalents	55 362 005	97 491 844
	56 073 361	97 774 418

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterpart default rates:



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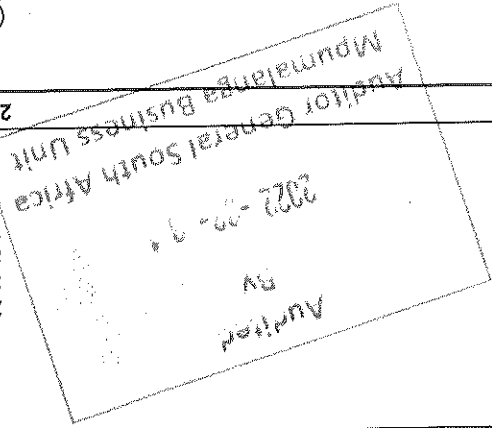
2. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Standard bank- 033255954	512 743	248 661	8 052 619	512 743	248 661	8 052 619	194 965	30 265	148 952
Standard bank- Cheque	194 965	30 265	148 952	194 965	30 265	148 952	-	-	-
Account-31686648	18 155 068	1 057 538	4 018 712	18 155 068	1 057 538	4 018 712	1 057 538	1 057 538	4 018 712
Standard bank- Investment	Account-308654552-001	1 007 826	13 255 996	1 007 826	13 255 999	1 007 826	13 255 999	13 255 999	2 300 868
Standard bank- Investment	Account-002	6 037 495	1 395 281	292 540	6 037 495	1 395 281	1 395 281	1 395 281	292 540
Standard bank- Investment	Account-038478668-003	6 037 495	1 395 281	292 540	6 037 495	1 395 281	1 395 281	1 395 281	292 540
Standard bank- Investment	Account-038478668-004	11 542 547	2 563 586	1 096 069	11 542 547	2 563 586	2 563 586	2 563 586	1 096 069
Standard bank- Investment	Account-038478668-004	18 597 744	79 218 020	18 597 744	79 218 020	18 597 744	79 218 020	79 218 020	-
Standard bank- Investment	Account-034878668-005	21 325	1 420	-	21 325	1 420	1 420	1 420	-
Standard bank- Investment	Account-038478668-006	18 155 068	1 057 538	4 018 712	18 155 068	1 057 538	18 155 068	18 155 068	4 018 712
Call accounts summary	Call account 1	18 155 068	1 057 538	4 018 712	18 155 068	1 057 538	18 155 068	18 155 068	4 018 712
	Call account 2	13 255 996	1 007 826	1 007 826	13 255 999	1 007 826	13 255 999	13 255 999	2 300 868
	Call account 3	6 037 495	1 395 281	292 540	6 037 495	1 395 281	6 037 495	6 037 495	292 540
	Call account 4	11 542 547	2 563 586	1 096 069	11 542 547	2 563 586	11 542 547	11 542 547	1 096 069
	Call account 5	18 597 744	79 218 020	18 597 744	79 218 020	18 597 744	79 218 020	79 218 020	-
	Call account 6	21 325	1 420	-	21 325	1 420	21 325	21 325	-
Total		56 069 713	97 770 767	15 909 760	56 069 713	97 522 109	56 069 713	56 069 713	15 909 760

3. Receivables from exchange transactions

	2021	2020	2019	2021	2020	2019
Gross balances	21 399 286	32 912 809	82 794 311	21 399 286	32 912 809	82 794 311
Electricity	18 909 272	23 169 917	72 235 011	18 909 272	23 169 917	72 235 011
Water	32 912 809	32 912 809	72 235 011	32 912 809	32 912 809	72 235 011
Sewerage	75 020 846	75 020 846	72 235 011	75 020 846	75 020 846	72 235 011
Refuse	1 485 294	1 485 294	75 020 846	1 485 294	1 485 294	75 020 846
Magoveni	918 659	918 659	1 485 294	918 659	918 659	1 485 294
Shatadi	6 750 721	6 750 721	8 032 582	6 750 721	6 750 721	8 032 582
Other	222 563 787	222 563 787	222 563 787	222 563 787	222 563 787	222 563 787
Less: Allowance for impairment	(18 154 530)	(27 955 363)	(17 763 951)	(18 154 530)	(27 955 363)	(17 763 951)
Electricity	(15 154 530)	(27 955 363)	(17 763 951)	(15 154 530)	(27 955 363)	(17 763 951)
Water	(17 763 951)	(27 955 363)	(17 763 951)	(17 763 951)	(27 955 363)	(17 763 951)
Sewerage	(54 293 157)	(70 232 911)	(54 293 157)	(54 293 157)	(70 232 911)	(54 293 157)
Refuse	(48 661 023)	(63 638 707)	(48 661 023)	(48 661 023)	(63 638 707)	(48 661 023)
Other	(6 814 111)	(6 814 111)	(6 814 111)	(6 814 111)	(6 814 111)	(6 814 111)
	(186 794 327)	(140 946 942)	(140 946 942)	(186 794 327)	(140 946 942)	(140 946 942)



Chief Albert Luthuli Local Municipality

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2021 2020

3. Receivables from exchange transactions (continued)

	2021	2020
Net balance	3 246 051	3 754 742
Electricity	4 957 446	5 405 966
Water	12 561 400	17 941 854
Sewerage	11 382 139	16 081 314
Refuse	1 485 294	1 485 294
Magoveni	918 659	918 659
Shatali	1 218 471	1 676 440
Other	35 769 460	47 264 269
Electricity	1 527 969	1 484 071
Current (0-30 days)	991 879	1 610 246
61 - 90 days	656 124	602 355
91 - 120 days	18 223 323	16 464 606
Less allowance for impairment	(18 153 235)	(15 154 529)
Water	1 459 317	1 718 533
Current (0-30 days)	1 459 317	1 718 533
61 - 60 days	1 404 781	931 032
61 - 90 days	28 768 405	18 844 308
91 - 120 days	(27 955 363)	(17 763 951)
Less allowance for impairment	4 998 822	5 868 848
Sewerage	1 203 907	1 202 172
Current (0-30 days)	1 141 951	1 168 810
31 - 60 days	1 101 020	1 135 484
61 - 90 days	79 344 691	68 725 937
91 - 120 days	(70 232 911)	(54 294 579)
Less allowance for impairment	12 558 658	17 937 824
Refuse	1 273 019	1 208 189
Current (0-30 days)	1 200 537	1 964 354
31 - 60 days	1 168 504	1 137 101
61 - 90 days	71 376 165	60 429 971
91 - 120 days	(63 638 707)	(48 662 512)
Less allowance for impairment	11 379 518	16 077 103
Magoveni	1 485 294	1 485 294
> 365 days	1 485 294	1 485 294
Shatali	918 659	918 659
> 365 days	918 659	918 659

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 Mpumalanga Business Unit
 2021-2022
 Auditor RV

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2021 2020

3. Receivables from exchange transactions (continued)

Other (specify)	2021	2020
Current (0 -30 days)	166 911	167 364
31 - 60 days	154 317	163 331
61 - 90 days	7 538 502	6 251 395
91 - 120 days	(6 814 111)	(5 074 281)
Less allowance for impairment	1 218 460	1 676 440

Reconciliation of allowance for impairment	2021	2020
Balance at beginning of the year	140 946 942	98 009 862
Contributions to allowance	45 847 385	42 937 080
	186 794 327	140 946 942

Consumer debtors pledged as security

None of the consumers receivables were pledged as security.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Consumer debtors impaired

As of 30 June 2021, consumer debtors of R 186 794 327 (2020: R 140 946 942) were impaired and provided for. The amount of the provision was R 45 847 385 as of 30 June 2021 (2020: R 42 937 080).

4. Receivables from non-exchange transactions

Gross balances
Property Rates
Staff Debtor
Traffic fines

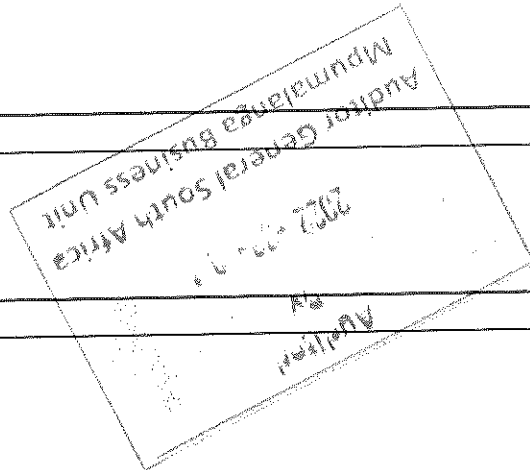
707 239 179	619 672 841
309 717	309 717
41 819 624	39 739 140
749 368 520	659 721 698

Less: Allowance for impairment
Consumer debtors - Rates
Staff Debtor
Traffic fines

(600 204 603)	(471 253 154)
(41 658 214)	(39 564 991)
(641 862 817)	(510 818 145)

Net balance
Consumer debtors - Rates
Staff Debtor
Traffic fines

107 034 576	148 419 687
309 717	309 717
161 410	174 149
107 505 703	148 903 553



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4. Receivables from non-exchange transactions (continued)

	2021	2020
Rates	11 806 076	21 067 670
Current (0 - 30 days)	11 525 241	19 406 261
31 - 60 days	11 433 394	18 640 984
61 - 90 days	672 765 127	567 830 681
91 - 120 days	(600 204 603)	(471 253 154)
Less allowance for impairment	107 325 235	155 692 442
Staff debtor	309 717	309 717
91 - 120 days	309 717	309 717

	2021	2020
Traffic fines	177 330	256 193
Current (0 - 30 days)	318 555	223 260
31 - 60 days	231 740	120 134
61 - 90 days	41 091 999	39 209 962
91 - 120 days	(41 658 214)	(39 564 991)
Less allowance for impairment	161 410	244 558

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 Mpumalanga Business Unit

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4. Receivables from non-exchange transactions (continued)

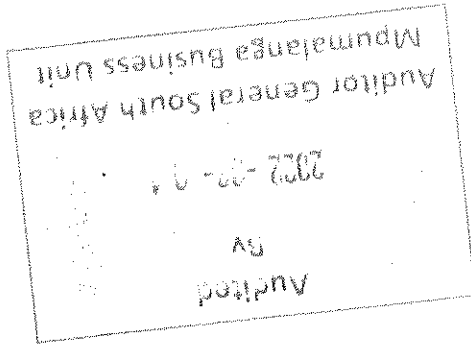
Summary of debtors by customer classification

Consumers	2021	2020
Current (0-30 days)	9 776 729	21 067 670
31 - 60 days	9 347 039	19 406 261
61 - 90 days	9 175 813	18 640 984
91 - 120 days	587 796 608	567 830 681
Less: Allowance for impairment	(616 096 189)	(626 945 596)
	39 078 372	155 692 442

Industrial commercial	2021	2020
Current (0-30 days)	2 388 371	20 711 632
31 - 60 days	1 878 393	20 356 666
61 - 90 days	1 576 920	17 096 613
91 - 120 days	85 509 177	392 303 812
Less: Allowance for impairment	(91 347 861)	(450 468 723)
	5 794 105	107 912 060

National and provincial government	2021	2020
Current (0-30 days)	1 551 466	521 328
31 - 60 days	1 526 942	482 721
61 - 90 days	1 561 531	393 868
91 - 120 days	82 787 528	8 005 545
	87 427 467	9 403 462

Total	2021	2020
Current (0-30 days)	13 888 896	42 556 823
31 - 60 days	13 070 930	40 468 907
61 - 90 days	12 546 004	36 131 465
91 - 120 days	797 183 761	1 007 659 717
Less: Allowance for impairment	(836 689 591)	(1 126 816 912)
	132 461 354	273 442 103



Chief Albert Luthuli Local Municipality
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Annual Financial Statements for the year ended 30 June 2021

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	2021	2020
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4. Receivables from non-exchange transactions (continued)

	2021	2020
Reconciliation of allowance for impairment	510 818 145	386 887 400
Balance at beginning of the year	131 044 672	123 930 745
Contributions to allowance	641 862 817	510 818 145

Receivables from non-exchange transactions pledged as security

None of the receivables were pledged as security.

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Receivables from non-exchange transactions impaired

As at 30 June 2021, receivables from non-exchange transactions of R641 862 817 (2020: R510 818 145) were impaired and provided for.

The amount of the provision for the year ended 30 June 2021 was R131 044 672 (2020: R123 930 745)

5. Inventories

	2021	2020
Consumables	4 090 355	3 711 528
Water for distribution	148 669	133 312
	4 239 024	3 844 840

Reconciliation of inventory movement

	2021	2020
Opening balance	3 711 528	3 494 404
Purchased	731 669	867 664
Utilised	(352 841)	(650 540)
	4 090 356	3 711 528

Reconciliation of water stock movement

	2021	2020
Opening balance	133 312	114 274
Produced	16 357	19 038
	149 669	133 312

Inventory pledged as security

At year end no inventory has been pledged as security.

6. Investments

Designated at amortised cost

	2021	2020
Sanlam: Guarantee Capital Fund- Policy number 9921774X7	121 395	114 895
RMB Momentum- Account number RU 500434741	307 108	294 613
Stanlib Classic Investment Plan- Account number IP0006247	735 695	692 849
Stanlib Extra Income Fund- Account number IP0006247	2 570 743	2 448 824
	3 734 942	3 551 181

Chief Albert Luthuli Local Municipality

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	2021	2020
6. Investments (continued)		
Listed investments at fair value	8 12 662	780 616
Listed shares		
Total other financial assets	4 547 604	4 331 797
Non-current assets		
At amortised cost	428 504	409 508
Current assets		
At amortised cost	3 306 438	3 141 673
Listed investment at fair value	812 662	780 616
	4 119 100	3 922 289

Financial assets at fair value

Listed shares are carried at fair value:

The municipality owns 13 242 shares in Sanlam Limited which was trading at R61,37 (2020: R58,94) per share at the end of the reporting period.

None of the financial assets that are fully performing have been renegotiated in the last year.

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Credit quality of investments

The credit quality of financial assets neither past nor impaired can be by reference to external credit ratings (if available) or to historical information about counterparty default rates.

7. VAT receivable

VAT

8. Operating lease asset

Non-current assets

Current assets

	2021	2020
Operating lease asset	539 232	428 625
	488 194	119 665
	1 027 426	548 290

At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:

	2021	2020
Operating lease as Lessor	488 194	119 665
Within one year	539 232	428 625
In the second to fifth year		
	1 027 426	548 290

Operating lease asset represents rentals receivable by the municipality for the premises/properties rented out. The lease was negotiated for periods ranging from 24 months to 119 months. The rentals escalate on average between 6% and 10% per annum.

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9. Investment property

	2021		2020	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
Investment property	37 114 000	-	37 114 000	35 159 000
				35 159 000

Reconciliation of investment property - 2021

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	35 159 000	23 506	1 931 494	37 114 000

Reconciliation of investment property - 2020

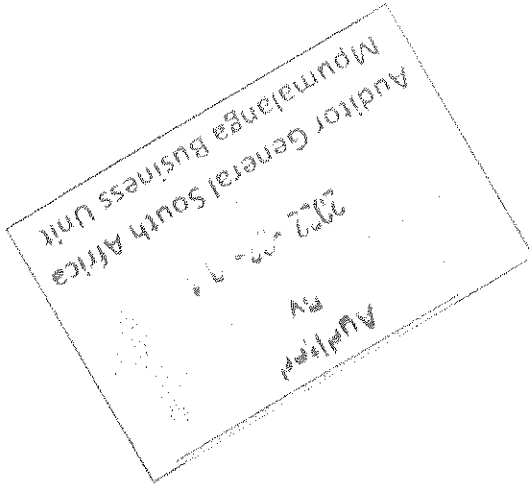
	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Investment property	35 237 000	(940 000)	(650 000)	1 512 000	35 159 000

Pledged as security

At year end no investment property has been 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.

Auditor General
 Mpumalanga Business Unit
 2021-22-11-14
 Auditor



Chief Albert Lutshuli Local Municipality

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9. Investment property (continued)

Details of valuation

Revaluations were performed by an independent valuer, DDP Valuers who are not connected to the municipality.

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

Reconciliation of valuation obtained and the valuation included in the financial statements

Rental revenue in surplus for the year	1 964 574	1 944 058
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Chief Albert Luthuli Local Municipality

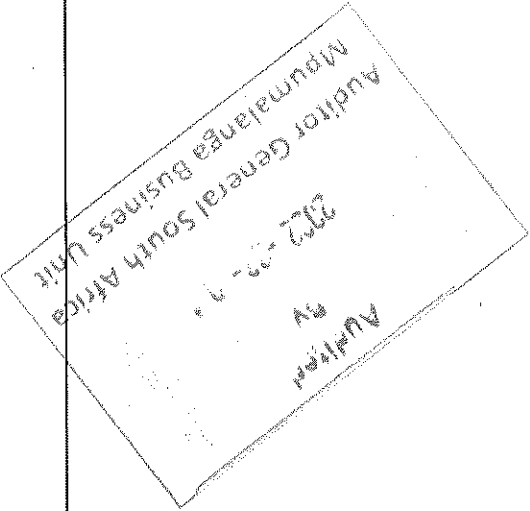
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10. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	114 447 700	-	114 447 700	114 495 700	-	114 495 700
Buildings	9 065 102	(4 641 508)	4 423 594	8 854 215	(4 140 765)	4 713 450
Infrastructure	1 712 637 961	(756 517 108)	956 120 853	1 647 317 981	(712 790 321)	934 527 660
Community Infrastructure -Work In Progress	133 646 441	(23 691 560)	109 954 881	82 958 500	(18 599 980)	64 358 520
Landfill site	479 512 482	-	479 512 482	250 109 928	-	250 109 928
Other property, plant and equipment	59 166 886	(15 490 191)	43 676 695	43 984 906	(13 186 086)	30 798 820
	64 232 683	(22 838 941)	41 393 742	43 746 736	(23 067 216)	20 679 520
Total	2 572 709 255	(823 179 308)	1 749 529 947	2 191 467 966	(771 784 368)	1 419 683 598



Chief Albert Luthuli Local Municipality

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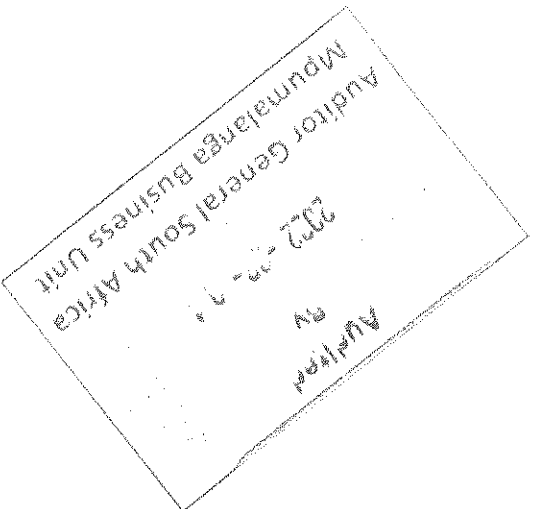
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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	114 495 700	-	(48 000)	-	-	-	-	-	114 447 700
Buildings	4 713 450	365 000	-	-	(23 506)	-	(300 090)	(331 260)	4 423 594
Infrastructure	934 527 660	-	-	65 319 976	-	-	(34 449 546)	(9 277 237)	956 120 853
Community	64 358 520	-	-	50 687 941	-	-	(3 288 687)	(1 802 893)	109 954 881
Infrastructure - Work in Progress	250 109 928	345 575 410	-	-	(116 007 921)	(164 935)	-	-	479 512 482
Landfill site	30 798 820	-	-	-	-	15 181 980	(1 807 383)	(496 722)	43 676 695
Other property, plant and equipment	20 679 520	27 897 352	(1 577 448)	-	-	-	(5 210 005)	(395 677)	41 393 742
	1 419 683 598	373 837 762	(1 625 448)	116 007 917	(116 031 427)	15 017 045	(45 055 711)	(12 303 789)	1 749 529 947



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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Prior year error	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	115 334 700	-	-	(1 001 500)	162 500	-	(314 012)	(265 450)	114 495 700
Buildings	4 805 412	-	-	-	487 500	-	(36 623 533)	(7 529 522)	4 713 450
Infrastructure	877 243 235	-	-	-	78 860	101 358 619	(2 550 933)	(1 145 370)	934 527 660
Community	68 054 823	-	-	-	-	(101 358 619)	-	-	64 358 520
Infrastructure - Work in progress	157 723 766	195 483 912	-	(1 739 130)	-	-	(1 807 387)	(1 263 026)	250 109 928
Landfill site	33 869 233	-	-	-	-	-	(4 232 559)	(993 108)	30 798 820
Other property, plant and equipment	19 733 780	4 731 015	(139 637)	-	1 580 000	-	-	-	20 679 520
	1 276 764 949	200 214 927	(139 637)	(2 740 630)	2 308 860	-	(45 528 424)	(11 196 476)	1 419 683 598

Pledged as security

None of the above property, plant and equipment have been pledged as security.

Revaluations

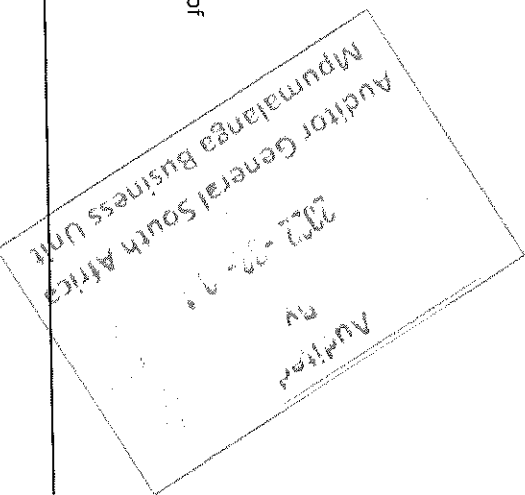
The effective date of the revaluations was Wednesday, 01 July 2020. Revaluations were performed by independent valuer, DDP Valuers. DDP Valuers are not connected to the municipality.

These assumptions were based on current market conditions.

Change in estimate

In terms of the requirements of GRAP 17 the useful lives of all asset items were reviewed by management at year end. The remaining useful life expectations of some asset items differed from previous estimate. This resulted in a revision of some of the previous estimates which was accounted for as a change in estimate. The effect of this revision is a decrease in depreciation charge for the current period R3 432 764 (2020: R6 001 697).

The future impact of the revision will be a decrease in the depreciation charge amounting to R3 432 764.



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10. Property, plant and equipment (continued)

Long outstanding capital projects

Carrying value of property, plant and equipment that is taking a significantly

longer period of time to complete than expected

REFURBISHMENT OF WATER SCHEME-SADCC

Funding was not sufficient to complete the project, the municipality is still awaiting the

additional funding. The project is expected to be completed in the next financial year.

3 142 580

DEPARTMENT OF WATER AFFAIRS (DWA) - PROFESSIONAL FEES SADCC

Funding was not sufficient to complete the project, the municipality is still awaiting the

additional funding. The project is expected to be completed in the next financial year.

2 743 225

CONSTRUCTION OF WATER RETICULATION

Funding was not sufficient to complete the project, the municipality is still awaiting the

additional funding. The project is expected to be completed in the next financial year.

810 717

DEPARTMENT OF WATER AFFAIRS (DWA) REFURBISHMENT-WATER SERVICE

INFRASTRUCTURE GRANT (WSIG)

Funding was not sufficient to complete the project, the municipality is still awaiting the

additional funding. The project is expected to be completed in the next financial year.

1 495 090

WATER SERVICE INFRASTRUCTURE GRANT (WSIG) 2016/17 MECHANICAL

Funding was not sufficient to complete the project, the municipality is still awaiting the

additional funding. The project is expected to be completed in the next financial year.

6 078 172

WATER SERVICES INFRASTRUCTURE GRANT (WSIG) 2016/17 MECHANICAL &

ELECTRICAL MODA WOMEN

Funding was not sufficient to complete the project, the municipality is still awaiting the

additional funding. The project is expected to be completed in the next financial year.

6 989 599

WATER SERVICES INFRASTRUCTURE GRANT (WSIG)-DEPARTMENT OF WATER

AFFAIRS (DWA) REFURBISHMENT PROGRAMME 2016/17

Funding was not sufficient to complete the project, the municipality is still awaiting the

additional funding. The project is expected to be completed in the next financial year.

2 164 784

WATER SERVICES INFRASTRUCTURE GRANT (WSIG) 15/16-MODA WOMEN

17/20

Funding was not sufficient to complete the project, the municipality is still awaiting the

additional funding. The project is expected to be completed in the next financial year.

5 196 929

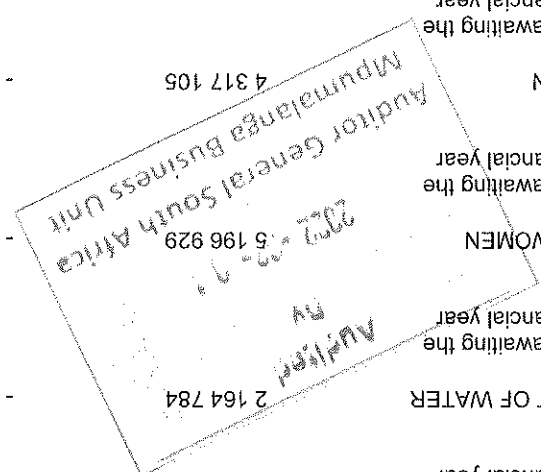
WATER SERVICES INFRASTRUCTURE GRANT (WSIG) 15/16-RAYRON

AUTOMATION 17/20

Funding was not sufficient to complete the project, the municipality is still awaiting the

additional funding. The project is expected to be completed in the next financial year.

4 317 105



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	2021	2020
10. Property, plant and equipment (continued)	3 603 775	-
COMMUNITY HALLS - MK DUBE		
Funding was not sufficient to complete the project, the municipality is still awaiting the additional funding. The project is expected to be completed in the next financial year		
REFURBISHMENT OF CAROLINA WATER WASTE P20/2014	5 000 935	-
Funding was not sufficient to complete the project, the municipality is still awaiting the additional funding. The project is expected to be completed in the next financial year		
UPGRADE OF ELUKWATINI WASTE WATER TREATMENT WORKS IN WARD 13,18	8 298 228	-
AND PART 23 ALMP 05/2014		
Funding was not sufficient to complete the project, the municipality is still awaiting the additional funding. The project is expected to be completed in the next financial year		
	49 841 139	-

Reconciliation of Work-in-Progress 2021

Opening balance	203 520 835	46 589 093	250 109 928
Additions/capital expenditure	337 872 789	7 702 621	345 575 410
Other movements	(164 935)	-	(164 935)
Transferred to completed items	(65 319 981)	(50 687 940)	(116 007 921)
Included within Infrastructure Community	203 520 835	46 589 093	250 109 928
Total	475 908 708	3 603 774	479 512 482

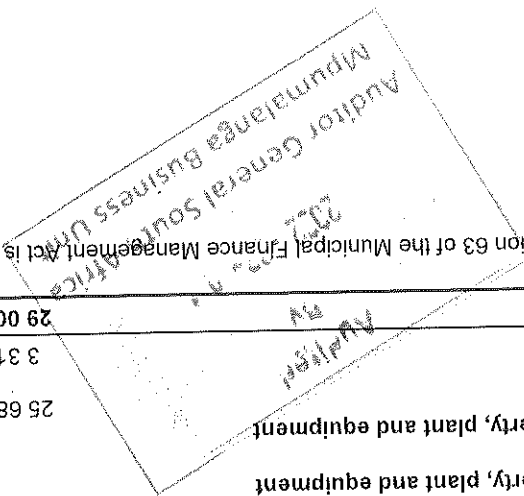
Reconciliation of Work-in-Progress 2020

Opening balance	132 732 205	24 991 561	157 723 766
Additions/capital expenditure	172 147 249	21 597 532	193 744 781
Transferred to completed items	(101 358 619)	-	(101 358 619)
Included within Infrastructure Community	203 520 835	46 589 093	250 109 928
Total	203 520 835	46 589 093	250 109 928

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment	25 682 302	18 007 874	775 999
Maintenance of equipment			
Maintenance of building facilities			
Maintenance of other assets	3 318 303	1 988 058	
Total	29 000 605	20 771 931	

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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	2021	2020
Trade payables	10 811 978	45 519 092
Retentions	38 768 298	44 856 343
Prepaid electricity	142 092	183 515
Payroll accruals - 13th Cheque	3 812 424	3 183 542
Consumer deposits	481 030	474 562
1% social responsibility	5 100 502	3 464 174
Income received in advance	53 374 205	38 086 673
Unallocated deposits	81 733	22 377
	112 572 262	135 790 278

Consumer deposits

Consumer deposits are paid by consumers on application for a new water and electricity connection. The deposit are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilize the deposit as payment for the outstanding account. No interest is paid on consumer deposits held.

12. Finance lease obligation

	2021	2020
Minimum lease payments due	3 767 184	4 133 437
- within one year	2 030 408	1 853 931
- in second to fifth year inclusive	1 736 776	2 279 506
less: future finance charges	(310 584)	(476 393)
Present value of minimum lease payments	5 487 008	5 510 975

Present value of minimum lease payments due

	2021	2020
- within one year	3 515 964	3 741 109
- in second to fifth year inclusive	1 971 042	1 769 866

The average lease term was 3 years and the average effective borrowing rate was 9%.

Some leases have fixed repayment terms and others escalate. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

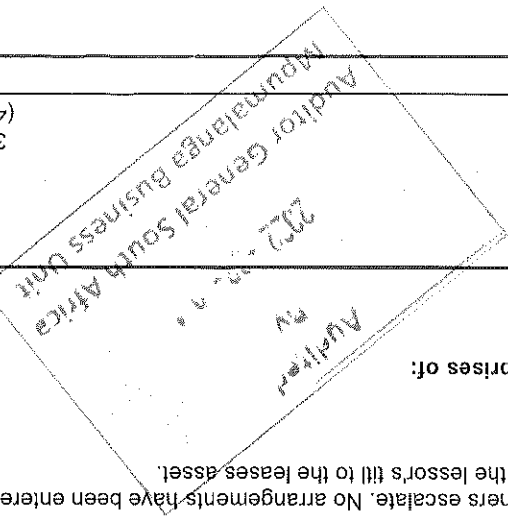
13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2021	2020
Unspent conditional grants and receipts	10 608 024	78 999 999
Regional Bulk Infrastructure Grant		

Movement during the year

	2021	2020
Balance at the beginning of the year	79 000 000	-
Additions during the year	348 170 660	598 097 256
Income recognition during the year	(416 562 636)	(519 097 256)
	10 608 024	79 000 000



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14. Provisions

Reconciliation of provisions - 2021

Provision for rehabilitation	70 637 271	19 618 956	90 256 227
Leave	13 986 653	2 793 644	16 780 297
Opening Balance	70 637 271	19 618 956	90 256 227
Additions	19 618 956	2 793 644	16 780 297
Total	90 256 227	22 412 600	107 036 524

Reconciliation of provisions - 2020

Provision for rehabilitation	69 715 888	921 383	70 637 271
Leave	11 518 693	2 467 960	13 986 653
Opening Balance	69 715 888	921 383	70 637 271
Additions	921 383	2 467 960	13 986 653
Total	70 637 271	3 389 343	84 623 924

Provision for rehabilitation

The municipality engages in waste disposal operations from residential and business areas within the

- Carolina (old)
- Ekulindeni
- Eukwathi
- Empulzi
- eManzana
- Carolina (new)

General Landfill Closure Costing Model

ESS has developed a General Landfill Closure Costing Model (GLCCM) to estimate the final rehabilitation and closure costs for general landfills. The GLCCM is being updated in cooperation with Jones and Wagener Consulting Civil Engineers (Pty) Ltd, a company that is actively involved in rehabilitation and closure of landfill sites. The GLCCM standardises the determination of landfill closure costs between different landfills and for the same landfill over time. The GLCCM is based on the Minimum Requirements for Waste Disposal by Landfill of the Department of Water Affairs (1998), as amended by more recent regulations. The GLCCM provides a reliable best possible estimate of closure costs in terms of paragraph 49 of GRAP 19 or paragraph 36 of IAS 37.

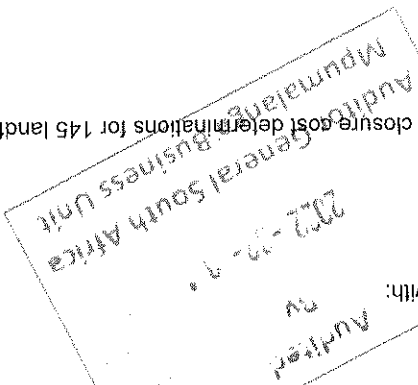
The liability calculated using the GLCCM includes costs associated with:

- Pre-closure planning and approvals (four cost elements)
- Final rehabilitation and closure (seven cost elements)
- 30 years post-closure monitoring (seven cost elements)

Between 2011 and 2020, the GLCCM has been used to conduct 485 closure cost determinations for 145 landfills and quarries controlled by 49 municipalities/entities spread over eight provinces.

A detailed description of the GLCCM is provided separately.

Financial assumptions used



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14. Provisions (continued)

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

Consumer Price Index (CPI)
The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last quarter amounted to 4,8235%.

Discount rate
GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material.

GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality).

Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

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

- For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.
- For landfills with an expected remaining life of four of five years, the rate associated with a maximum period of 5 years is used.
- For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

Key financial assumptions used

	For Eukwathi and Ekulindeni	For Carolin(a)old and eManzana landfills	For Ekulindeni and Empulzi landfills	For Eukwathi and Empulzi landfills (new)
CPI	4,8235%	4,8235%	4,8235%	4,8235%
Discount rate	7,5735%	7,0735%	2,25%	4%
Net effective discount rate	2,75%	2,25%	2,25%	2,75%

Discounting of closure costs
The discounted value of the liability for the closure of the landfills is shown below:

	2021	2020
Landfill closure provision	90 256 227	70 637 271
Interest charge	4 436 976	5 291 366
	94 693 203	75 928 637

The landfill closure provision is calculated as the net present value of future cash flows.

The interest charge is calculated as the product of the provision calculated in the previous year and the discount rate used in the previous year for each landfill.

Current and non-current liability

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	2021	2020
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14. Provisions (continued)

The individual reports for the respective landfills must be consolidated for an explanation of any disclosure of a current liability for landfill closure.

Current and non-current discounted liability for landfill closure costs	90 256 227	70 637 271
Non-current liability		

Current and non-current liability

The individual reports for the respective landfills must be consolidated for an explanation of any disclosure of a current liability for landfill closure.

Current and non-current discounted liability for landfill closure costs	90 256 227	70 637 271
Current liability	90 256 227	70 637 271
Non-current liability		

Disclosures

The results of this assessment should be disclosed as follows in the financial statements.

Disclosures in the Statement of Financial Performance or the notes thereto

Change in landfill closure provision	15 181 980	(4 369 983)
Interest charge	4 436 976	5 291 366
	19 618 956	921 383

Disclosures in the Statement of Financial Position or the notes thereto

Net Liability in Balance Sheet

Opening balance	70 637 271	69 715 888
Change in landfill closure provision	15 181 980	(4 369 983)
Interest charge	4 436 976	5 291 366
	90 256 227	70 637 271

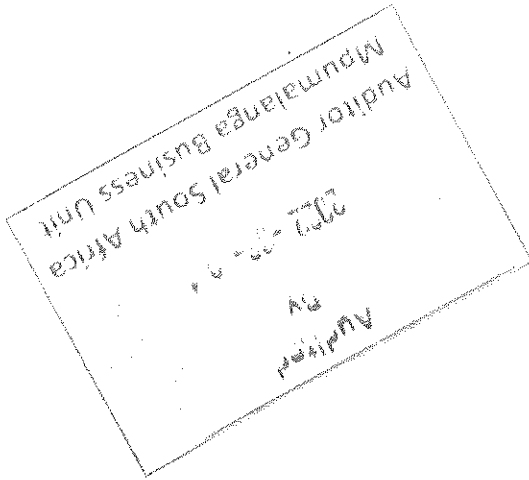
15. Employee benefit obligations

Defined benefit plan

No employees are entitled to a post-employment medical aid subsidy. Continuation members and their eligible dependants receive a subsidy of 100%, except for two members who receive a 70% subsidy.

Upon a member's death-in-retirement, surviving dependants are entitled to continue to receive the same subsidy.

The post-employment subsidies are not limited to any maximum subsidy.



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15. Employee benefit obligations (continued)

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

Carrying value of the defined benefit obligation-wholly unfunded (9 841 000) (9 683 000)

Employee benefit obligation

Current portion (879 000) (879 000)
Non-current portion (8 804 000) (8 804 000)

(9 683 000) (9 683 000)

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

Opening balance 10 691 483 9 683 000
Interest costs 836 000 836 000
Benefits paid (816 978) (816 978)
Actuarial gain/(loss) (1 083 926) (1 083 926)

9 683 000 9 683 000

Net expense recognised in the statement of financial performance

Interest cost 836 000 836 000
Actuarial (gains) losses (1 083 926) (1 083 926)

1 001 302 (191 505)

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15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Assumptions used at the reporting date:	2021	2020
Discount rate	9.13 %	9.03 %
Health care cost inflation rate	6.27 %	5.29 %
Net discount rate	2.69 %	3.55 %

Financial Assumptions
It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Financial Assumptions
It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Financial Assumptions
It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount rate
GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 9.13% per annum has been used. The corresponding index-linked yield at this term is 3.69%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2021.

Health Care Cost Inflation Rate
This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 6.27% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 4.77%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 2.69% which derives from $((1+9.13\%)/(1+6.27\%))^{-1}$. The expected inflation assumption of 4.77% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (3.69%) and those of fixed interest bonds (9.13%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+9.13\%-0.50\%)/(1+3.69\%))^{-1}$.

Demographic Assumptions
Demographic assumptions are required to estimate the changing profile of retirees who are eligible for the post-employment medical aid subsidy.

Post-Employment Mortality
PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from $[1 - (1 - 1\%)^2]$, and so on.

Family Profile
It has been assumed that female spouses will be five years younger than their male counterparts. Actual subsidised spouse dependants were used and the potential for remarriage was ignored.

Medical Scheme Option
It has been assumed that continuation members will remain on the same medical scheme and option.

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15. Employee benefit obligations (continued)

Plan Assets

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

Other Assumptions

It was assumed that the Municipality's health care arrangements and subsidy policy would remain as outlined in Section 3. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable and will continue.

Sensitivity analysis

	One percentage point increase	One percentage point decrease
Health care inflation rate	10 719 000	9 069 000
Discount rate	9 094 000	10 703 000
Post-employment mortality	9 452 000	10 233 000

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

	2021	2020	2019	2018	2017
Defined benefit obligation	R 9 841 000	R 9 683 000	R 10 691 483	R 10 042 145	R 9 587 082
Experience adjustments on plan liabilities	(263 000)	(112 000)	497 000	102 000	(522 000)

16. Long service award

As per government gazette as employee shall qualify for long service rewards in terms of leave days credits for the various periods of continuous service completed at the employer as follows

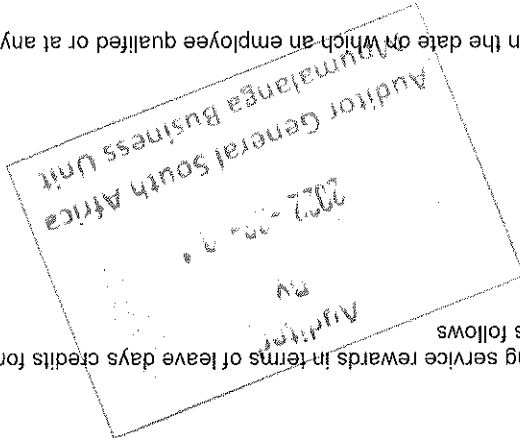
- After 5 years of service - 5 working days
- After 10 years of service - 10 working days
- After 15 years of service - 20 working days
- After 20 years of service - 30 working days
- After 25 years of service - 30 working days
- After 30 years of service - 30 working days
- After 35 years of service - 30 working days
- After 40 years of service - 30 working days
- After 45 years of service - 30 working days

The leave mentioned may be wholly or partially converted on the date on which an employee qualified or at any stages thereafter.

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

Valuation of assets

The long service award liability of the municipality is unfunded. No dedicated assets had been set aside to meet this liability.



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16. Long service award (continued)

	2021	2020
Carrying value	10 534 000	9 591 000
Changes in present value	9 591 000	8 666 951
Opening balance	899 000	893 865
Current service cost	677 000	694 598
Interest cost	(1 145 875)	(482 202)
Benefits paid	512 875	(182 212)
Actuarial loss/(gain)	10 534 000	9 591 000
Net expense recognised in the statement of financial performance	899 000	893 865
Current service cost	677 000	694 598
Interest cost	512 875	(182 212)
Actuarial loss/(gain)	2 088 875	1 406 251

Key assumptions

Discount rate: 9.20%
General earnings inflation rate: 5.78%
Normal salary increase rate: 5.50%
Net effective discount rate: 3.23%

Average retirement age: The average retirement age for all active employees was assumed to be 62 years. This assumption implicitly allows for ill-health and early retirements.

The effect of 1% p.a. in the normal salary inflation assumption is as follows:

One percentage point decrease	Current valuation	One percentage point increase
11 200 000	12 110 000	12 894 000
9 930 000	9 930 000	834 000
834 000	834 000	635 000
9 930 000	9 930 000	11 200 000
834 000	834 000	724 000
635 000	635 000	724 000
11 200 000	12 110 000	12 894 000

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the long service award liability. The interest cost is based on the discount rate assumption for the current valuation which is based on one point on the curve. The amounts for the current and previous four reporting periods are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Accrued liability	10 534 000	9 591 000	8 667 000	7 785 000	6 405 000
Experience adjustments on plan liabilities	481 875	277 788	358 370	1 039 878	(1 305 417)
Long service award	1 339 000	1 339 000	1 339 000	1 339 000	993 000
Current portion	9 930 000	9 930 000	9 930 000	9 930 000	8 598 000
Non-current portion	834 000	834 000	834 000	834 000	635 000
17. Revaluation reserve	84 700 463	84 700 463	84 700 463	84 700 463	84 700 463
Opening balance					

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	2021	2020
18. Revenue		
Service charges	64 715 868	56 421 126
Rental income	1 964 574	1 944 058
Interest received from exchange transactions - consumers	11 817 221	13 359 202
Fair value adjustments	1 963 539	1 460 424
Gain or loss on disposal of assets and liabilities	-	224 711
Licences and permits	146 211	155 118
Other income	3 022 360	1 963 477
Interest received - investment	7 239 623	5 668 210
Property rates	96 011 645	67 907 426
Interest from non-exchange transactions - consumers	41 897 418	47 364 444
Government grants & subsidies	810 697 635	519 097 257
Donations	1 480 000	3 358 860
Fines	2 242 519	2 125 818
1 043 198 613	721 050 131	

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue	96 011 645	67 907 426
Property rates	41 897 418	47 364 444
Interest received from non-exchange transactions - consumers	11 817 221	13 359 202
Transfer revenue	810 697 635	519 097 257
Government grants & subsidies	1 480 000	3 358 860
Donations	2 242 519	2 125 818
Fines	2 242 519	2 125 818
952 329 217	639 853 805	

19. Service charges		
Sale of electricity	34 330 637	28 472 437
Sale of water	11 895 895	7 832 928
Sewerage and sanitation charges	8 792 254	9 026 077
Refuse removal	9 616 917	11 057 032
Other service charges	80 165	32 652
64 715 868	56 421 126	

20. Rental income		
Facilities and equipment	1 964 574	1 944 058
Rental of facilities	1 964 574	1 944 058
1 964 574	1 944 058	

21. Interest received - consumers		
Interest received from exchange transactions - consumers	11 817 221	13 359 202
Interest received from non-exchange transactions - consumers	41 897 418	47 364 444
53 714 639	60 723 646	

22. Fines		
Traffic Fines	2 242 519	2 125 818

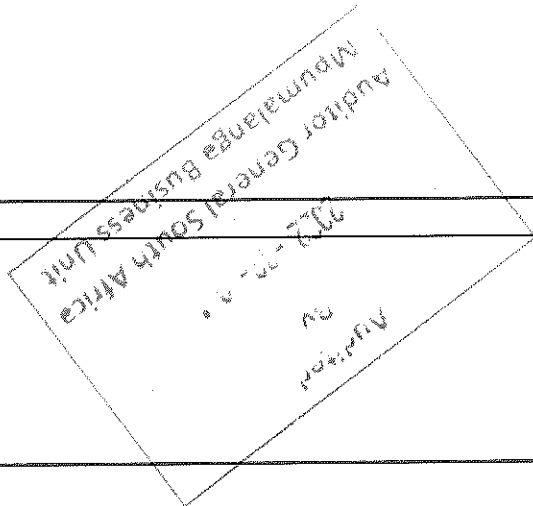
Chief Albert Luthuli Local Municipality

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	2021	2020
23. Licences and permits		
Licences	146 211	155 118
24. Other income		
Building plan fees	617 288	619 783
Burial service fees	273 020	157 978
Clearance certificates	6 360	5 402
Connection fees	12 215	153 053
Fire brigade fees	331 871	205 253
Proof of residence	496 859	261 599
Sale of stands	237 617	146 164
Tender deposits	33 695	136 495
Administration and handling fees	111 798	240 636
Advertising	57 716	24 714
Valuation certificate	188	112
Cleaning and removal	19 606	12 084
Cash surplus	-	204
Insurance claim	824 127	-
	3 022 360	1 963 477
25. Interest received - investments		
Unlisted investments at amortised cost	7 239 623	5 668 210
26. Gains or losses on disposal of assets and liabilities		
Gain or (loss) on disposal of assets	(333 244)	224 711
27. Property rates		
Rates received		
Residential	59 447 369	58 687 138
Commercial	7 037 016	6 747 185
State	29 527 260	2 473 103
	96 011 645	67 907 426
Valuations		
Residential	2 455 625 801	1 714 609 060
Commercial	894 547 600	442 070 100
State	938 081 800	1 379 125 500
Municipal	557 221 100	372 001 000
Agriculture	4 906 852 100	3 412 879 000
Other	147 473 302	2 431 780 420
	9 899 801 703	9 752 465 080



Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation was implemented on 01 July 2020.

Chief Albert Luthuli Local Municipality

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2021 2020

28. Government grants and subsidies

	2021	2020
Operating grants	394 135 000	311 205 000
Equitable share	195 160	334 256
LG Seta	-	341 000
Disaster Relief	1 914 000	2 445 000
EPWP	2 000 000	1 700 000
FMG	398 244 160	316 025 256
Capital grants	26 375 000	50 000 000
WSIG	26 375 000	50 000 000
RBIG	287 959 975	51 000 001
Energy Efficient Demand Side Management Grant	2 699 500	-
INEP	10 000 000	15 000 000
MIG	85 419 000	87 072 000
	412 453 475	203 072 001

Equitable Share

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

Financial Management Grant

Balance unspent at beginning of year	2 000 000	1 700 000
Current-year receipts	2 000 000	1 700 000
Conditions met - transferred to revenue	(2 000 000)	(1 700 000)
	-	-

The grant was intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

The conditions of the grant are stipulated in the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Expanded Public Works Programme

Balance unspent at beginning of year	1 914 000	2 445 000
Current-year receipts	1 914 000	2 445 000
Conditions met - transferred to revenue	(1 914 000)	(2 445 000)
	-	-

The Expanded Public Works Programme is on of government's key programmes aimed at providing poverty and income relief through temporary work for the unemployed. The EPWP integrated grant for municipalities is intended to act as a supplementary source of funding for labour-intensive projects.

The conditions of the grant are stipulated in the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Water Services Infrastructure Grant

Balance unspent at beginning of year	26 375 000	50 000 000
Current-year receipts	26 375 000	50 000 000
Conditions met - transferred to revenue	(26 375 000)	(50 000 000)
	-	-

Chief Albert Luthuli Local Municipality

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2021 2020

28. Government grants and subsidies (continued)

The grant was intended to fund bulk, connector and internal infrastructure of water services at a basic service level of service.

The conditions of the grant are stipulated in the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Disaster Relief grant

Balance unspent at beginning of year	-	341 000
Current-year receipts	-	(341 000)
Conditions met - transferred to revenue	-	-

This grant was intended for COVID-19 relief.

Municipal Infrastructure Grant

Balance unspent at beginning of year	85 419 000	87 072 000
Current-year receipts	-	(87 072 000)
Conditions met - transferred to revenue	-	-

The grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

The conditions of the grant are stipulated in the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Integrated National Electrification Programme

Balance unspent at beginning of year	10 000 000	15 000 000
Current-year receipts	-	(15 000 000)
Conditions met - transferred to revenue	-	-

The grant is intended to fund energy efficient lighting technologies in municipal buildings, streets and traffic lighting infrastructure.

The conditions of the grant are stipulated in the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

Regional Bulk Infrastructure Grant

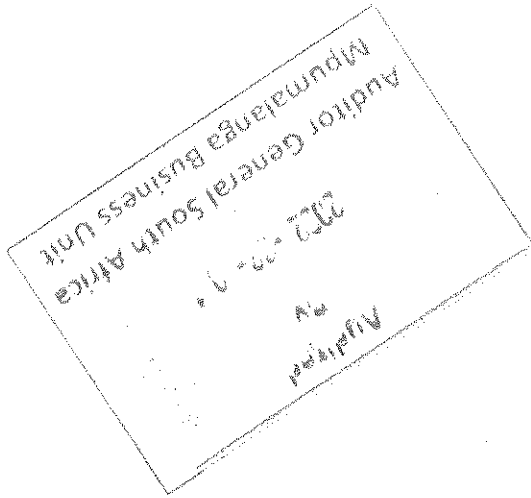
Balance unspent at beginning of year	79 000 000	130 000 000
Current-year receipts	219 568 000	130 000 000
Conditions met - transferred to revenue	(287 959 976)	(51 000 000)

The grant is intended for fund bulk, connector and internal infrastructure of water services at a basic level of service.

The conditions of the grant are stipulated in the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.

LG Seta Grant

Current-year receipts	195 160	334 256
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Chief Albert Luthuli Local Municipality
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	2021	2020
28. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(195 160)	(334 256)
29. Donations		
The grant is intended for sending staff of the municipality for training by corporate services.		
The conditions of the grant are stipulated in the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.		
Energy Efficient Demand Side Management Grant		
Current-year receipts	2 699 500	-
Conditions met - transferred to revenue	(2 699 500)	-
The grant is intended fund the maintenance of Energy Efficient lighting technologies in municipal buildings, street and traffic lighting infrastructure		
The conditions of the grant are stipulated in the Division of Revenue Bill as introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014.		
GSDM Revenue- 10 000LT Water tanker	1 480 000	-
GSDM Revenue- Drilling and installation of hand pump	-	1 000 000
GSDM Revenue- Drilling of boreholes	-	78 860
GSDM Revenue- 10 Cube tipper truck	-	1 580 000
GSDM Revenue- Refurbishment of Mpuluzi slow sand filters	-	500 000
GSDM- Repairing of boreholes	-	200 000
	1 480 000	3 358 860

Chief Albert Luthuli Local Municipality

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30. Employee related costs

	2021	2020
Basic	116 300 152	105 204 852
Bonus	9 190 440	7 956 282
Medical aid - company contributions	10 493 670	9 253 951
Uf	814 276	745 309
Bargaining council	53 668	46 507
SDL	1 584 033	1 409 827
Pension Fund	22 134 616	20 003 119
Post employment benefit - interest cost	(7 302)	892 421
Travel, motor car, accommodation, subsistence and other allowances	11 636 426	11 483 936
Overtime payments	8 981 399	6 967 298
Long-service awards	1 145 875	482 202
Acting allowances	2 527 554	2 148 413
Actuarial gain	165 302	(1 083 926)
Housing benefits and allowances	1 598 899	1 436 786
Long service award - Service cost	943 000	924 049
Standby allowances	7 840 103	6 265 251
Telephone allowances	788 091	745 000
Provident fund	1 093 428	912 706
Long-term benefits - incentive scheme	3 422 525	2 701 187
200 706 155	178 495 170	

Remuneration of Municipal Manager: Dlamini M.S.

	2021	2020
Annual Remuneration	826 687	836 533
Car Allowance	240 000	240 000
Performance Bonuses	134 887	-
Contributions to UIF, Medical and Pension Funds	220 424	211 604
Cellphone allowance	24 000	24 000
Rural allowance	115 553	112 406
13th Cheque	115 553	112 406
1 617 016	1 480 008	

Remuneration of Chief Finance Officer: Mnisi M.G.T.

	2021	2020
Annual Remuneration	840 782	845 297
Car Allowance	165 943	165 943
Performance Bonuses	143 337	-
Contributions to UIF, Medical and Pension Funds	140 171	134 152
Cellphone allowance	12 000	12 000
Rural allowance	45 339	45 339
1 347 572	1 202 731	

Remuneration of Director: Planning and Economic Development: Lukhele T.A.

	2021	2020
Annual Remuneration	858 816	862 758
Car Allowance	78 000	78 000
Performance Bonuses	200 294	-
Contributions to UIF, Medical and Pension Funds	98 879	92 902
Acting allowance	16 019	8 851
Cellphone allowance	12 000	12 000
Rural allowance	40 889	40 889
1 304 897	1 095 400	

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2021 2020

30. Employee related costs (continued)

	2021	2020
Annual Remuneration	859 002	865 285
Car Allowance	60 000	60 000
Performance Bonuses	99 233	-
Contributions to UIF, Medical and Pension Funds	226 491	219 274
Cellphone allowance	12 000	12 000
Rural allowance	45 339	45 339
Total	1 302 065	1 201 898

Remuneration of Director: Technical Services: Magubane M.P.

Annual Remuneration	689 725	702 814
Car Allowance	180 000	180 000
Contributions to UIF, Medical and Pension Funds	162 918	149 992
Cellphone allowance	12 000	12 000
Rural allowance	40 889	40 889
Total	1 085 532	1 085 695

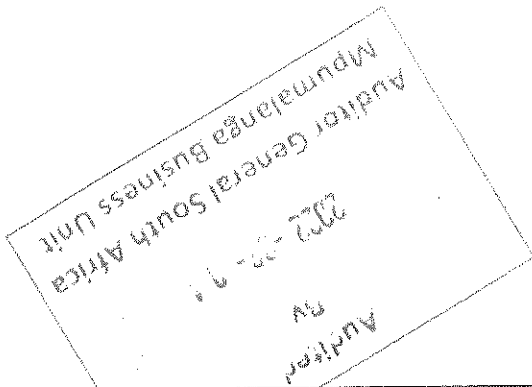
Remuneration of Director: Corporate Services: Sibeko S.S.

Annual Remuneration	778 779	596 244
Car Allowance	160 000	112 500
Contributions to UIF, Medical and Pension Funds	215 779	157 514
Cellphone allowance	12 000	9 000
Rural allowance	45 339	34 313
Total	1 201 897	909 571

The remuneration of staff is within the upper limits of the SALGA bargaining council determinations.

31. Remuneration of councillors

Executive Mayor	945 536	945 536
Speaker	765 570	765 665
Chief Whip	720 441	720 513
Mayor Committee	2 881 667	2 881 960
Councillors	14 710 913	14 631 625
Total	20 023 989	19 945 299



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31. Remuneration of councillors (continued)

	2021	2020	2021	2020	2021	2020
	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
S79 Committee Chairpersons	219 728	90 754	44 400	52 535	3 261	410 678
Mthombeni S.F.	219 728	90 754	44 400	52 535	3 261	410 678
Nkosi J.S.	216 180	90 754	44 400	56 083	3 271	410 688
Shabangu L.D.	272 263	90 754	44 400	-	3 893	411 310
Thomo N.G.	209 710	44 400	44 400	62 553	3 290	410 707
Ngwenya R.D.	315 667	-	44 400	47 350	3 167	410 584
Subtotal	1 233 548	363 016	222 000	218 521	16 882	2 053 967
Councillors	184 480	70 718	44 400	27 672	2 601	329 871
Cindi N.R.	184 480	70 718	44 400	27 672	2 601	329 871
Dube S.N.	245 974	-	44 400	36 896	2 565	329 835
Nkosi D.	245 974	-	44 400	36 896	2 565	329 835
Kgwedi T.H.	184 480	70 718	44 400	27 672	2 601	329 871
Mnisi S.T.	184 480	70 718	44 400	27 672	2 601	329 871
Mbuli T.G.	184 480	70 718	44 400	27 672	2 601	329 871
Zulu W.	245 974	-	44 400	36 896	2 565	329 835
Nkosi S.P.	184 480	70 718	44 400	27 672	2 601	329 871
Ndebele J.C.H.	184 480	70 718	44 400	27 672	2 601	329 871
Zwane F.C.	218 934	70 718	44 400	63 936	2 643	329 913
Hiabathi P.Z.	184 480	70 718	44 400	27 672	2 601	329 871
Matshaba K.A.	167 458	70 718	44 400	44 400	2 650	329 921
Nijana M.L.	184 480	70 718	44 400	27 672	2 601	329 871
Van der Wall L.	157 089	70 718	44 400	55 063	2 680	329 950
Ngoma Z.S.G.	184 480	70 718	44 400	27 672	2 601	329 871
Zulu G.G.	184 480	70 718	44 400	27 672	2 601	329 871
Mkhwanazi H.L.Z.	163 910	70 718	44 400	48 243	2 660	329 931
Khumalo M.J.	184 480	70 718	44 400	27 672	2 601	329 871
Nhlabathi N.C.	184 480	70 718	44 400	27 672	2 601	329 871
Nkosi T.J.	245 974	-	44 400	36 896	2 565	329 835
Jele J.J.	184 480	70 718	44 400	27 672	2 601	329 871
Shongwe J.D.	184 480	70 718	44 400	27 672	2 601	329 871
Nkosi T.B.	184 480	70 718	44 400	27 672	2 601	329 871
Nkosi T.	184 480	70 718	44 400	27 672	2 601	329 871
Nkosi B.G.	184 480	70 718	44 400	27 672	2 601	329 871
Malaza M.A.	184 480	70 718	44 400	27 672	2 601	329 871
Mthembu M.S.	184 480	70 718	44 400	27 672	2 601	329 871
Sikhakhane N.B.	184 480	70 718	44 400	27 672	2 601	329 871
Nkosi V.L.	148 800	70 718	44 400	63 352	2 703	329 973
Nkosi G.J.	163 910	70 718	44 400	48 243	2 660	329 931
Nkosi A.D.	184 480	70 718	44 400	27 672	2 601	329 871
Ngweni A.	184 480	70 718	44 400	27 672	2 601	329 871
Motau R.M.	245 974	-	44 400	36 896	2 565	329 835
Mphahlele J.S.	184 480	70 718	44 400	27 672	2 601	329 871
Lubhede E.J.	184 480	70 718	44 400	27 672	2 601	329 871
315 667	-	44 400	47 350	3 167	410 584	
184 480	70 718	44 400	27 672	2 601	329 871	
Subtotal	6 993 158	2 050 822	1 598 400	1 219 490	94 412	11 956 282

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	2020	2021	2020
31. Remuneration of councillors (continued)			
Executive Mayor	784 446	784 446	945 536
Nkosi D.P.	-	-	945 536
Subtotal	784 446	784 446	945 536
Speaker	398 473	398 473	765 665
Mngomezulu M.W.	-	-	765 665
Subtotal	398 473	398 473	765 665
Chief Whip	408 958	408 958	720 513
Sidu L.L.	-	-	720 513
Subtotal	408 958	408 958	720 513
Mayor	402 520	402 520	720 532
Nkosi S.Z.	167 597	167 597	720 494
Makhubela N.V.	415 396	415 396	720 494
Magagula P.	441 250	441 250	720 514
Mntsi-Nkosi N.	167 597	167 597	720 420
Subtotal	1 667 950	1 667 950	2 881 960
MPAC Chairperson	382 322	382 322	700 724
Gininda S.V.	-	-	700 724
Subtotal	382 322	382 322	700 724
Section 79 Committee Chairpersons	222 800	222 800	410 717
Mthombeni S.F.	90 754	90 754	410 727
Nkosi J.S.	219 523	219 523	411 310
Shabangu L.D.	272 263	272 263	410 745
Thomo N.G.	213 304	213 304	410 745
Ngwenya R.D.	318 585	318 585	410 640
Subtotal	1 246 475	1 246 475	2 054 139
Basic Salary	363 016	363 016	2 054 139
Travel Allowance	-	-	-
Cellphone Allowance	222 000	222 000	-
Pension and Medical Aid	205 594	205 594	-
SDL	17 054	17 054	-
Total	1 246 475	1 246 475	2 054 139

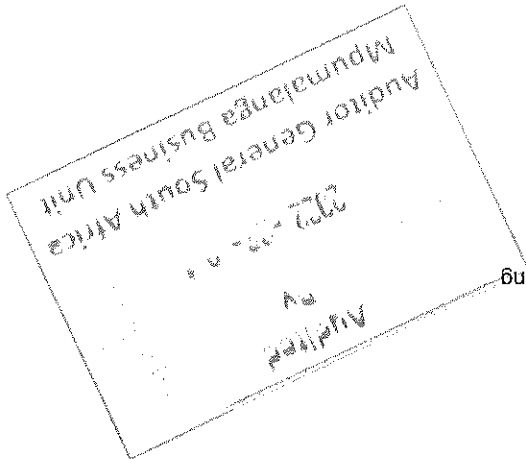
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	2021	2020
35. Rehabilitation provision movement		
Landfill site	19 618 956	921 383
36. Debt impairment		
Debt impairment	176 892 057	166 870 737
37. Bulk purchases		
Electricity - Eskom	86 605 870	84 876 557
Electricity distribution losses are based on units per invoices received from Eskom and units sold per prepaid reports and debtors system. It was determined to be R28 912 922,01 which is 28,69% (2020: R16 571 744,74 ; 19,85%) and 29 923 238,60 units(2020: 26 652 059,53)		
Water distribution losses are based on the kilolitres of water produced 13 098 371kl (2020: 7 991 236kl) and total water distributed 6 949 078kl (2020:4 191 360kl) and the estimated loss 6 149 293kl, R16 705 840,00 (2020: 3 799 876kl, R4 326 341) which is 46,95% (2020: 47,56%)		
38. Contracted services		
Outsourced Services		
Burial Services	2 130	26 089
Business and Advisory- Accounting and Auditing	22 576 559	19 955 427
Catering Services	174 235	13 000
Meter Management	118 880	4 324 509
Medical Services	2 782	64 501
Mini Dumping Sites	2 939 157	896 960
Qualification verification	-	87 989
Printing services	-	1 107 799
Valuers	478 502	93 232
Research and Advisory	-	490 746
Security Services	14 108 569	19 811 732
Consultants and Professional Services		
Business and Advisory- Accounting and Auditing	16 134 315	8 930 318
Infrastructure and Planning	1 023 000	713 355
Audit Committee	255 405	179 495
Legal Cost	5 514 593	4 978 453
Land and Quantity Surveyors	-	84 757
Information and Communication Technology	1 683 733	6 121 807
Contractors		
Bore Waterhole Drilling	11 694 913	6 123 393
Building	-	513 496
Electrical	-	201 420
Event Promoters	1 106 851	969 179
Repairs and maintenance	29 000 605	21 180 112
Removal of Hazardous Waste	1 148 959	260 525
	107 963 188	97 128 294



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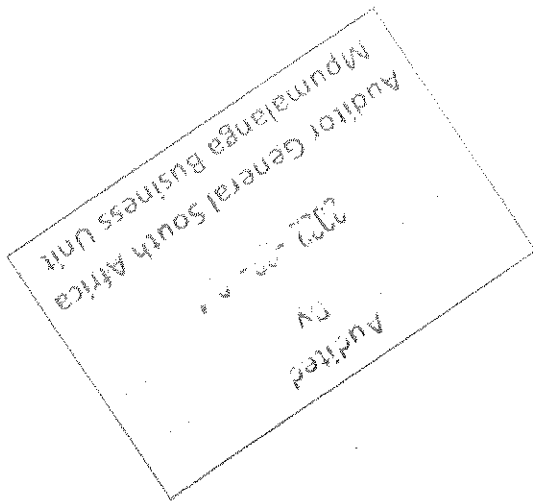
	2021	2020
39. General expenses		
Advertising	3 266 613	2 992 337
External audit fees	6 074 834	4 922 173
Bank charges	468 127	323 195
Commission paid	24 174	20 850
Consumables	30 587 959	15 338 758
Entertainment	123 225	39 196
Insurance	-	282 936
Motor vehicle expenses	7 432 757	4 552 547
Printing and stationery	2 743 343	795 100
License fees	32 994	47 942
Telephone and fax	6 197 042	4 147 624
Transport and freight	1 530 097	1 251 538
Training	3 986 940	2 176 204
RBIg expense (Sheepmoore)	-	2 146 764
Committee costs	4 084 485	3 811 251
EPWP expenditure	2 831 159	2 537 952
Electricity Efficiency Demand Management	4 350 702	-
Interview costs	2 330 577	2 308 463
Protective clothing	5 941 609	5 611 440
Other expenses	846 348	1 566 845
	82 852 985	54 873 115

40. Fair value adjustments

Investment property (Fair value model)	1 931 494	1 512 000
Fair value adjustment gain/(loss) on investments	32 045	(51 576)
	1 963 539	1 460 424

41. Auditors' remuneration

Fees	6 074 834	4 922 173
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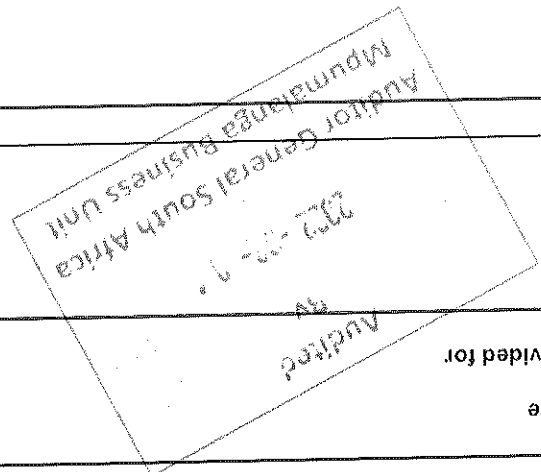
	2021	2020
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42. Cash generated from operations

Surplus	302 683 649	58 848 234
Adjustments for:	45 528 424	45 528 424
Depreciation and amortisation	333 244	(224 711)
Gain or loss on sale of assets and liabilities	12 303 789	11 182 563
Impairment loss	(1 963 539)	(1 460 424)
Fair value adjustments	752 709	1 009 161
Finance costs - Finance leases	(7 302)	-
Net interest cost on employee benefit	943 000	924 049
Long service award	4 436 976	921 383
Rehabilitation provision movement	176 892 057	166 870 737
Debt impairment	-	75 443
Actuarial interest cost	-	272 709
Other interest paid	-	(1 083 926)
Actuarial loss on long service	2 793 644	2 467 960
Provision for leave	165 302	-
Actuarial gain	(1 480 000)	(1 658 860)
Changes in working capital:	(394 184)	(236 162)
Inventories	(34 352 576)	(32 824 766)
Receivables from exchange transactions	(89 646 822)	(75 774 497)
Receivable from non-exchange transaction	(368 529)	-
Operating lease asset	(23 158 741)	36 031 855
Payables from exchange transactions	3 733 479	(2 945 664)
VAT	(68 391 976)	78 999 999
Unspent conditional grants and receipts	330 329 891	286 923 507

43. Commitments

Authorised capital expenditure	281 695 835	272 822 178
Already contracted for but not provided for	-	-
Infrastructure	-	-
Authorised operational expenditure	33 102 538	37 613 156
Already contracted for but not provided for	-	-
Operational	-	-
Authorised capital expenditure	281 695 835	272 822 178
Authorised operational expenditure	314 798 373	310 435 334



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44. Contingencies

Litigations in the process against the municipality relating to civil claims include the following:

	2021	2020
Grand Valley Estates (Pty) Ltd	26 680 000	26 680 000
Sifiso Thela	232 384	232 384
I @ Consulting	2 750 131	2 750 131
Minister of Water and Sanitation	4 500 000	4 500 000
Khumalo Mantombi Martha obo Khumalo Sabelo Xolane	10 000 000	10 000 000
EPH Security & Services CC	-	5 046 096
	44 162 515	49 208 611

Grand Valley Estates (Pty) Ltd
 This claim stems from the dispute over the farms around badplaas. The plaintiffs are claiming loss of future income and goodwill while on the other hand the farms are a subject of a land claim in the Land Claims Commission. The Municipality is cited as party for failure to comply with various forms of legislations. The summons has been served to the Municipality on the 6th of July 2020. The plaintiff is suing council for R26 680 000 in respect of damages. The matter is before the High Court of South Africa Pretoria under case no. 34502/10. The matter is set down for witness and trial on the 19th of July 2021 to the 10th of September 2021.

Sifiso Thela vs Municipality
 Plaintiff is suing council in respect of damages suffered as a result of a motor vehicle accident that occurred between his car and that of the council. The potential liability is estimated at R232, 384,00. The matter is before the Regional Court for the Regional Division of Mpumalanga, held at Ersehoek/Elukwatini under case no. ERCC 05/2016. Kindly note that the matter has reached *litis contestata* (close of pleadings). We await Notice of set down from the Plaintiff for a Pre-Trial Conference to be held between the parties.

I @ Consulting
 The service provider is claiming R2,750,131 for work done, Attorneys are awaiting for the registrar of the High Court to allocate a trial date.

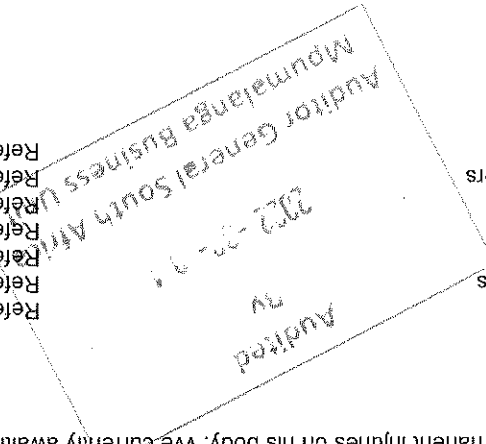
Minister of Water and Sanitation
 The council is sued for R4,500,000 plus mora interest at a rate of 10.5% per annum from the date of issuing summons to the date of payment thereof, in respect of water use charges. The municipality is currently awaiting the plaintiff to enrol the matter for judicial case management.

Khumalo Mantombi obo Khumalo Sabelo
 The plaintiff is suing council an amount of 10,000,000 in respect of delictual claim. It is alleged that the child of the plaintiff was electrocuted and was severely burnt by a live electric cable which carries 400 to 415 volts and as direct consequences thereof, he sustained serious and permanent injuries on his body. We currently awaiting a date for case management.

45. Related parties

- Relationships
- Accounting Officer
- 7 Section 57 Senior Managers
- Executive Mayor
- Speaker
- Chief Whip
- 4 Mayoral Committee Members
- 42 Councillors

- Refer to accounting officer's report and note 30
- Refer to accounting officer's report and note 30
- Refer to accounting officer's report and note 31
- Refer to accounting officer's report and note 31
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- Refer to accounting officer's report and note 31
- Refer to accounting officer's report and note 31



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46. Change in estimate

Receivables from exchange and non-exchange transactions

The expected recovery rate of accounts receivables was revised during the current year. The revision was as follows:
 Accounts balance, Current and 60 days reduced from 100% to 80%, 61 days to 90 days reduced from 80% to 50%, 91 days to 150 days reduced from 15% to 0%. The effect of this revision has increased the impairment of accounts receivables for the current and future periods by R129 916 279,51

Provision for landfill site

In terms of the requirements of GRAP 19 the Provision for Landfill Sites Rehabilitation were reviewed by management at year end. The Consumer Price Index (CPI) differed from previous estimate. This resulted in a revision of some of the previous estimates which was accounted for as a change in estimate. The effect of this revision is an increase in the Landfill Site Cost and the Provision for Landfill Site Rehabilitation amounting to R15 181 980.

The future impact of the revision will be an increase in the depreciation charge amounting to R1 702 652.

47. Risk management

Financial risk management

Liquidity risk

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

Credit risk

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

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

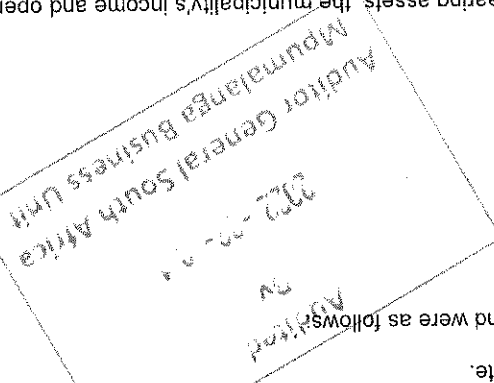
Financial instrument	2021	2020
Cash and cash equivalents	56 073 361	97 774 418
Receivables from exchange transactions	35 769 460	48 970 913
Receivables from non-exchange transactions	107 505 703	156 176 307
Investments	4 547 604	4 331 797

Interest rate risk

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

48. 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.



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49. Unauthorised expenditure

Opening balance	207 268 789	83 120 718
Unauthorised expenditure	9 859 613	124 148 071
Non-cash items	(207 268 789)	-
Less: Amount written off	-	-
Closing balance	9 859 613	207 268 789

Council has investigated the unauthorised expenditure and recommended that the unauthorised expenditure be written off after consultation with MPAC and an independent forensic investigator.

50. Fruitless and wasteful expenditure

Opening balance	24 544 830	23 349 887
Eskom-interest	-	1 035 788
SARS-interest and penalties	-	3 690
Auditor general	25 642	42 175
GEPF	-	1 316
MCPF	-	20 505
Sanlam	90 960	65 328
NFMW	2 427	26 141
SALA PF	3 255	-
Less: Amount written off	(24 544 830)	-
Closing balance	122 284	24 544 830

Council has investigated the fruitless and wasteful expenditure and recommended that the fruitless and wasteful expenditure be written off after consultation with MPAC and an independent forensic investigator.

51. Irregular expenditure

Opening balance	453 887 187	433 344 432
Add: Irregular Expenditure - current	16 189 484	20 542 755
Less: Amount written off	(243 481 600)	-
Closing balance	226 595 071	453 887 187

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 2022-07-09
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51. Irregular expenditure (continued)

Details of irregular expenditure	Disciplinary steps taken/criminal proceedings		
Bid adjudication Committee not complying with Regulation 29(2)	None	3 048 944	2 682 836
Procurement process not followed	None	-	8 110 117
Municipal rates account attached in arrears	None	228 725	-
Local Content Not Implemented	None	11 315 497	9 622 264
Account in arrears for a period exceeding 3 months	None	149 274	45 606
No date stamp on the tender register	None	1 252 044	-
MBD 4 incomplete	None	-	81 932
Management oversight- municipal rate account arrears	None	195 000	-
		16 189 484	20 542 755

Council has investigated the irregular expenditure and recommended that the irregular expenditure be written off after consultation with MPAC and an independent forensic investigator.

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	7 332
Current year subscription / fee	107 336	93 014
Amount paid - current year	(107 336)	(93 014)
Amount paid - previous years	-	(7 332)
	-	-

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

Audit fees

Opening balance	863 303	-
Current year subscription / fee	5 484 767	(6 986 060)
Amount paid - current year	(5 484 767)	-
Amount paid - previous years	(863 303)	-
	-	-

PAYE and UIF

Opening balance	2 779 579	-
Current year subscription / fee	30 362 947	(33 542 422)
Amount paid - current year	(30 362 947)	-
Amount paid - previous years	(2 779 579)	-
	-	-

Pension and Medical Aid Deductions

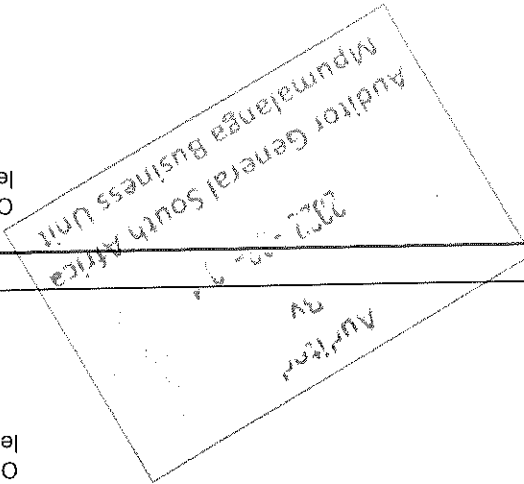
Opening balance	2 552 996	-
Current year subscription / fee	49 964 107	(55 634 234)
Amount paid - current year	(49 964 107)	-
Amount paid - previous years	(2 552 996)	-
	-	-

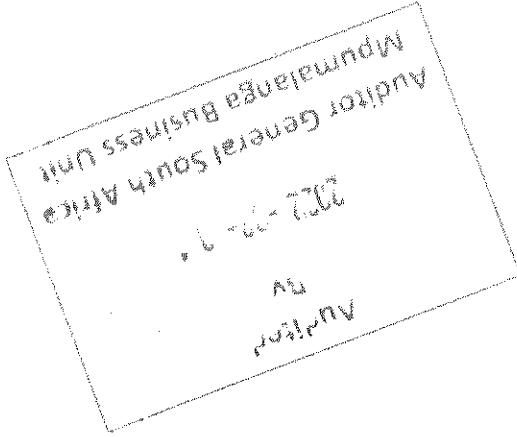
Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Shabangu L.D.	14 851	29 489	44 340
Malaza M	1 403	13 069	14 472
Van der Wall L	2 016	11 299	13 315
	18 270	53 857	72 127

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Shabangu L.D.	15 093	41 025	56 118
Malaza M.A.	1 465	13 566	15 031
Ngoma Z	935	1 374	2 309
Van der Wall	7 391	23 963	31 354
Zulu W	1 303	24 782	26 085
	26 187	104 710	130 897





The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

The municipality is organised and reports to management on the basis of six major functional areas:

- Planning and Economic Development
- Corporate Services and Administration
- Financial Services
- Council General
- Community Services
- Technical Services

Identification of segments

General information

54. Segment information

The municipality did not have any deviations during the year.

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

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.

53. Deviation from supply chain management regulations

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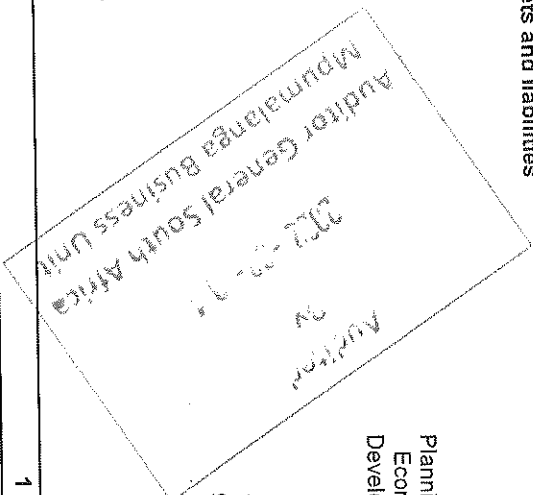
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54. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021	Planning and Economic Development	Corporate Services	Financial Services	Council General	Community Services	Technical Services	Total
Revenue							
Service charges	-	-	89 901	-	9 614 296	55 011 671	64 715 868
Rental income	-	-	1 964 574	-	-	-	1 964 574
Interest received - consumers	-	-	53 714 638	-	-	-	53 714 638
License and permits	146 211	-	-	-	-	-	146 211
Other income	912 621	1 432 784	40 243	-	624 497	12 215	3 022 360
Interest received- investment	-	-	7 239 623	-	-	-	7 239 623
Fair value adjustments	-	-	1 963 539	-	-	-	1 963 539
Property rates	-	-	96 011 645	-	-	-	96 011 645
Government grants and subsidies	-	195 160	396 135 000	-	-	414 367 475	810 697 635
Donations	-	-	-	-	2 242 519	1 480 000	1 480 000
Fines	-	-	-	-	-	-	2 242 519
Total segment revenue	1 058 832	1 627 944	557 159 163	-	12 481 312	470 871 361	1 043 198 612
Expenditure							
Employee related costs	(9 046 933)	(21 332 575)	(33 647 721)	-	(49 593 546)	(87 085 380)	(200 706 155)
Remuneration of councillors	-	-	-	(20 023 990)	-	-	(20 023 990)
Depreciation and amortisation	-	(300 090)	(5 210 005)	-	(5 096 070)	(34 449 546)	(45 055 711)
Impairment loss	-	(331 260)	(395 677)	-	(2 299 615)	(9 277 237)	(12 303 789)
Finance costs	-	(752 709)	(1 565 250)	-	(4 436 976)	(1 023 040)	(7 777 975)
Debt impairment	-	-	(176 892 057)	-	-	-	(176 892 057)
Bulk purchases	(1 779 205)	(7 725 989)	(39 563 662)	-	(18 198 815)	(86 605 870)	(86 605 870)
Loss on disposal of assets and liabilities	-	(333 244)	-	-	-	(40 695 517)	(107 963 188)
General expenses	(8 285 299)	(24 855 896)	(22 370 305)	(4 142 649)	(12 427 948)	(10 770 888)	(82 852 985)
Total segment expenditure	(19 111 437)	(55 631 763)	(279 644 677)	(24 166 639)	(92 052 970)	(269 907 478)	(740 514 964)



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	Planning and Economic Development	Corporate Services	Financial Services	Council General	Community Services	Technical Services	Total
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54. Segment information (continued)

Total segmental surplus/(deficit)

302 683 648

Assets							
Cash and cash equivalents	-	-	56 073 361	-	-	-	56 073 361
Receivables from exchange transactions	-	-	35 769 460	-	-	-	35 769 460
Receivables from non-exchange transactions	-	-	107 505 703	-	-	-	107 505 703
Inventories	-	-	4 239 024	-	-	-	4 239 024
Investments	-	-	4 547 604	-	-	-	4 547 604
VAT	-	-	18 480 576	-	-	-	18 480 576
Operating lease asset	-	-	1 027 426	-	-	-	1 027 426
Investment property	-	-	37 114 000	-	-	-	37 114 000
Property, plant and equipment	114 447 700	4 423 594	41 393 742	-	153 631 576	1 435 633 335	1 749 529 947
Total segment assets	114 447 700	4 423 594	306 150 896	-	153 631 576	1 435 633 335	2 014 287 101

Total assets as per Statement of financial Position

2 014 287 101

Liabilities							
Payables from exchange transactions	-	3 812 424	64 267 916	-	-	44 491 922	112 572 262
Finance lease obligation	-	-	5 487 008	-	-	-	5 487 008
Unspent conditional grants and receipts	-	-	-	-	-	10 608 024	10 608 024
Provisions	-	16 780 297	-	-	90 266 227	-	107 036 524
Employee benefit obligation	-	9 841 000	-	-	-	-	9 841 000
Long service award	-	10 534 000	-	-	-	-	10 534 000
Total segment liabilities	-	40 967 721	69 754 924	-	90 266 227	55 099 946	256 078 818

Total liabilities as per Statement of financial Position

256 078 818

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	2021	2020
55. COVID-19 Expenditure		
Face masks	429 100	268 682
Disposable overalls	1 350 000	756 913
Disposable gloves	82 000	136 600
Goggles	-	268 800
Sanitizer	654 113	112 190
Protective glass	334 000	475 650
D59 Flame suits	523 100	-
FFP2 Respirators	294 000	-
Gas and chemical mask protection	126 980	-
Infrared thermometers	25 000	-
	3 818 293	2 018 835

Financial information with regards to the expenditure incurred by the municipality in response to the COVID-19 pandemic.

56. Subsequent events

The investigation into unauthorised, irregular and fruitless and wasteful expenditure was concluded after 30 June 2021.

57. Budget differences

Material differences between budget and actual amounts

Statement of Financial Performance

Service charges

Revenue collection was lower than anticipated due to low economic growth and high unemployment in South Africa as a whole. This has had a material impact on the disposable income of consumers. Chief Albert Luthuli Local Municipality has not been immune to the negative sentiments which has resulted in significantly low collection rates. The continued implementation of the National State of Disaster and lockdown has also had a negative impact on the revenue collection ability of the Municipality.

Rental income

Rental of facilities has had a major increase as a result of newly acquired lease agreements on municipal investment property

Interest received - consumers

Reduced disposal income and purchasing power from businesses and communities as a result of low economic growth has had a negative bearing on the payment ability for services consumed by businesses, industries and consumers. The failure to ensure payments within the stipulated timeframes has resulted in the activation of credit control and debt collection provisions with the additional levying of interest on late payments.

License and permits

License and permits had a significant increase as a result of new building plans or amendments in existing properties. Applications are emanating from the municipal town planning department in line with the SP/UMA

Other income

Chief Albert Luthuli Local Municipality received a payout of R824 127.00 from an insurance claim which is the biggest contributing factor which resulted in the significant increase in other income.

Interest received - investments

Chief Albert Luthuli Local Municipality possesses interest bearing call accounts which yield positive returns up to 6.5% on the capital amount per annum. The Municipality utilises the call accounts for the sole purpose of ringfencing access funds and conditional grants. The significant increase in interest received is as a result of the interest bearing accounts holding positive bank balances throughout the financial year.

Property rates

Revenue collection was lower than anticipated due to low economic growth and high unemployment in South Africa as a whole. This has had a material impact on the disposable income of consumers. Chief Albert Luthuli Local Municipality has not been immune to the negative sentiments which has resulted in significantly low collection rates. The continued implementation of the National State of Disaster and lockdown has also had a negative impact on the revenue collection ability of the Municipality.

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57. Budget differences (continued)

Government grants and subsidies
The approval and implementation of a supplementary Division of Revenue by the Minister of Finance as a means of combating low collection rates which had a negative bearing on the municipality's financial position. This was as a mechanism of responding and reducing the impact of the pandemic.

Donations
Donations received from the Gert Sibande District Municipality (GSDM) in aid of assisting the Municipality to increase its water supply issues with drought stricken areas.

Fines and penalties
The implementation of a new Traffic Management system had a positive impact on enforcement of speedlaw and traffic laws and regulations.

Employee related costs
The increase in the employee related costs is as a result of the expansion in the human capital workforce of the Municipality through the appointment of 49 new permanent staff members in aid of accelerating the delivery of basic services to the people of Chief Albert Luthuli Local Municipality.

Impairment loss
Unanticipated reduction in the useful lives of major infrastructure assets due to inadequate repairs and maintenance.

Finance costs
Change in landfill provision and interest charged in reference to the assessment which was performed using the General Landfill Closure Costing Model (GLCCM) that was developed by Environmental & Sustainability Solutions (ESS). ESS is a boutique consultancy focusing on all aspects of environmental and sustainability accounting.

Bulk purchases
Decreased purchases on bulk electricity consumption is as a result of continued upgrades on municipal electricity infrastructure and the continued honouring of the Eskom current account. This has resulted in the decrease in interest and penalties charged to Chief Albert Luthuli Local Municipality.

Contracted services
Continued breakdowns in aging municipal infrastructure, property, plant and equipment has had a ripple effect on the increase in contracted services in aid of repairing infrastructure as a means of ensuring the provision of continued uninterrupted service delivery.

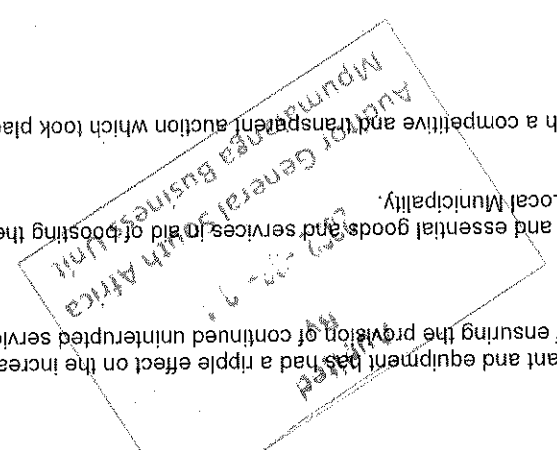
General expenses
Economizing on general expenditure due to the prioritization of critical and essential goods and services in aid of boosting the delivery of basic services to the community of Chief Albert Luthuli Local Municipality.

Loss on sale of assets
Unanticipated loss on the sale of redundant Municipal Assets through a competitive and transparent auction which took place during the reporting period under review.

Statement of Financial Position

Cash and cash equivalents
Mid Term review revealed the possibility of access funds due to the moderate implementation of the Regional Bulk Infrastructure Grant (RBIG) from the implementing agent Gert Sibande District Municipality (GSDM). This therefore indicated a possible under expenditure on the above mentioned programme which led to the anticipation of a high liquid amount within the coffers of the Municipality at year end. GSDM subsequently implemented a reliable recovery plan which led to the ultimate acceleration of the performance of the RBIG program.

Receivables from exchange transactions
Actual results revealed a lower than anticipated state of collectable municipal debt due to the higher debt impairment as a result of low revenue collection despite the implementation of strict credit control and debt collection mechanisms.



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57. Budget differences (continued)

Receivables from non-exchange transactions
Actual results revealed a lower than anticipated state of collectable municipal debt due to the higher debt impairment as a result of low revenue collection despite the implementation of strict credit control and debt collection mechanisms.

Inventories

Upgrading and rehabilitation of the Municipal Stores had been halted due to the re-prioritisation of essential projects. Stores upgrade in order to allow the uptake of more stock items for fast moving stock will therefore occur within the 2021/22 financial year.

VAT Receivable

Local Government treasury is encouraged by the National Treasury to ensure the realistic anticipation of Municipal Revenue. Revenue appropriations for the prospective receipt of VAT Receivable is an uncertain eventuality given the impracticalities of forecasting the probable VAT compliant service providers that the Municipality would be engaged in business with taking into account the various exemptions imposed on Local Government from the Value Added Tax Act. VAT refunds are therefore treated as additional income upon receipt.

Operating lease asset

Expansion of current operating lease agreements with Telecommunications Firms as a means of increasing spectrum and signal within the Municipal Jurisdiction. Expansion aimed at increasing network speed and accessibility due to the increased necessity of individuals working from home as a result of the lockdown regulation.

Investments

Ringfencing of access funds through the use of accredited financial institutions resulted in the interest payments higher than initially anticipated by the Municipality.

Investment Property

Subsequent to the fair value assessment of all Municipal Investment Property by an expert in the field of property valuations, there is been a marginal increase in market value for investment property owned by Chief Albert Luthuli Local Municipality.

Property, plant and equipment

The increase in accumulated depreciation and impairment of Municipal Property Plant and Equipment led to a lower carrying value than initially anticipated throughout the budgeting process.

Payables from exchange transactions

Payment of municipal suppliers and stakeholders led to a decreased amount in creditors due at year end. Additionally the prompt negotiations and successful implementation of debt repayment plans with institutions like Eskom led to a massive decrease in the amount due to all individuals and stakeholders conducting business with the Municipality.

Finance lease obligation

Due to the increased need to vehicles as an enabler of service delivery, the need for additional vehicles was motivated and endorsed throughout the course of the financial year.

Unspent conditional grants

Poor performance on the implementation of Regional Bulk Infrastructure Grant led to an unanticipated under expenditure. A roll over application was subsequently submitted and approved by the National Treasury. Initially no appropriations for unspent conditional grants had been made by Chief Albert Luthuli Local Municipality.

Provisions

Provision for the municipal landfill site is a specialist component which requires the skills of an expert environmentalist. Appropriations could not be easy anticipated by the municipality due to the complexity of this component.

Employee benefit obligation

The assessment of Post employment benefits are a specialist component which requires the skills of an expert actuary. Appropriations could not be easy anticipated by the municipality due to the complexity of this component.

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2020

57. Budget differences (continued)

Long service award

Long Service Award and the prospective anticipation of obligation at year end require the expertise of a qualified actuary as this is an extremely specialised component which requires the skills of an expert actuary. Appropriations could not be easy anticipated by the municipality due to the complexity of this component.

Cashflow Statement

Service charges

Actual collections less than budget provisions due to low economic growth and high unemployment in South Africa as a whole. This has had a material impact on the disposable income of consumers. Chief Albert Luthuli Local Municipality has not been immune to the negative sentiments which has resulted in significantly low collection rates. The continued implementation of the National State of Disaster and lockdown has also had a negative impact on the revenue collection ability of the Municipality.

Interest received investments

Ringfencing of access funds through the use of accredited financial institutions resulted in the interest payments higher than initially anticipated by the Municipality.

Other receipts

Additional income was received on components that were impractical to realistically forecast. Components like VAT refunds had a major impact in the increase in other receipts.

Suppliers

The implementation of cost containment measures and the procurement of only essentials goods and services that are service delivery based resulted in savings on various components throughout the financial year which led to less commitments and payments to stakeholders conducting business with the Municipality than initially anticipated.

Purchase of property, plant and equipment

Successful implementation of various municipal projects and the capitalisation of new assets to the Municipal Fixed Asset Register led to a higher than anticipated on take of new Property Plant and Equipment.

Proceeds from sale of investment property

Proceeds from sale of municipal property earmarked for property development not initially provided for.

Movement in operating lease asset

Expansion of current operating lease agreements with Telecommunications Firms as a means of increasing spectrum and signal within the Municipal jurisdiction. Expansion aimed at increasing network speed and accessibility due to the increased necessity of individuals working from home as a result of the lockdown regulations.

Movement in investments

Ringfencing of access funds through the use of accredited financial institutions resulted in the interest payments higher than initially anticipated by the Municipality.

Finance lease payments

Due to the increased need to vehicles as an enabler of service delivery, the need for additional vehicles was motivated and endorsed throughout the course of the financial year.

Cash and cash equivalents

Mild Term review revealed the possibility of access funds due to the moderate implementation of the Regional Bulk Infrastructure Grant (RBIG) from the implementing agent Gert Sibande District Municipality (GSDM). This therefore indicated a possible under expenditure on the above mentioned programme which led to the anticipation of a high liquid amount within the coffers of the Municipality at year end. GSDM subsequently implemented a reliable recovery plan which led to the ultimate acceleration of the performance of the RBIG program.

58. Prior-year adjustments

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

Statement of financial position

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58. Prior-year adjustments (continued)

2020

	As previously reported	Correction of error	Re-classification	Restated
Trade payables	11	(132 134 637)	86 674 820	(45 459 817)
Investments	6	3 922 116	172	3 922 288
Land	10	115 497 200	(1 001 500)	114 495 700
Infrastructure- Work in Progress	10	256 196 884	(6 086 956)	250 109 928
Infrastructure	10	930 180 137	4 347 523	934 527 660
VAT Receivable	7	22 214 055	(1 215 427)	20 998 628
Accumulated surplus		1 286 949 389	(82 718 632)	1 204 230 757
2 482 825 144				- 2 482 825 144

Statement of financial performance

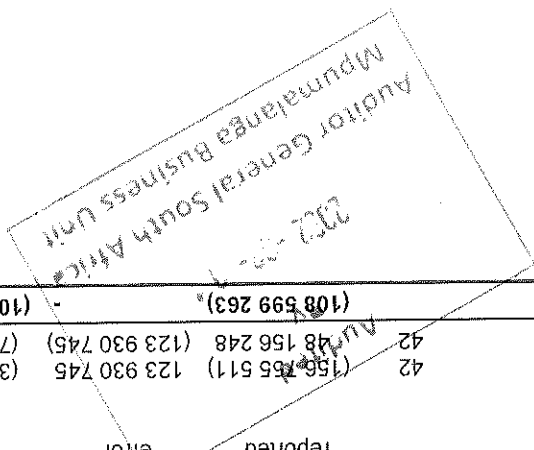
2020

	As previously reported	Correction of error	Re-classification	Restated
Contracted Services	38	(97 091 123)	(37 171)	(97 128 294)
General expenses	39	(54 851 011)	(22 104)	(54 873 115)
Depreciation and amortisation	32	(45 528 120)	(303)	(45 528 423)
Interest received from non-exchange transactions- consumers	21	60 723 646	-	13 359 202
Interest received from non-exchange consumers	21	-	-	47 364 444
Accumulated surplus		-	59 578	59 578
(136 746 608)				(136 746 608)

Cash flow statement

2020

	As previously reported	Correction of error	Restated
Changes in working capital	42	(156 755 511)	123 930 745
Receivables from exchange transactions	42	48 156 248	(123 930 745)
Receivables from non-exchange transactions			(75 774 497)
(108 599 263)			(108 599 263)



Chief Albert Luthuli Local Municipality

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Figures in Rand

2021 2020

58. Prior-year adjustments (continued)

Trade payables

In line with the Local Government Municipal Finance Management Act (56/2003): Municipal Regulations on Standard Chart of Accounts approved on the 22 April 2014 through GOVERNMENT GAZETTE 37577. The municipality embarked on a migration process that took place through the transfer of data from the previous Financial Management System (FMS) to the Enterprise Management System (EMS) which was aimed at ensuring compliance to the seven segments of the Municipal Standard Chart of Accounts (MSCOA).

Upon the assessment of the final migration movements management noted that there had been a timing interphase error which occurred during the migration of the trade creditors data. Differences were noted between the data extracted from FMS which was ultimately imported to EMS and the actual status quo of trade creditors at Chief Albert Luthuli Local Municipality at the end of the financial year.

Management investigated the root cause of the differences and it was identified that the cause of the error was due to a timing interphase. Whilst the workstream on migration was conducting its work relation to the migration, the operational team at Chief Albert Luthuli Municipality also continued with day to day activities in relation to the payments of various service providers and stakeholders. Upon completion of the migration various service providers which had formed part of the initial data which had been extracted were no longer qualifying as trade creditors.

Management have conducted a thorough assessment of the listing and discrepancies were subsequently in reference to the inclusion of suppliers which had already been settled within the creditors listing. The matter has occurred as result of the late implementation of the expenditure and creditors module which resulted in a migration error from FMS to EMS due to a timing interphase error.

Effect of adjustment		
Decrease in trade payables	-	86 674 820
Increase in accumulated surplus	-	(86 674 820)
	-	-

Investments

Closing balance of investments was not aligned to the investment certificate.

Effect of adjustment		
Increase in investments	172	(172)
Increase in accumulated surplus	-	-
	-	-

Land

Land that does not belong to the municipality was previously included in the fixed-asset register. Throughout the compilation of the Asset Register the Municipality identified a transfer of municipal property to private parties to the value of R1 001 500,00. Deeds office confirmation has been obtained and the transfer has been verified. Title deed and transfer of property makes reference confirms that the transfer took place during the 2019/20 financial year.

Effect of adjustment		
Decrease in land	-	(1 001 500)
Decrease in accumulated surplus	-	1 001 500
	-	-

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58. Prior-year adjustments (continued)

Infrastructure- Work in Progress

Consumables and materials that were capitalized instead of being expensed.

Effect of adjustment

Decrease in infrastructure - work in progress

Decrease in accumulated surplus

(1 739 130)

1 739 130

-

-

Fair value adjustments

Correction of fair value adjustments incorrectly disclosed on note 18 - Revenue.

Effect of adjustment

Decrease in fair value adjustments

(51 576)

Contracted services

Recognising prior year expenditure incorrectly processed in the current year.

Effect of adjustment

Increase in event promoters

Increase in accumulated surplus

37 171

(37 171)

-

-

General expenses

Recognising prior year expenditure incorrectly processed in the current year.

Effect of adjustment

Increase in motor vehicle expenses

Increase in accumulated surplus

22 104

(22 104)

-

-

VAT Receivable

Management has commissioned an investigation on the incorrect treatment of VAT on property rates. The findings of the assessment depicted that the VAT was levied on a flat rate on unproportioned and informal areas. The amount levied as VAT does not come from levies derived from property rates as per the valuation roll. Management further identified that the issues raised in relation to the treatment of VAT on property rates relates to additional billing charges, for fixed or basic rates levied on properties that are not included in the general or supplementary valuation roll. Following the revelations management assessed the full population and it was identified that the VAT portion on these charges is derived from the migration from the FMS system. The investigation on the full population found that 29 275 accounts are affected with a total rand value of R1 215 427,26.

Effect of adjustment

Decrease in VAT Receivable

Decrease in Accumulated Surplus

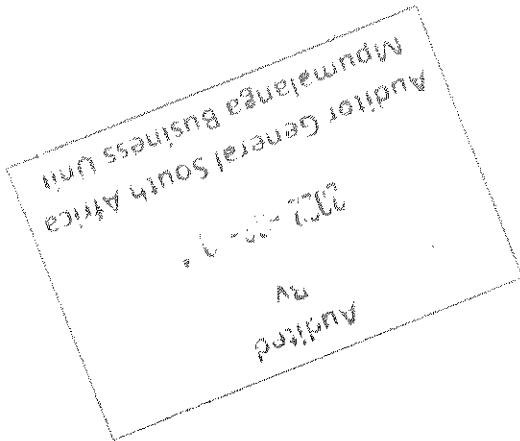
(1 215 427)

1 215 427

-

-

Infrastructure



Notes to the Annual Financial Statements

Chief Albert Luthuli Local Municipality
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	2021	2020
58. Prior-year adjustments (continued)		
Prior year completed project was not transferred from Work in progress to Infrastructure.		
Effect of adjustment		
Increase in Infrastructure	4 347 523	-
Increase in Depreciation	303	-
Decrease in Work in Progress	(4 347 826)	-
	-	-

Depreciation and amortisation

Recording of prior depreciation on project completed in the prior year.

Effect of adjustment		
Increase in depreciation	303	-
Increase in accumulated depreciation	(303)	-
	-	-

Interest received - consumers

Interest received from consumers had not been split into exchange and non-exchange revenue.

Effect of adjustment		
Decrease in interest received from exchange transactions-consumers	47 364 443	-
Increase in interest received from non-exchange transactions-consumers	(47 364 443)	-
	-	-

Changes in working capital

The debt impairment for receivables from non-exchange transaction was mistakenly included in the receivables from exchange transactions.

Effect of adjustment		
Decrease in receivables from non-exchange transactions	(123 930 745)	-
Increase in receivables from exchange transactions	123 930 745	-
	-	-