

Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2022



Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements
for the year ended 30 June 2022

Audited

By

2022 -11- 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 2022

General Information

Legal form of entity	Local Municipality
Municipal Demarcation Code	MP301
Executive Mayor	Nkosi D.P
Speaker	Gininda S.V
Chief Whip	Sidu L.L
Mayoral Committee	Zulu G.G Mathebula J.T Dhlamini E.S Nkosi S.P Thomo N.G Dube S.N
MPAC Chairperson	Motaung R.M
Councillors	Nkumane M.J Khumalo S.P Ngwenya R.D Mabuza V.B Nkosi N.P Manana B.L Methula Z.C Nkambule K.V Lulane S.K Makene J Shiba X.S.G Hlatshwayo P. T Mauku B.M Mncina L.M Maisela S.J Gininda O Masuku B.M Mbokane P.S Jele D Nkosi P.Z Thwala S.J Nkosi A.J Mbuli T.G Sikhakhane N.B Adams P.P Phakathi F.D.M Thomo G.P Matshaba K.A Nkosi D.S Van Der Walt L Ndebele J.C.H Mbatha M.E Thambekwayo M.T Sithole B.I Nkosi L.N.P

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General Information

	Hlophe M.P Nkambule T.T Hlatshwayo C.P Zwane F.C
Grading of local authority	Grade 4
Chief Finance Officer (CFO)	Mnisi M.G.T
Accounting Officer	Mgijima Ephraim Thabethe
Registered office	28 Kerk Street Carolina 1185
Business address	28 Kerk Street Carolina 1185
Postal address	P.O Box 24 Carolina 1185
Bankers	Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa Registered Auditors
Attorneys	Guzana Attorneys Mohlala Attorneys Mokoena Attorneys

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
RBIG	Regional Bulk Infrastructure Grant
WSIG	Water Services Infrastructure Grant
EEDSM	Energy Efficient Demand Side Management Grant
INEP	Integrated National Electrification Programme
EPWP	Expanded Public Works Programme
LG Seta	Local Government Sector Education and Training Authority
FMG	Financial Management Grant
AGSA	Auditor-General of South Africa

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The 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 9.

The annual financial statements set out on page 9, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

Mgijima Ephraim Thabethe
(Pr. Tech. Eng)

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Annual Financial Statements for the year ended 30 June 2022

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2022.

Audit committee members and attendance

The audit committee, consisting of independent outside members, meets at least 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, eight meetings were held.

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

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, and 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.

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Audit Committee Report

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 recommend that management and council should capacitate this unit.

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 98% 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 the municipality 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 91% in terms of implementation. There is a room for improvement in this regard and thus, the audit committee recommended to the 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.

Chairperson of the Audit Committee
SAB Ngobeni

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Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2022.

1. Review of activities

Main business and operations

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

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

2. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of R 1 964 438 197 and that the municipality's total assets exceed its liabilities by R 2 049 138 660.

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 unauthorized, irregular and fruitless and wasteful expenditure was concluded after 30 June 2022

4. 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.

5.

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

Name	Nationality
Mgijima Ephraim Thabethe	South African

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Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	2	26 249 736	56 073 361
Receivables from exchange transactions	3	73 521 437	35 769 460
Receivables from non-exchange transactions	4	106 698 890	107 505 703
Inventories	5	4 495 740	4 239 024
Investments	6	4 155 292	4 119 100
VAT receivable	7	12 662 755	17 265 148
Operating lease asset	8	2 379	6 505
		227 786 229	224 978 301
Non-Current Assets			
Operating lease asset	8	44 537	46 915
Investments	6	446 723	428 504
Investment property	9	40 750 400	37 114 000
Property, plant and equipment	10	2 047 901 996	1 734 456 283
		2 089 143 656	1 772 045 702
Total Assets		2 316 929 885	1 997 024 003
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	135 679 215	112 684 810
Finance lease obligation	12	2 919 289	3 515 965
Unspent conditional grants and receipts	13	7 414 736	10 608 024
Provisions	14	17 643 350	16 780 297
Employee benefit obligation	15	900 000	855 000
Long service award	16	1 441 000	1 339 000
		165 997 590	145 783 096
Non-Current Liabilities			
Finance lease obligation	12	1 381 500	1 971 043
Employee benefit obligation	15	8 887 001	8 986 000
Provisions	14	82 049 138	90 256 227
Long service award	16	9 475 999	9 195 000
		101 793 638	110 408 270
Total Liabilities		267 791 228	256 191 366
Net Assets		2 049 138 657	1 740 832 637
Reserves			
Revaluation reserve	17	84 700 463	84 700 463
Accumulated surplus		1 964 438 197	1 656 132 174
Total Net Assets		2 049 138 660	1 740 832 637

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Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	64 131 997	64 715 868
Rental Income	20	681 321	1 964 574
Interest received from exchange transactions - consumers	23	13 646 168	11 817 220
Licences and permits	22	15 576	146 211
Other income	24	2 901 570	3 022 360
Interest received - investment	25	4 997 453	7 239 623
Fair value adjustments	42	3 529 049	1 963 539
Total revenue from exchange transactions		89 903 134	90 869 395
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	77 882 046	96 011 645
Interest received from non-exchange transactions - consumers	23	30 701 331	41 897 418
Transfer revenue			
Government grants & subsidies	27	798 244 837	810 697 635
Donations	28	535 480	2 229 728
Fines, Penalties and Forfeits	21	8 992 450	2 242 519
Total revenue from non-exchange transactions		916 356 144	953 078 945
Total revenue	18	1 006 259 278	1 043 948 340
Expenditure			
Employee related costs	29	(214 254 597)	(199 489 181)
Remuneration of councillors	30	(20 318 647)	(20 023 990)
Depreciation and amortisation	31	(53 543 016)	(49 410 709)
Impairment Loss	32	(1 810 178)	(12 303 789)
Finance costs	33	(10 174 558)	(7 777 975)
Debt Impairment	34	(17 950 865)	(176 892 057)
Bad debts written off	35	(12 180 221)	-
Bulk purchases	36	(94 006 668)	(86 721 198)
Contracted services	37	(177 019 810)	(107 399 844)
Loss on disposal of assets and liabilities	40	(1 217 677)	(333 244)
General Expenses	38	(79 271 869)	(82 852 985)
Grants and subsidies expenditure	39	(16 205 151)	(12 031 739)
Total expenditure		(697 953 257)	(755 236 711)
Surplus for the year		308 306 021	288 711 629

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2020	84 700 463	1 367 420 545	1 452 121 008
Changes in net assets			
Surplus for the year	-	288 711 629	288 711 629
Total changes	-	288 711 629	288 711 629
Restated* Balance at 01 July 2021	84 700 463	1 656 132 176	1 740 832 639
Changes in net assets			
Surplus for the year	-	308 306 021	308 306 021
Total changes	-	308 306 021	308 306 021
Balance at 30 June 2022	84 700 463	1 964 438 197	2 049 138 660
Note(s)			17

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Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Service charges		142 923 064	92 685 272
Government grants and subsidies		795 051 549	742 305 660
Interest received - investment		4 997 453	7 239 623
Other receipts		3 598 467	5 133 145
		946 570 533	847 363 700
Payments			
Employee costs		(233 381 191)	(215 618 527)
Suppliers		(353 802 234)	(309 081 193)
Finance costs		(2 475 021)	(2 588 290)
		(589 658 446)	(527 288 010)
Net cash flows from operating activities	44	356 912 087	320 075 690
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(381 580 968)	(356 663 386)
Proceeds from sale of property, plant and equipment	10	-	1 292 204
Movement in operating lease asset		6 504	(110 607)
Movement in investments		(166 968)	(215 807)
Net cash flows from investing activities		(381 741 432)	(355 697 596)
Cash flows from financing activities			
Finance lease payments		(4 994 280)	(6 079 151)
Net increase/(decrease) in cash and cash equivalents		(29 823 625)	(41 701 057)
Cash and cash equivalents at the beginning of the year		56 073 361	97 774 418
Cash and cash equivalents at the end of the year	2	26 249 736	56 073 361

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Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
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Statement of Comparison of Budget and Actual Amounts

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	106 063 320	10 601 263	116 664 583	64 131 997	(52 532 586)	57 & 59
Rental income	13 891	120 412	134 303	681 321	547 018	57 & 59
Interest received from exchange transactions - consumers	-	-	-	13 646 168	13 646 168	57 & 59
Licences and permits	-	-	-	15 576	15 576	57 & 59
Other income	794 034	(282 942)	511 092	2 901 570	2 390 478	57 & 59
Interest received - investment	2 170 774	(1 980 772)	190 002	4 997 453	4 807 451	57 & 59
Total revenue from exchange transactions	109 042 019	8 457 961	117 499 980	86 374 085	(31 125 895)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	99 663 775	5 979 827	105 643 602	77 882 046	(27 761 556)	57 & 59
Interest received from non-exchange transactions-consumers	10 638 209	(2 595 755)	8 042 454	30 701 331	22 658 877	57 & 59

Transfer revenue

Government grants & subsidies	755 385 225	(55 683 225)	699 702 000	798 244 837	98 542 837	57 & 59
Donations	-	-	-	535 480	535 480	57 & 59
Fines, Penalties and Forfeits	179 247	10 755	190 002	8 992 450	8 802 448	57 & 59
Total revenue from non-exchange transactions	865 866 456	(52 288 398)	813 578 058	916 356 144	102 778 086	

Total revenue **974 908 475** **(43 830 437)** **931 078 038** **1 002 730 229** **71 652 191**

Expenditure

Employee related costs	(171 135 225)	(7 413 255)	(178 548 480)	(214 254 597)	(35 706 117)	57 & 59
Remuneration of councillors	(27 948 386)	-	(27 948 386)	(20 318 647)	7 629 739	57 & 59
Depreciation and amortisation	(47 405 346)	21 365 933	(26 039 413)	(53 543 016)	(27 503 603)	57 & 59
Impairment loss	-	-	-	(1 810 178)	(1 810 178)	57 & 59
Finance costs	(1 460 312)	919 310	(541 002)	(10 174 558)	(9 633 556)	57 & 59
Debt Impairment	(56 658 443)	11 331 682	(45 326 761)	(17 950 865)	27 375 896	57 & 59
Bad debts written off	-	-	-	(12 180 221)	(12 180 221)	57 & 59
Bulk purchases	(94 626 251)	(34 364 013)	(128 990 264)	(94 006 668)	34 983 596	57 & 59
Contracted Services	(113 827 195)	(34 840 717)	(148 667 912)	(177 019 810)	(28 351 898)	57 & 59
Transfers and Subsidies	-	-	-	(16 205 151)	(16 205 151)	57 & 59
General Expenses	(35 631 422)	(24 788 165)	(60 419 587)	(79 271 869)	(18 852 282)	57 & 59

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Total expenditure	(548 692 580)	(67 789 225)	(616 481 805)	(696 735 580)	(80 253 775)	
Operating surplus	426 215 895	(111 619 662)	314 596 233	305 994 649	(8 601 584)	
Loss on disposal of assets and liabilities	-	-	-	(1 217 677)	(1 217 677)	57 & 59
Fair value adjustments	-	-	-	3 529 049	3 529 049	57 & 59
				2 311 372	2 311 372	
Surplus before taxation	426 215 895	(111 619 662)	314 596 233	308 306 021	(6 290 212)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	426 215 895	(111 619 662)	314 596 233	308 306 021	(6 290 212)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	22 097 551	-	22 097 551	4 495 740	(17 601 811)	59
Investments	470 048	-	470 048	4 155 292	3 685 244	59
Receivables from non-exchange transactions	189 265 391	-	189 265 391	106 698 890	(82 566 501)	59
VAT receivable	-	-	-	12 662 755	12 662 755	59
Consumer debtors	34 687 721	-	34 687 721	73 521 437	38 833 716	59
Operating lease asset	-	-	-	2 379	2 379	59
Cash and cash equivalents	66 619 952	-	66 619 952	26 249 736	(40 370 216)	59
	313 140 663	-	313 140 663	227 786 229	(85 354 434)	

Non-Current Assets

Investment property	69 903 786	-	69 903 786	40 750 400	(29 153 386)	59
Property, plant and equipment	346 649 025	253 786 968	600 435 993	2 047 901 996	1 447 466 003	57 & 59
Investments	-	-	-	446 723	446 723	59
Operating lease asset	-	-	-	44 537	44 537	59
	416 552 811	253 786 968	670 339 779	2 089 143 656	1 418 803 877	
Total Assets	729 693 474	253 786 968	983 480 442	2 316 929 885	1 333 449 443	

Liabilities

Current Liabilities

Finance lease obligation	-	-	-	2 919 289	2 919 289	59
Payables from exchange transactions	(102 354 674)	(135 610 912)	(237 965 586)	135 679 215	373 644 801	59
Consumer deposits	71 702	-	71 702	-	(71 702)	59
Employee benefit obligation	-	-	-	900 000	900 000	59
Unspent conditional grants and receipts	-	-	-	7 414 736	7 414 736	59
Provisions	28 404 718	-	28 404 718	17 643 350	(10 761 368)	59
Long service award	-	-	-	1 441 000	1 441 000	59
	(73 878 254)	(135 610 912)	(209 489 166)	165 997 590	375 486 756	

Non-Current Liabilities

Finance lease obligation	-	-	-	1 381 500	1 381 500	59
Employee benefit obligation	-	-	-	8 887 001	8 887 001	59
Provisions	-	-	-	82 049 138	82 049 138	59
Long service award	-	-	-	9 475 999	9 475 999	59
	-	-	-	101 793 638	101 793 638	
Total Liabilities	(73 878 254)	(135 610 912)	(209 489 166)	267 791 228	477 280 394	
Net Assets	803 571 728	389 397 880	1 192 969 608	2 049 138 657	856 169 049	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	84 700 463	-	84 700 463	84 700 463	-	
Accumulated surplus	1 070 488 467	(130 163 051)	940 325 416	1 964 438 195	1 024 112 779	
Total Net Assets	1 155 188 930	(130 163 051)	1 025 025 879	2 049 138 658	1 024 112 779	

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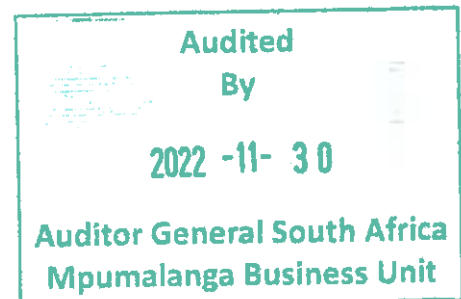
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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Service charges	144 500 320	-	144 500 320	142 923 064	(1 577 256)	59
Government grants and subsidies	667 792 000	-	667 792 000	795 051 549	127 259 549	59
Interest income	-	-	-	4 997 453	4 997 453	59
Other revenue	3 100 000	-	3 100 000	3 598 467	498 467	59
	815 392 320	-	815 392 320	946 570 533	131 178 213	
Cash flows from investing activities						
Purchase of property, plant and equipment	(345 123 001)	-	(345 123 001)	(369 365 848)	(24 242 847)	59
Movement in investments	409 508	-	409 508	(166 968)	(576 476)	59
Movement in operating lease asset	-	-	-	6 504	6 504	59
Net cash flows from investing activities	(344 713 493)	-	(344 713 493)	(369 526 312)	(24 812 819)	
Cash flows from financing activities						
Finance lease payments	-	-	-	5 047 328	5 047 328	59
Net increase/(decrease) in cash and cash equivalents	470 678 813	-	470 678 813	29 823 626	111 412 722	59
Cash and cash equivalents at the beginning of the year	5 143 302	-	5 143 302	56 073 361	50 930 059	59
Cash and cash equivalents at the end of the year	475 822 115	-	475 822 115	85 896 987	162 342 781	



Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand

Note(s)

2022

2021

1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting.. They are presented in South African Rand.

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

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.

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 36.

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.

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 CPI to discount future cash flows except where stated otherwise.

Audited
By

2022 -11- 30

Auditor General South Africa
Mpumalanga Business Unit

Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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 fair value of the investment property can be measured reliably.

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

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

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

Fair value

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

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:

Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Investment property (continued)

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 10).

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.

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

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

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

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

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

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

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

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

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.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

Item	Depreciation method	Average useful life
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.

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

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

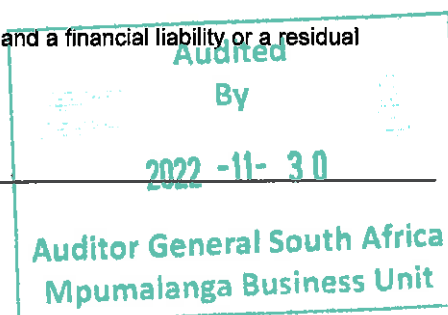
Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows 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 (see note 10).

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.



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Accounting Policies

1.5 Financial Instruments (continued)

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

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').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

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

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

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

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Accounting Policies

1.5 Financial instruments (continued)

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

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

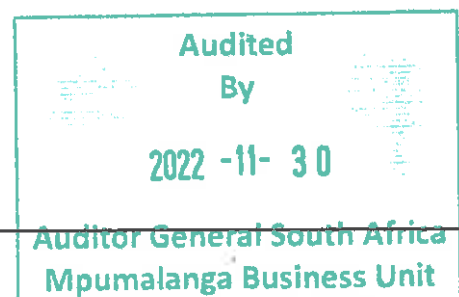
Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

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

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

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

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



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Accounting Policies

1.5 Financial Instruments (continued)

Classification

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

Class	Category
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.



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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Gains and losses

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

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

Impairment 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.

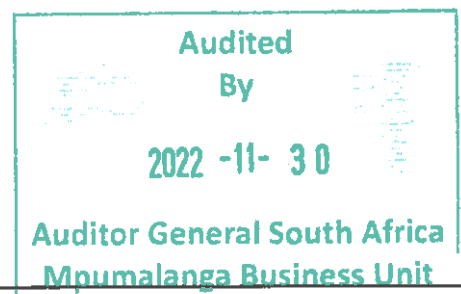
Financial assets measured at amortised cost:

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.



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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.

1.6 Statutory receivables

Identification

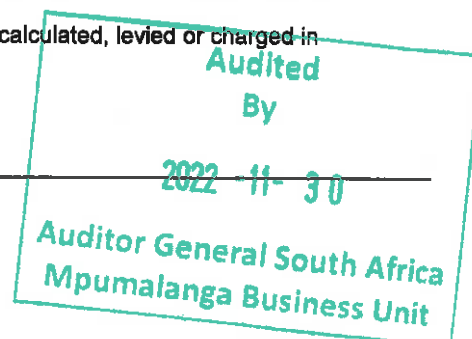
Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

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

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

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

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



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Accounting Policies

1.7 Leases

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

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

Finance leases - lessee

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

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

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

Income for leases is disclosed under revenue in statement of financial performance.

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.

1.8 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.

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Accounting Policies

1.8 Inventories (continued)

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

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

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.

1.9 Discontinued Operations

Discontinued operation is a component of an 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 an municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

1.10 Impairment of cash-generating assets

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

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

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

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

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

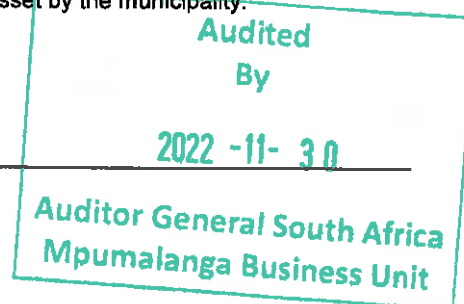
Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

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



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1.10 Impairment of cash-generating assets (continued)

Identification

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

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

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

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)

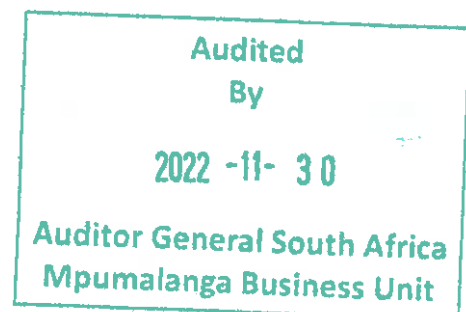
If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

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.

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

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



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Accounting Policies

1.10 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.

1.11 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.

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1.11 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 oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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.

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Accounting Policies

1.12 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

Post-employment benefits: Defined contribution plans

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

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.



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Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: 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 unrecognised 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 unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

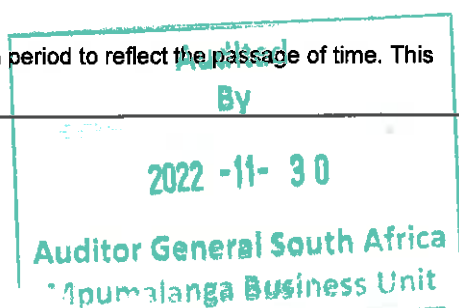
Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

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.



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Accounting Policies

1.13 Provisions and contingencies (continued)

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

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 1.10 and 1.11.

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

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

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Accounting Policies

1.13 Provisions and contingencies (continued)

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 within the scope 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.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

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Accounting Policies

1.15 Revenue from exchange transactions (continued)

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 .

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.

1.16 Revenue from non-exchange transactions

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

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, whichever is earlier. When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Audited
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Auditor General South Africa
Mpumalanga Business Unit

Chief Albert Luthuli Local Municipality

(Registration number MP301)

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Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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.

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment 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.

1.17 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

Additional text

1.18 Borrowing costs

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

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

1.19 Comparative figures

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

1.20 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 with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.
- 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.

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Accounting Policies

1.21 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.

1.22 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.

1.23 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/credit against accumulated surplus when retrospective adjustments are made.

1.24 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

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 2021/07/01 to 2022/06/30.

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

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

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.

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Accounting Policies

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

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 Service concession arrangements: Grantor

Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of 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; or
- is provided by the grantor which:
 - is an existing asset of the grantor; or
 - is an upgrade to an existing asset of the grantor.

Recognition of asset and liability

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 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.

Measurement

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

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.



Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.29 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.

1.30 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.

1.31 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.



Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand		3 649
Bank balances	2 142 994	707 707
Other cash and cash equivalents	24 106 742	55 362 005
	26 249 736	56 073 361

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

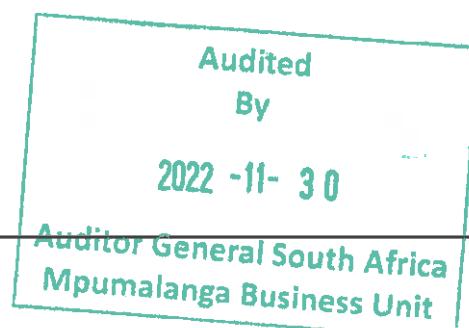
The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Standard bank- 033255954	1 943 126	512 743	248 661	1 980 360	512 743	-
Standard bank- ChequeAccount-31686648	162 634	194 965	30 265	162 632	194 965	30 265
Standard bank- InvestmentAccount- 308654552-001	553 668	18 155 068	1 057 538	553 668	18 155 068	1 057 538
Standard bank- InvestmentAccount-002	4 013 503	1 007 826	13 255 996	4 013 503	1 007 826	13 255 999
Standard bank- InvestmentAccount- 038478668-003	148 780	6 037 495	1 395 281	148 780	6 037 495	1 395 281
Standard bank- InvestmentAccount- 038478668-004	14 255 365	11 542 547	2 563 586	14 255 365	11 542 547	2 563 586
Standard bank- InvestmentAccount- 034878668-005	5 119 123	18 597 744	79 218 020	5 119 123	18 597 744	79 218 020
Standard bank- InvestmentAccount- 038478668-006	16 303	21 325	1 420	16 303	21 325	1 420
Total	26 212 502	56 069 713	97 770 767	26 249 734	56 069 713	97 522 109

Call accounts summary

Call account 1	553 668	18 155 068
Call account 2	4 013 503	1 007 826
Call account 3	148 780	6 037 495
Call account 4	14 255 365	11 542 547
Call account 5	5 119 123	18 597 744
Call account 6	16 303	21 325
	24 106 742	55 362 005



Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
3. Receivables from exchange transactions		
Gross balances		
Electricity	18 879 677	21 399 296
Water	34 746 320	32 912 809
Sewerage	88 109 476	82 794 311
Refuse	78 296 744	75 020 846
Shatadi	918 659	918 659
Magoveni	1 485 294	1 485 294
Other	1 423 730	8 032 572
	223 859 900	222 563 787
Less: Allowance for impairment		
Electricity	(12 816 732)	(18 153 235)
Water	(23 588 025)	(27 955 363)
Sewerage	(59 814 349)	(70 232 911)
Refuse	(53 152 838)	(63 638 707)
Other	(966 519)	(6 814 111)
	(150 338 463)	(186 794 327)
Net balance		
Electricity	6 062 945	3 246 061
Water	11 158 295	4 957 446
Sewerage	28 295 127	12 561 400
Refuse	25 143 906	11 382 139
Shatadi	918 659	918 659
Magoveni	1 485 294	1 485 294
Other	457 211	1 218 461
	73 521 437	35 769 460
Electricity		
Current (0 -30 days)	1 963 678	1 527 969
31 - 60 days	965 975	991 879
61 - 90 days	761 870	656 124
91 - 120 days	15 188 154	18 223 323
Less allowance for impairment	(12 816 733)	(18 153 234)
	6 062 944	3 246 061
Water		
Current (0 -30 days)	1 353 196	1 459 317
31 - 60 days	1 329 455	1 321 682
61 - 90 days	1 425 726	1 404 781
91 - 120 days	30 637 943	28 768 405
Less allowance for impairment	(23 588 025)	(27 955 363)
	11 158 295	4 998 822
Sewerage		
Current (0 -30 days)	1 334 728	1 203 907
31 - 60 days	1 290 407	1 141 951
61 - 90 days	1 165 248	1 101 020
91 - 120 days	84 319 094	79 344 691
Less allowance for impairment	(59 814 349)	(70 232 911)
	28 295 128	12 558 658

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
3. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	1 302 584	1 273 019
31 - 60 days	1 244 111	1 200 537
61 - 90 days	1 179 899	1 168 504
91 - 120 days	74 570 149	71 376 165
Less allowance for impairment	(53 152 838)	(63 638 707)
	25 143 905	11 379 518
Magoveni		
> 365 days	918 659	918 659
Shatadi		
> 365 days	1 485 294	1 485 294
Other (specify)		
Current (0 -30 days)	199 451	172 841
31 - 60 days	62 757	166 911
61 - 90 days	242 091	154 317
91 - 120 days	919 432	7 538 502
Less allowance for impairment	(966 519)	(6 814 111)
	457 212	1 218 460
Reconciliation of allowance for impairment		
Balance at beginning of the year	(186 794 327)	(140 946 942)
Contributions to allowance	8 779 011	(45 847 385)
Reversal of allowance	27 676 853	-
	(150 338 463)	(186 794 327)

Consumer debtors pledged as security

None of the consumer 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 2022, consumer debtors of R150 338 463- (2021: R 186 794 327) were impaired and provided for.

The amount of the provision was R 8 779 011 as of 30 June 2022 (2021: R 45 847 385).

4. Receivables from non-exchange transactions

Gross balances		
Property Rates	330 693 337	707 239 179
Staff debtor	309 717	309 717
Traffic Fines	50 619 720	41 819 624
	381 622 774	749 368 520

Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
4. Receivables from non-exchange transactions (continued)		
Less: Allowance for impairment		
Property Rates	(224 495 791)	(600 204 603)
Traffic Fines	(50 428 093)	(41 658 214)
	(274 923 884)	(641 862 817)
Net balance		
Property Rates	106 197 546	107 034 576
Staff debtor	309 717	309 717
Traffic Fines	191 627	161 410
	106 698 890	107 505 703
Property Rates		
Current (0 -30 days)	(478 942)	11 806 076
31 - 60 days	7 204 734	11 525 241
61 - 90 days	6 432 344	11 433 394
91 - 120 days	317 535 201	672 765 127
Less allowance for impairment	(224 495 791)	(600 204 603)
	106 197 546	107 325 235
Staff Debtor		
> 365 days	309 717	309 717
Traffic Fines		
Current (0 -30 days)	274 097	177 330
31 - 60 days	780 793	318 555
61 - 90 days	695 139	231 740
91 - 120 days	48 869 690	41 091 999
Less allowance for impairment	(50 428 092)	(41 658 214)
	191 627	161 410

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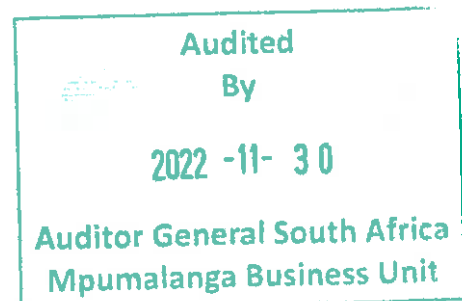
Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
4. Receivables from non-exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	4 338 802	9 776 729
31 - 60 days	5 846 205	9 347 039
61 - 90 days	5 442 103	9 175 813
91 - 120 days	274 952 815	587 796 608
	290 579 925	616 096 189
Less: Allowance for impairment	(262 371 912)	(577 017 817)
	28 208 013	39 078 372
Industrial/ commercial		
Current (0 -30 days)	3 158 809	2 383 371
31 - 60 days	2 706 638	1 878 393
61 - 90 days	2 659 171	1 576 920
91 - 120 days	113 939 173	85 509 177
	122 463 791	91 347 861
Less: Allowance for impairment	(110 575 632)	(85 553 756)
	11 888 159	5 794 105
National and provincial government		
Current (0 -30 days)	(1 834 865)	1 551 466
31 - 60 days	3 532 647	1 526 942
61 - 90 days	3 094 603	1 561 531
91 - 120 days	132 223 631	82 787 528
	137 016 016	87 427 467
Total		
Current (0 -30 days)	5 662 746	13 888 896
31 - 60 days	12 085 490	13 070 930
61 - 90 days	11 195 876	12 546 004
91 - 120 days	521 115 619	797 183 761
	550 059 731	836 689 591
Less: Allowance for impairment	(372 947 543)	(704 228 237)
	177 112 188	132 461 354



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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

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4. Receivables from non-exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(641 862 817)	(510 818 145)
Contributions to allowance	(26 729 876)	(131 044 672)
Reversal of allowance	393 668 809	-
	(274 923 884)	(641 862 817)

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 2022, receivables from non-exchange transactions of R274 923 884 (2021:R641 862 812) were impaired and provided for.

The amount of the provision was R26 729 876 (2021: 131 044 672) as at 30 June 2022.

5. Inventories

Consumables	4 360 615	4 090 355
Water for distribution	135 125	148 669
	4 495 740	4 239 024

Reconciliation of inventory movement

Opening balance	4 090 356	3 711 528
Purchased	1 391 166	731 669
Utilised	(1 120 906)	(352 841)
	4 360 616	4 090 356

Reconciliation of water stock movement

Opening balance	148 669	133 312
Produced/ (consumed)	(13 543)	15 357
	135 126	148 669

Inventory pledged as security

At year end no inventory has been pledged as security.

6. Investments

Designated at fair value

Listed shares	700 105	812 662
---------------	---------	---------

At amortised cost

Sanlam: Guarantee Capital Fund - Policy number 9921774X7	126 602	121 395
RMB Momentum - Account number RU 500434741	320 121	307 109
Stanlib Classic Investment Plan - Account number IP0006247	764 281	735 695
Stanlib Extra Income Fund - Account number IP0006247	2 690 906	2 570 743
	3 901 910	3 734 942

Total other financial assets

4 602 015 **4 547 604**

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
6. Investments (continued)		
Non-current assets		
At amortised cost	446 723	428 504
Current assets		
Designated at fair value	700 105	812 662
At amortised cost	3 455 187	3 306 438
	4 155 292	4 119 100

Financial assets at fair value

Listed shares are carried at fair value:

The municipality own 13242 shares in Sanlam Limited which was trading at R52.87 (2021: R61.37) 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 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	12 662 755	17 265 148
-----	------------	------------

8. Operating lease asset

Non-current assets	44 537	46 915
Current assets	2 379	6 505
	46 916	53 420

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

Operating lease as a lessor		
Within one year	167 239	488 194
In the second to the fifth year	331 363	539 232
	498 602	1 027 426

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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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

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9. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	40 750 400	-	40 750 400	37 114 000	-	37 114 000

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	37 114 000	3 636 400	40 750 400

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

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.

Details of valuation

Valuations 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.

Rental revenue in surplus for the year 681 321 1 964 574

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Chief Albert Luthuli Local Municipality

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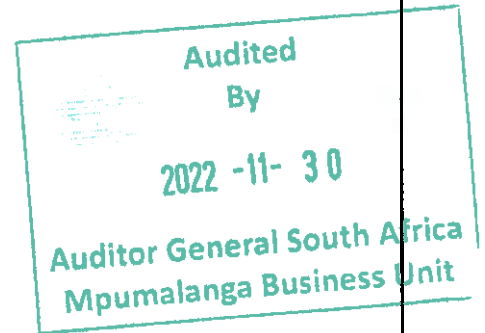
Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2022			2021		
	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	114 447 700	-	114 447 700
Buildings	11 583 996	(4 958 945)	6 625 051	9 065 102	(4 641 508)	4 423 594
Infrastructure	2 541 016 784	(800 105 781)	1 740 911 003	2 177 078 274	(760 780 451)	1 416 297 823
Community	140 031 727	(27 209 205)	112 822 522	137 250 214	(23 691 560)	113 558 654
Landfill site	44 278 300	(19 099 168)	25 179 132	59 166 886	(15 490 191)	43 676 695
Other property, plant and equipment	78 729 724	(30 813 136)	47 916 588	65 353 554	(23 301 737)	42 051 817
Total	2 930 088 231	(882 186 235)	2 047 901 996	2 562 361 730	(827 905 447)	1 734 456 283



Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	114 447 700	-	-	-	-	-	114 447 700
Buildings	4 423 594	2 551 416	(8 976)	-	(340 983)	-	6 625 051
Community Infrastructure	113 558 654	3 252 553	(257 362)	-	(3 731 323)	-	112 822 522
Landfill site	1 416 297 823	366 283 950	(626 113)	(1 624 742)	(37 641 130)	(1 778 785)	1 740 911 003
Other property, plant and equipment	43 676 695	-	-	(14 888 586)	(3 608 977)	-	25 179 132
	42 051 817	14 441 994	(325 227)	-	(8 220 603)	(31 393)	47 916 588
	1 734 456 283	386 529 913	(1 217 678)	(16 513 328)	(53 543 016)	(1 810 178)	2 047 901 996

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	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
Community Infrastructure	110 947 613	7 702 621	-	-	-	(3 288 687)	(1 802 893)	113 558 654
Landfill site	1 138 048 495	325 841 050	-	-	(164 935)	(38 712 890)	(9 277 237)	1 416 297 823
Other property, plant and equipment	30 798 820	-	-	-	15 181 980	(1 807 383)	(496 722)	43 676 695
	20 679 520	27 897 353	(1 577 448)	-	-	(5 301 659)	(395 677)	42 051 817
	1 419 683 598	361 806 024	(1 625 448)	(23 506)	15 017 045	(49 410 709)	(12 303 789)	1 734 456 283

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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10. Property, plant and equipment (continued)

Plledged as security

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

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 estimated. 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 R2 984 742 (2021: R3 432 764).

The future impact of the revision will be a decrease in the depreciation charge amounting to R2 984 74.

Long outstanding capital projects

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

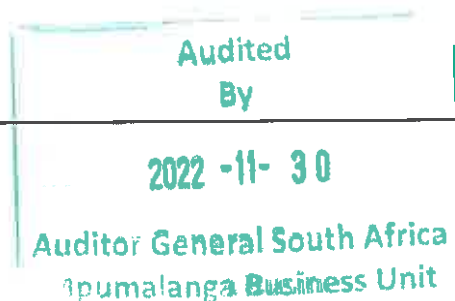
CONSTRUCTION OF WATER RETICULATION	810 717	810 717
Funding was not sufficient to complete the project, the municipality is still awaiting the additional funding. The project is expected to be completed in the next financial year		
COMMUNITY HALLS -MK DUBE	3 603 775	3 603 775
Funding was not sufficient 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	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]		
	9 415 427	9 415 427

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	375 062 005	3 603 774	378 665 779
Additions/capital expenditure	361 220 929	3 252 553	364 473 482
Other movements	(13 656 481)	-	(13 656 481)
Completed items	(210 971 964)	-	(210 971 964)
	511 654 489	6 856 327	518 510 816

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Total
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)
Completed items	(65 319 981)	(50 687 940)	(116 007 921)
Correction of error	(100 846 703)	-	(100 846 703)
	375 062 005	3 603 774	378 665 779



Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
10. Property, plant and equipment (continued)		
Expenditure incurred to repair and maintain property, plant and equipment		
Maintenance of equipment	40 154 451	25 682 302
Maintenance of other assets	3 941 692	3 318 303
Maintenance of buildings	521 750	-
	44 617 893	29 000 605

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.

11. Payables from exchange transactions

Trade payables	23 242 018	10 924 526
Retentions	49 599 336	38 768 298
Prepaid electricity	121 346	142 092
Payroll accruals- 13th Cheque	4 074 861	3 812 424
Consumer deposits	484 950	481 030
1% Social Responsibility	7 307 614	5 100 502
Income received in advance	48 400 093	53 374 205
Unallocated deposits	450 051	81 733
Payroll provision	1 998 946	-
	135 679 215	112 684 810

Consumer deposits

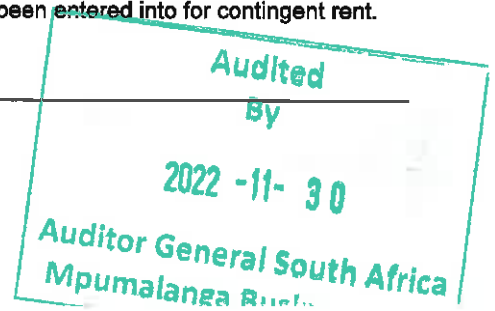
Consumer deposits are paid by consumers on application for a new water and electricity connection. The deposit are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilize the deposit as payment for the outstanding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

12. Finance lease obligation

Minimum lease payments due		
- within one year	3 468 000	3 767 184
- in second to fifth year inclusive	1 559 431	2 030 408
	5 027 431	5 797 592
less: future finance charges	(726 643)	(310 584)
Present value of minimum lease payments	4 300 788	5 487 008
Present value of minimum lease payments due		
- within one year	2 919 289	3 515 964
- in second to fifth year inclusive	1 381 500	1 971 042
	4 300 789	5 487 006
Non-current liabilities	1 381 500	1 971 043
Current liabilities	2 919 289	3 515 965
	4 300 789	5 487 008

The average lease term was 3 years and the average effective borrowing rate was 9% (2021: 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 leases asset..



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13. Unspent conditional grants and receipts

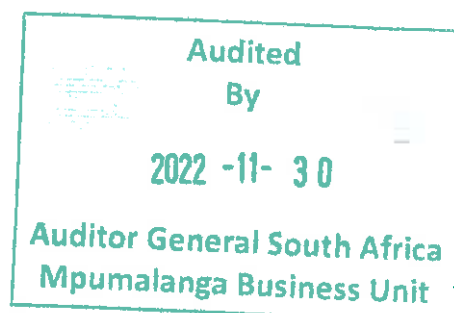
Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Regional Bulk Infrastructure Grant		10 608 024
Data Cleansing Grant	7 414 736	-
	7 414 736	10 608 024

Movement during the year

Balance at the beginning of the year	10 608 024	79 000 000
Additions during the year	445 816 549	348 170 660
Income recognition during the year	(449 009 837)	(416 562 636)
	7 414 736	10 608 024



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14. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Reversed during the year	Total
Provision for rehabilitation	90 256 227	6 681 497	(14 888 586)	82 049 138
Leave	16 780 297	863 053	-	17 643 350
	107 036 524	7 544 550	(14 888 586)	99 692 488

Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Provision for rehabilitation	70 637 271	19 818 956	90 256 227
Leave	13 986 653	2 793 644	16 780 297
	84 623 924	22 412 600	107 036 524

Provisions:

Non-current liabilities	82 049 138	90 256 227
Current liabilities	17 643 350	16 780 297
	99 692 488	107 036 524

Provision for rehabilitation

The following landfills are included in this consolidated report:

- Carolina (old)
- Empuluzi
- Ekulindeni
- eManzana
- Elukwatini
- 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)

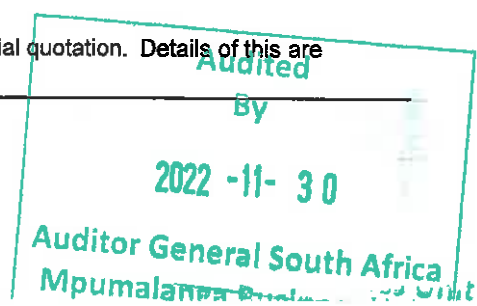
Between 2011 and 2021, the GLCCM has been used to conduct 598 closure cost determinations for 175 landfills and quarries controlled by 60 municipalities/entities spread over eight provinces.

A detailed description of the GLCCM is provided separately.

Financial assumptions used

Unit costs

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



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14. Provisions (continued)

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 6.6085%.

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 bonds 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

Assumption	For Carolina (old) and eManzana landfills	For Empuluzi and Ekulindeni landfills	For Elukwatini and Carolina (new) landfills
CPI	6,6085 %	6,6085 %	6,6085 %
Discount rate	9,3585 %	9,6085 %	10,6085 %
Net effective discount rate	2,7500 %	3,0000 %	4,0000 %
	18,7170 %	19,2170 %	21,2170 %

Discounting of closure costs

The discounted value of the liability for the closure of the landfills is shown in the table below:

Landfill closure provision	82 049 138	90 256 227
Interest charge	6 681 497	4 436 976
	88 730 635	94 693 203

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.

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14. Provisions (continued)

Current and non-current liability

Current Liability	-	-
Non-current liability	82 049 138	90 256 227
	82 049 138	90 256 227

Disclosures

Disclosures in the Statement of Financial Performance or the notes thereto

Change in landfill closure provision	(14 888 586)	15 181 979
Interest charge	6 681 497	4 436 976
	(8 207 089)	19 618 955

Net Liability in Balance Sheet

Opening Balance	90 256 227	70 637 272
Change in landfill closure provision	(14 888 586)	15 181 979
Interest charge	6 681 497	4 436 976
	82 049 138	90 256 227

15. Employee benefit obligations

Defined benefit plan

No further 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.

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

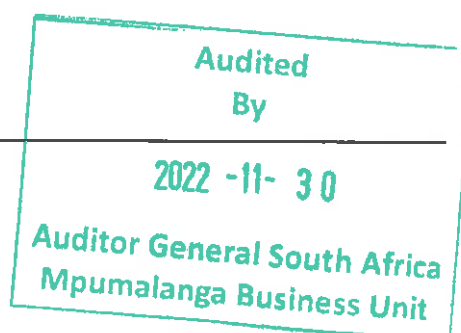
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(9 787 000)	(9 841 000)

Employee benefit obligation

Non-current liabilities	(8 887 001)	(8 986 000)
Current liabilities	(900 000)	(855 000)
	(9 787 001)	(9 841 000)

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

Opening balance	9 841 000	9 683 000
Interest costs	860 000	836 000
Actuarial gains/(losses)	(26 575)	165 302
Benefits paid	(887 425)	(843 302)
	9 787 000	9 841 000



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Figures in Rand	2022	2021
15. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Interest cost	860 000	836 000
Actuarial (gains)/losses	(26 575)	165 302
	833 425	1 001 302

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15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate	10,93 %	9,13 %
Health care cost inflation rate	7,84 %	6,27 %
Net discount rate	2,87 %	2,69 %

Financial Assumption

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 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 10,93% per annum has been used. The corresponding index-linked yield at this term is 3,84%. 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 2022.

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 7,84% has been assumed. This is 1,50% in excess of expected CPI inflation over the expected term of the liability, namely 6,34%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 2,87% which derives from $((1+10,93\%)/(1+7,84\%))-1$.

The expected inflation assumption of 6,34% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (3,84%) and those of fixed interest bonds (10,93%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0,50%). This was therefore determined as follows: $((1+10,93\%-0,50\%)/(1+3,84\%))-1$.

Demographic Assumptions

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

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.

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15. Employee benefit obligations (continued)

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
Effect on the aggregate of the service cost and interest cost	10 612 000	9 058 000
Effect on defined benefit obligation	9 083 000	10 595 000
Net discount rate	9 395 000	10 183 000

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

	2022 R	2021 R	2020 R	2019 R	2018 R
Defined benefit obligation	9 787 000	9 841 000	9 683 000	10 691 000	9 284 000
Experience adjustments on plan liabilities	116 000	(522 000)	102 000	497 000	(112 000)

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)		
Carrying value		
Present value	10 917 000	10 534 000
Changes in present value		
Opening balance	10 534 000	9 591 000
Current service cost	952 000	899 000
Interest cost	909 000	677 000
Benefits paid	(1 294 140)	(1 145 875)
Actuarial loss/(gain)	(183 860)	512 875
	10 917 000	10 534 000
Net expense recognised in the statement of financial performance		
Current service cost	952 000	899 000
Interest cost	909 000	677 000
Actuarial loss/(gain)	(183 860)	512 875
	1 677 140	2 088 875

Key assumptions

Discount rate:	11.08%
General earnings inflation rate:	7.32%
Normal salary increase rate:	5.50%
Net effective discount rate:	3.50%

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:

	One percentage point increase	Current valuation percentage	One percentage point decrease
Total accrued liability	11 593 000	10 917 000	10 301 000
Current service cost	1 030 000	952 000	883 000
Interest cost	970 000	909 000	853 000
	13 593 000	12 778 000	12 037 000

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 awards 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:

	2022	2021	2020	2019	2018
Accrued liability	10 917 000	10 534 000	9 591 000	8 667 000	7 785 000
Experience adjustments on plan liabilities	85 140	481 875	277 788	358 370	1 039 878
	11 002 140	11 015 875	9 868 788	9 025 370	8 824 878
Current portion				1 441 000	1 339 000
Non-current portion				9 475 999	9 195 000
				10 916 999	10 534 000

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Figures in Rand	2022	2021
17. Revaluation reserve		
Opening balance	84 700 463	84 700 463
18. Revenue		
Service charges	64 131 997	64 715 868
Rental income	681 321	1 964 574
Interest received from exchange transactions - consumers	13 646 168	11 817 220
Licences and permits	15 576	146 211
Fair value adjustments	3 529 049	1 963 539
Other income	2 901 570	3 022 360
Interest received - investment	4 997 453	7 239 623
Property rates	77 882 046	96 011 645
Interest received from non-exchange transactions - consumers	30 701 331	41 897 418
Government grants & subsidies	798 244 837	810 697 635
Donations	535 480	2 229 728
Fines	8 992 450	2 242 519
	1 006 259 278	1 043 948 340

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	64 131 997	64 715 868
Rental income	681 321	1 964 574
Interest received from exchange transactions- consumers	13 646 168	11 817 220
Licences and permits	15 576	146 211
Other income	2 901 570	3 022 360
Interest received - investment	4 997 453	7 239 623
	86 374 085	88 905 856

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

Taxation revenue		
Property rates	77 882 046	96 011 645
Interest received from non-exchange transactions- consumers	30 701 331	41 897 418
Transfer revenue		
Government grants & subsidies	798 244 837	810 697 635
Donations	535 480	2 229 728
Fines	8 992 450	2 242 519
	916 356 144	953 078 945

19. Service charges

Sale of electricity	37 227 030	34 330 637
Sale of water	10 755 597	11 895 895
Sewerage and sanitation charges	7 964 230	8 792 254
Refuse removal	8 050 956	9 616 917
Other service charges	134 184	80 165
	64 131 997	64 715 868

20. Rental income

Facilities and equipment		
Rental of facilities	681 321	1 964 574

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Figures in Rand	2022	2021
21. Fines		
Municipal Traffic Fines	8 992 450	2 242 519
22. Licences and permits		
Licences	15 576	146 211
23. Interest received - consumers		
Interest received from exchange transactions - consumers	13 646 168	11 817 220
Interest received from non-exchange transactions - consumers	30 701 331	41 897 418
	44 347 499	53 714 638
24. Other Income		
Building Plans	626 835	617 288
Burial service fees	279 880	273 020
Clearance certificates	16 752	6 360
Connection fees	129 488	12 215
Fire brigade fees	273 405	331 871
Proof of residence	677 283	496 859
Sale of stands	278 934	237 617
Tender deposits	67 227	33 695
Administration and handling fees	359 846	111 798
Advertising	73 598	57 716
Valuation certificates	23	188
Cleaning and removal	117 412	19 606
Insurance claim	-	824 127
Cash surplus	887	-
	2 901 570	3 022 360
25. Investment revenue		
Interest revenue		
Interest received	4 997 453	7 239 623

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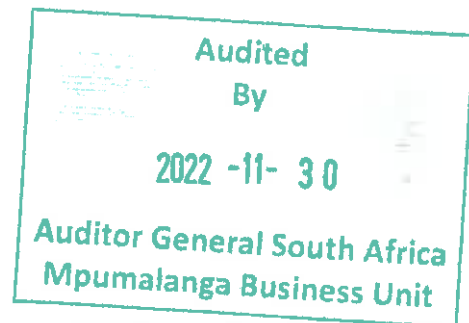
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Figures in Rand	2022	2021
26. Property rates		
Rates received		
Residential	17 403 192	59 447 369
Commercial	18 369 807	7 037 016
State	42 109 047	29 527 260
	77 882 046	96 011 645
Valuations		
Residential	2 457 415 700	2 455 625 801
Commercial	898 347 600	894 547 600
State	940 581 900	938 081 800
Municipal	556 951 100	557 221 100
Agricultural	4 886 288 993	4 906 852 100
Other	147 073 300	147 473 302
	9 886 658 593	9 899 801 703

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.



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27. Government grants and subsidies		
Operating grants		
Equitable share	349 235 000	394 135 000
FMG	2 000 000	2 000 000
EPWP	1 391 000	1 914 000
LG Seta	349 545	195 160
Data cleansing Grant	2 585 268	-
	355 560 813	398 244 160
Capital grants		
RBIG	258 608 024	287 959 975
MIG	92 108 000	85 419 000
WSIG	64 000 000	26 375 000
EEDSM	3 500 000	2 699 500
INEP	24 468 000	10 000 000
	442 684 024	412 453 475
	798 244 837	810 697 635

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

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

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

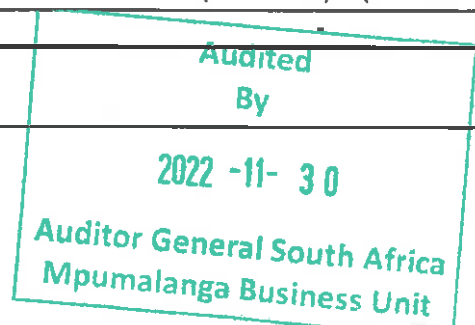
Current-year receipts	1 391 000	1 914 000
Conditions met - transferred to revenue	(1 391 000)	(1 914 000)

The Expanded Public Works Programme is one 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

Current-year receipts	64 000 000	26 375 000
Conditions met - transferred to revenue	(64 000 000)	(26 375 000)



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27. 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.

Municipal Infrastructure Grant

Current-year receipts	92 108 000	85 419 000
Conditions met - transferred to revenue	(92 108 000)	(85 419 000)
	-	-

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

Current-year receipts	24 468 000	10 000 000
Conditions met - transferred to revenue	(24 468 000)	(10 000 000)
	-	-

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	10 608 024	79 000 000
Current-year receipts	248 000 000	219 568 000
Conditions met - transferred to revenue	(258 608 024)	(287 959 976)
	-	10 608 024

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.

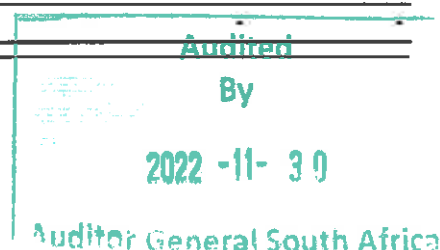
LG Seta Grant

Current-year receipts	349 549	195 160
Conditions met - transferred to revenue	(349 549)	(195 160)
	-	-

The grant is intended for sending staff of the municipality for training by corporate services.

Energy Efficient Demand Side Management Grant

Current-year receipts	3 500 000	2 699 500
Conditions met - transferred to revenue	(3 500 000)	(2 699 500)



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27. Government grants and subsidies (continued)

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.

Data cleansing grant

Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(2 585 264)	-
	7 414 736	-

Conditions still to be met - remain liabilities (see note 13).

This grant is intended to assist the municipality to conduct data cleansing and a conciliation of the valuation roll and billing system.

28. Donations

GSDM Revenue- 10 000LT Water Tanker	-	1 480 000
Fencing of Carolina Water Works	535 480	-
Movable assets	-	749 728
	535 480	2 229 728

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29. Employee related costs		
Basic	123 148 351	116 300 627
Bonus	10 382 329	9 190 440
Medical aid - company contributions	11 331 606	10 493 670
UIF	895 079	814 276
Bargaining council	56 578	53 193
SDL	1 705 438	1 584 033
Pension Fund	22 892 869	22 134 616
Interest cost on actuarial valuations	860 000	(7 302)
Travel, motor car, accommodation, subsistence and other allowances	12 188 356	11 636 426
Overtime payments	11 779 572	8 242 634
Long-service awards	1 294 140	1 145 875
Acting allowances	3 529 011	2 451 424
Actuarial loss/(gain)	(210 435)	165 302
Housing benefits and allowances	1 587 705	1 598 899
Standby allowances	9 097 623	7 438 024
Telephone allowances	781 646	788 091
Provident fund	1 242 378	1 093 428
Long-term benefits - incentive scheme	1 125 491	3 422 525
Long service award - Service cost	566 860	943 000
	214 254 597	199 489 181

Remuneration of Municipal Manager: M.S. Dlamini (Contract ended 30th April 2022)

Annual Remuneration	687 716	826 687
Car Allowance	200 000	240 000
Performance Bonuses	110 931	134 887
Contributions to UIF, Medical and Pension Funds	192 147	220 424
Cellphone allowance	20 000	24 000
Rural allowance	46 221	55 465
13th Cheque	115 553	115 553
Leave Payout	266 245	-
	1 638 813	1 617 016

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

Annual Remuneration	859 748	840 782
Car Allowance	165 943	165 943
Performance Bonuses	113 346	143 337
Contributions to UIF, Medical and Pension Funds	113 991	140 171
Cellphone allowance	12 000	12 000
Rural allowance	45 339	45 339
Acting Allowance	36 459	-
	1 346 826	1 347 572

Remuneration of Director: Community and Public Safety: J.W. Shabangu (Contract ended on the 31st March 2022)

Annual Remuneration	643 086	858 816
Car Allowance	58 500	78 000
Performance Bonuses	81 778	200 294
Contributions to UIF, Medical and Pension Funds	80 623	98 879
Acting allowance	48 056	16 019
Cellphone allowance	9 000	12 000
Rural allowance	30 667	40 889
Leave Payout	171 741	-
	1 123 451	1 304 897

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29. Employee related costs (continued)

Remuneration of Director: Planning & Economic Development: T.A. Lukhele (Contract ended on the 31st March 2022)

Annual Remuneration	544 375	859 002
Car Allowance	84 750	60 000
Performance Bonuses	-	99 233
Contributions to UIF, Medical and Pension Funds	154 706	226 491
Cellphone allowance	8 000	12 000
Rural allowance	15 113	45 339
Leave Payout	119 030	-
	925 974	1 302 065

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

Annual Remuneration	688 771	689 725
Car Allowance	180 000	180 000
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	167 187	162 918
Cellphone allowance	12 000	12 000
Rural allowance	40 889	40 889
	1 088 847	1 085 532

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

Annual Remuneration	776 937	778 779
Car Allowance	150 000	150 000
Performance Bonuses	56 673	-
Contributions to UIF, Medical and Pension Funds	218 494	215 779
Cellphone allowance	12 000	12 000
Rural allowance	45 339	45 339
Acting Allowance	13 166	-
	1 272 609	1 201 897

Remuneration of Acting Director: Community Services and Public Safety: N.P. Thabethe (From 01 April 2022 - 30 June 2022)

Annual Remuneration	154 980	-
Car Allowance	38 850	-
Acting Allowance	62 762	-
Cellphone Allowance	2 400	-
Contributions to UIF, SDL, Medical and Pension Funds	43 870	-
	302 862	-

Remuneration of Acting Director: Planning and Economic Development: A.N. Thwala (From 01 April 2022 - 30 June 2022)

Annual Remuneration	154 980	-
Car Allowance	38 850	-
Acting Allowance	60 831	-
Cellphone Allowance	2 400	-
13th Cheque	51 660	-
Contributions to UIF, SDL, Medical and Pension Funds	42 111	-
	350 832	-

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29. Employee related costs (continued)		
Remuneration of Municipal Manager: M.E. Thabethe (Appointed on the 1st June 2022)		
Annual Remuneration	66 326	-
Travel Allowance	15 000	-
Rural Allowance	3 731	-
Cellphone Allowance	2 000	-
Contributions to UIF, SDL, Medical and Pension Funds	12 832	-
	99 889	-

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

30. Remuneration of councillors

Executive Major	945 398	945 398
Speaker	786 823	765 570
Chief Whip	720 445	720 441
Mayoral Committee Members	3 600 100	2 881 667
Councillors	14 265 881	14 710 913
	20 318 647	20 023 989

In-kind benefits

The Executive Mayor is provided with a vehicle, driver, secretary, manager and personal assistant at the cost of the council.

The Chief Whip is provided with a personal assistant.

The Speaker is provided with a vehicle, secretarial support, personal assistant and a manager.

Members of municipal council should be remunerated within the upper limits as determined by the Department of Cooperative Governance and Traditional Affairs. Any deviations are disclosed as irregular expenditure.

Remuneration of Councillors:

The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged section 219 of the Constitution..



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30. Remuneration of councillors (continued)

2022	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
Executive Mayor Nkosi DP	777 261	-	44 400	116 589	7 148	945 398
	777 261	-	44 400	116 589	7 148	945 398

2022	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
Speaker Gininda S.V	275 117	118 814	29 600	78 758	4 019	506 308
	275 117	118 814	29 600	78 758	4 019	506 308

2022	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
Speaker (Former) Mngomezulu M.W	143 514	63 652	15 809	55 259	2 279	280 513
	143 514	63 652	15 809	55 259	2 279	280 513

2022	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
Chief Whip Sidu L.L	401 637	167 597	44 400	101 154	5 658	720 446
	401 637	167 597	44 400	101 154	5 658	720 446

2022	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
Mayoral Committee Members						
Thomo N.G	238 436	97 765	25 900	54 858	3 289	420 248
Nkosi S.P	255 039	97 765	25 900	38 256	3 241	420 201
Zulu G.G	253 097	97 765	25 900	40 198	3 246	420 206
Dube S.N	327 907	13 966	25 900	49 186	3 199	420 158
Mathebula J	269 946	97 765	28 591	40 492	3 396	440 190
Dlamini E.S	340 246	-	28 591	67 957	3 390	440 184
	1 684 671	405 026	160 782	290 947	19 761	2 561 187

2022	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
Mayoral Committee Members (Former)						
Nkosi S.Z (Former)	143 826	59 675	15 809	39 857	2 094	261 261
Makhubela N.V (Former)	148 473	59 675	15 809	33 874	2 067	259 898
Magagula P (Former)	146 087	59 675	15 809	36 946	2 081	260 598
Mnisi-Nkosi N (Former)	157 804	59 675	15 809	21 860	2 013	257 161
	596 190	238 700	63 236	132 537	8 255	1 038 918

2022	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
MPAC Chairperson Motaung R	369 960	-	29 600	54 655	3 495	457 710
	369 960	-	29 600	54 655	3 495	457 710

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30. Remuneration of councillors (continued)

2022	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
MPAC Chairperson (Former)	-	-	-	-	-	-
Gininda S.V	125 034	54 227	14 800	37 646	1 849	233 556
	125 034	54 227	14 800	37 646	1 849	233 556

2022	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
S.79 Chairpersons	-	-	-	-	-	-
Thomo G.P	192 470	7 563	28 591	28 871	2 006	259 501
Jele D	170 038	-	28 591	58 866	2 086	259 581
Lulane S.K	199 047	-	28 591	29 857	2 003	259 498
Nkumane M.J	199 047	-	28 591	29 857	2 003	259 498
Khumalo S.P	199 047	-	28 591	29 857	2 003	259 498
Nkosi P.Z	192 470	7 563	28 591	28 871	2 006	259 501
	1 152 119	15 126	171 546	206 179	12 107	1 557 077

2022	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
S.79 Chairpersons (Former)	-	-	-	-	-	-
Mthombeni S.F	79 652	32 314	15 809	19 304	1 196	148 275
Nkosi J.S	78 444	32 314	15 809	20 860	1 203	148 630
Shabangu L.D	97 289	32 314	15 809	-	1 389	146 801
Thomo N.G	87 130	37 814	18 500	26 313	1 371	171 128
Ngwenya R.D	213 519	-	33 300	32 028	2 175	281 022
	556 034	134 756	99 227	98 505	7 334	895 856

2022	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
Councillors	-	-	-	-	-	-
Dludlu Z.M	113 935	-	15 809	15 783	1 153	146 680
Sikhakhane N.B	184 480	70 718	44 400	27 672	2 601	329 871
Motaung R.M	81 991	-	14 800	12 299	855	109 945
Zulu G.G	76 867	29 466	18 500	11 530	1 084	137 447
Van Der Walt L	156 000	70 718	44 400	56 152	2 683	329 953
Matshaba K.A	161 996	70 718	44 400	50 157	2 666	329 937
Zwane F.C	212 731	5 893	44 400	64 246	2 649	329 919
Hadebe J.C.H	184 480	70 718	44 400	27 672	2 601	329 871
Nkosi S.P	76 867	29 466	18 500	11 530	1 084	137 447
Mbuli T.G	184 480	70 718	44 400	27 672	2 601	329 871
Nkosi D.S	245 974	-	44 400	36 896	2 566	329 836
Dube S.N	102 489	-	18 500	15 373	1 069	137 431
Masuku B.M	153 268	5 893	28 591	22 990	1 655	212 397
Mbokane P.S	158 392	-	28 591	23 759	1 652	212 394
Hlatshwayo P.T	141 790	-	28 591	40 361	1 700	212 442
Gininda O	158 392	-	28 591	23 759	1 652	212 394
Shiba X.S.G	158 392	-	28 591	23 759	1 652	212 394
Nkambule K.V	158 392	-	28 591	23 759	1 652	212 394
Maisela S.J	158 392	-	28 591	23 759	1 652	212 394
Adams P.P	158 392	-	28 591	23 759	1 652	212 394
Makene J	158 392	-	28 591	23 759	1 652	212 394
Mabuza V.B	158 392	-	28 591	23 759	1 652	212 394
Nkosi A.J	158 392	-	28 591	23 759	1 652	212 394
Mauku B.M	158 392	-	28 591	23 759	1 652	212 394
Manana B.L	153 268	5 893	28 591	22 990	1 655	212 397
Phakathi F.D.M	158 392	-	28 591	23 759	1 652	212 394

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30. Remuneration of councillors (continued)

Methula Z.C	158 392	-	28 591	23 759	1 652	212 394
Nkosi N.P	153 268	5 893	28 591	22 990	1 655	212 397
Mncina L.M	158 392	-	28 591	23 759	1 652	212 394
Thwala S.J	158 392	-	28 591	23 759	1 652	212 394
Sithole B.I	158 392	-	28 591	23 759	1 652	212 394
Hlophe M.P	153 268	5 893	28 591	22 990	1 655	212 397
Nkambule T	158 392	-	28 591	23 759	1 652	212 394
Nkosi L.N.P	158 392	-	28 591	23 759	1 652	212 394
Hlatshwayo C.S	153 268	5 893	28 591	22 990	1 655	212 397
Mbatha M.E	158 392	-	28 591	23 759	1 652	212 394
Thambekwayo M.T	158 392	-	28 591	23 759	1 652	212 394
	5 699 868	447 880	1 111 684	963 714	64 975	8 288 121

2022	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
Councillors (Former)	-	-	-	-	-	-
Nkosi V.L	54 458	25 180	15 809	24 838	1 011	121 296
Nkosi A.D	66 585	25 180	15 809	9 224	941	117 739
Lubhede E.J	66 585	25 180	15 809	9 224	941	117 739
Ngubeni A	66 585	25 180	15 809	9 224	941	117 739
Cindi N.R	66 585	25 180	15 809	9 224	941	117 739
Nkosi G.J	59 578	25 180	15 809	18 246	981	119 794
Mbhele J.S	66 585	25 180	15 809	9 224	941	117 739
Mthembu M.S	66 585	25 180	15 809	9 224	941	117 739
Malaza M.A	66 585	25 180	15 809	9 224	941	117 739
Nkosi B.G	66 585	25 180	15 809	9 224	941	117 739
Nkosi T.S	66 585	25 180	15 809	9 224	941	117 739
Nkosi T.B	66 585	25 180	15 809	9 224	941	117 739
Shongwe J.D	66 585	25 180	15 809	9 224	941	117 739
Jele J.J	66 585	25 180	15 809	9 224	941	117 739
Nkosi J.T	88 781	-	15 809	12 299	933	117 822
Nhlabathi N.C	66 585	25 180	15 809	9 224	941	117 739
Khumalo M.J	66 585	25 180	15 809	9 224	941	117 739
Mkhwanazi H.L.Z	59 578	25 180	15 809	18 246	981	119 794
Ngoma Z	66 585	25 180	15 809	9 224	941	117 739
Ntjana M.L	66 585	25 180	15 809	9 224	941	117 739
Hlabathi P.Z	66 585	25 180	15 809	9 224	941	117 739
Zulu W	88 781	-	15 809	12 299	933	117 822
Mnisi S.T	66 585	25 180	15 809	9 224	941	117 739
Kgwedi T.H	66 585	25 180	15 809	9 224	941	117 739
	1 616 291	553 960	379 416	261 184	22 718	2 833 569

2021	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
Executive Mayor						
Nkosi D.P.	777 261	-	44 400	116 589	7 148	945 398
	777 261	-	44 400	116 589	7 148	945 398

2021	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
Speaker						
Mngomezulu M.W.	398 249	178 770	44 400	138 059	6 092	765 570
	398 249	178 770	44 400	138 059	6 092	765 570

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30. Remuneration of councillors (continued)

2021	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Chief Whip Sidu L.L.	402 997	167 597	44 400	99 794	5 654	720 442
	402 997	167 597	44 400	99 794	5 654	720 442

2021	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Mayoral Committee Nkosi S.Z	396 176	167 597	44 400	106 614	5 674	720 461
Makhubela N.V	409 818	167 597	44 400	92 973	5 634	720 422
Magagula P	402 812	167 597	44 400	99 978	5 655	720 442
Mnisi-Nkosi N	437 209	167 597	44 400	65 581	5 556	720 343
	1 646 015	670 388	177 600	365 146	22 519	2 881 668

2021	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
MPAC Chairperson Gininda S.V.	376 161	162 680	44 400	111 880	5 544	700 665
	376 161	162 680	44 400	111 880	5 544	700 665

2021	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
S79 Committee Chairpersons 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	90 754	44 400	62 553	3 290	410 707
Ngwenya R.D.	315 667	-	44 400	47 350	3 167	410 584
	1 233 548	363 016	222 000	218 521	16 882	2 053 967

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30. Remuneration of councillors (continued)

2021	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Councillors						
Cindi N.R.	184 480	70 718	44 400	27 672	2 601	329 871
Dludlu Z.M.	315 667	-	44 400	47 350	3 167	410 584
Lubhede E.J.	184 480	70 718	44 400	27 672	2 601	329 871
Mbhele J.S.	184 480	70 718	44 400	27 672	2 601	329 871
Motaung R.M.	245 974	-	44 400	36 896	2 565	329 835
Ngubeni A	184 480	70 718	44 400	27 672	2 601	329 871
Nkosi A.D.	184 480	70 718	44 400	27 672	2 601	329 871
Nkosi G.J.	163 910	70 718	44 400	48 243	2 660	329 931
Nkosi V.L.	148 800	70 718	44 400	63 352	2 703	329 973
Sikhakhane N.B.	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
Malaza M.A.	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
Nkosi T	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
Shongwe J.D.	184 480	70 718	44 400	27 672	2 601	329 871
Jeie J.J.	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
Nhlabathi N.C.	184 480	70 718	44 400	27 672	2 601	329 871
Khumalo M.J.	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
Zulu G.G.	184 480	70 718	44 400	27 672	2 601	329 871
Ngoma Z.S.G.	184 480	70 718	44 400	27 672	2 601	329 871
Van der Walt L	157 089	70 718	44 400	55 063	2 680	329 950
Ntjana M.L.	184 480	70 718	44 400	27 672	2 601	329 871
Matshaba K.A.	167 458	70 718	44 400	44 695	2 650	329 921
Hlabathi P.Z.	184 480	70 718	44 400	27 672	2 601	329 871
Zwane F.C.	218 934	-	44 400	63 936	2 643	329 913
Ndebele J.C.H.	184 480	70 718	44 400	27 672	2 601	329 871
Nkosi S.P.	184 480	70 718	44 400	27 672	2 601	329 871
Zulu W	245 974	-	44 400	36 896	2 565	329 835
Mbuli T.G.	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
Kgwedi T.H.	184 480	70 718	44 400	27 672	2 601	329 871
Nkosi D	245 974	-	44 400	36 896	2 565	329 835
Dube S.N.	245 974	-	44 400	36 896	2 565	329 835
	6 993 158	2 050 822	1 598 400	1 219 490	94 412	11 956 282

31. Depreciation and amortisation

Property, plant and equipment	53 543 016	49 410 709
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32. Impairment loss

Impairments

Property, plant and equipment	1 810 178	12 303 789
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33. Finance costs		
Rehabilitation of landfill sites	6 681 497	4 436 976
Finance leases	1 018 040	752 709
Bulk purchases	58 872	1 023 040
Other interest paid	2 416 149	1 565 250
	10 174 558	7 777 975

34. Debt impairment

Debt impairment	17 950 865	176 892 057
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35. Bad debts written off

Bad debts written off	12 180 221	-
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In reference to bad debts, a thorough process was undertaken by management with the aim of assessing and verifying the validity, credibility and prospects of collection of receivables from exchange and non-exchange transactions. The process included an activity which entailed matching and reconciling customer details in reference to the municipal valuation roll, the financial system and the deeds office information. The process was conducted with the assistance of an independent authority with the aim of increasing the reliability of the results through the limitation of direct management interference.

36. Bulk purchases

Electricity - Eskom	93 185 518	86 721 198
Water	821 150	-
	94 006 668	86 721 198

Electricity distribution losses are based on units per invoices received from Eskom and units sold per prepaid reports and debtors system. The loss was determined to be R31 213 775.30 (2021: R28 912 922,01) and 30 894 545.41 units (2021: 29 923 238,60) units which is 76,79% (2021: 75,68%)

The losses are as a result of technical losses due to aging infrastructure.

Water distribution losses are based on the kilolitres of water produced 10 477 358kl (2021: 13 098 371kl) and total water distributed 6 530 845kl (2021: 6 949 078kl) and the estimated loss 3 946 513kl, R8 035 530.59 (2021: 6 149 293kl, R16 705 840.00) which is 37,67% (2021: 46,95%)

37. Contracted services

Outsourced Services

Burial Services	11 000	2 130
Business and Advisory	18 045 671	22 576 559
Catering Services	50 350	174 235
Cleaning Services	25 130	-
Meter Management	1 924 805	118 880
Medical Services	129 739	2 782
Mini Dumping Sites	2 170 643	2 939 157
Research and advisory	280 718	478 502
Professional Staff	15 862 068	-
Security Services	21 670 470	14 108 569

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37. Contracted services (continued)		
Consultants and Professional Services		
Business and Advisory	20 913 961	16 134 315
Infrastructure and Planning	1 738 990	1 023 000
Audit Committee	215 790	255 405
Legal Cost	6 120 379	5 514 593
Information & communication technology	4 141 876	1 683 733
Contractors		
Bore Waterhole Drilling	31 413 948	11 694 913
Event Promoters	5 971 869	1 106 851
Fire Protection	2 748 365	-
Repairs and maintenance	42 944 320	28 437 261
Removal of Hazardous Waste	639 718	1 148 959
	177 019 810	107 399 844
38. General expenses		
Advertising	3 600 100	3 266 613
External audit fees	5 156 648	6 074 834
Bank charges	457 476	468 127
Commission paid	-	24 174
Consumables	17 896 211	30 587 959
Entertainment	81 400	123 225
Insurance	3 206 304	-
License fees	17 622	32 994
Motor vehicle expenses	10 088 793	7 432 757
Printing and stationery	3 188 012	2 743 343
Protective clothing	9 774 169	5 941 609
Subscriptions and membership fees	105 755	-
Telephone and fax	6 452 352	6 197 042
Transport and freight	2 412 898	1 530 097
Training	3 545 763	3 986 940
Travel	1 623 210	-
EPWP Expenditure	1 884 210	2 831 159
Interview costs	1 120 190	2 330 577
Committee Costs	4 693 951	4 084 485
Electricity Efficiency Demand Management	3 043 478	4 350 702
Other expenses	923 327	846 348
	79 271 869	82 852 985
39. Grants and subsidies expenditure		
VIP Toilets	16 205 151	12 031 739
40. Loss on disposal of assets and liabilities		
Property, plant and equipment	(1 217 677)	(333 244)
41. Rehabilitation provision movement		
Additions	6 681 497	19 618 956
Reversed during the year	(14 888 586)	-
	(8 207 089)	19 618 956

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42. Fair value adjustments		
Investment property (Fair value model)	3 636 400	1 931 494
Investments	(107 351)	32 045
	3 529 049	1 963 539
43. Auditors' remuneration		
Fees	5 156 648	6 074 834
44. Cash generated from operations		
Surplus	308 306 021	288 711 629
Adjustments for:		
Depreciation and amortisation	53 543 016	49 410 709
(Gain)/Loss on sale of assets and liabilities	1 217 677	333 244
Fair value adjustments	(3 529 049)	(1 963 539)
Finance costs - Finance leases	1 018 040	752 709
Net interest cost on employee benefit	(27 425)	(7 302)
Long service award	566 860	943 000
Impairment loss	1 810 178	12 303 789
Debt impairment	17 950 865	176 892 057
Bad debts written off	12 180 221	-
Rehabilitation provision movement	6 681 497	4 436 976
Provision for leave	863 053	2 793 644
Actuarial gain	(210 435)	165 302
Donations received	(535 480)	(2 229 728)
Changes in working capital:		
Inventories	(256 716)	(394 184)
Receivables from exchange transactions	(28 888 684)	(34 352 576)
Receivables from non-exchange transactions	(38 187 566)	(89 646 821)
Operating lease asset	6 504	(368 529)
Payables from exchange transactions	22 994 405	(23 046 193)
VAT Receivable	4 602 393	3 733 479
Unspent conditional grants and receipts	(3 193 288)	(68 391 976)
	356 912 087	320 075 690
45. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	202 381 193	281 695 835
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational	19 690 939	28 237 138
Total commitments		
Total commitments		
Authorised capital expenditure	202 381 193	281 695 835
Authorised operational expenditure	19 690 939	28 237 138
	222 072 132	309 932 973

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46. Contingencies

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

Grand Valley Estates (Pty) Ltd	26 680 000	26 680 000
Sifiso Thela	232 384	232 384
I @ Consulting	-	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
Ntombifuthi Mazibuko	3 916 387	-
	45 328 771	44 162 515

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.

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 Eerstehoeek/Elukwatini under case no. ERCC 05/2016. Kindly note that the matter has reached *litis contestatio* (close of pleadings). We await Notice of set down from the Plaintiff for a Pre-Trial Conference to be held between the parties.

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.

Ntombifuthi Mazibuko

The applicant is claiming an amount of R3 916 387,48 plus interest in regards to pension payable to her pension fund. Notice of motion opposed by the municipality through a panel of legal representatives and the matter was referred to mediation.

47. Related parties

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

Refer to accounting officer's report and note 29
Refer to accounting officer's report and note 29
Refer to accounting officer's report and note 30
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48. 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	2022	2021
Cash and cash equivalents	26 249 736	56 073 361
Receivables from exchange transactions	73 521 437	35 769 460
Receivables from non-exchange transactions	106 698 890	107 505 703
Investments	4 602 015	4 547 604

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.

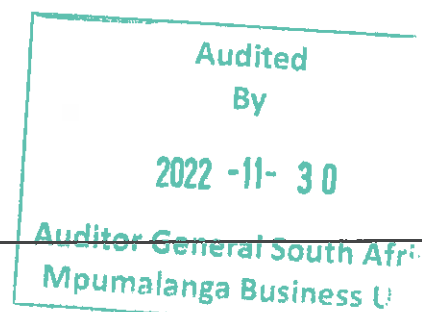
49. Going concern

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.

50. Unauthorised expenditure

Opening balance as previously reported	9 859 613	207 268 789
Opening balance as restated	9 859 613	207 268 789
Non-cash items	-	9 859 613
Less: Amount written off	(9 859 613)	(207 268 789)
Closing balance	-	9 859 613

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



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51. Fruitless and wasteful expenditure

Opening balance as previously reported	122 284	24 544 830
Opening balance as restated	122 284	24 544 830
Eskom	12 951	-
GEPF	-	25 642
Sanlam	-	90 960
NFMW	-	2 427
SALA PF	-	3 255
SARS: Interest plus penalties	3 683	-
Less: Amount written off	(122 284)	(24 544 830)
Closing balance	16 634	122 284

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.

52. Irregular expenditure

Opening balance as previously reported	226 595 071	453 887 187
Opening balance as restated	226 595 071	453 887 187
Add: Irregular Expenditure - current	62 838 995	16 189 484
Less: Amount written off	(16 189 484)	(243 481 600)
Closing balance	273 244 582	226 595 071

Details of irregular expenditure

Bid adjudication Committee not complying with Regulation 29(2)	3 987 005	3 048 944
Municipal rates account attached in arrears	-	228 725
Local Content Not Implemented	4 395 082	11 315 497
Account in arrears for a period exceeding 3 months	-	149 274
No date stamp on the tender register	-	1 252 044
Management oversight- municipal rate accountarrears	-	195 000
Government employee	27 850	-
Deviations	54 429 058	-
	62 838 995	16 189 484

All amounts disclosed as irregular expenditure are VAT exclusive.

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

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53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	113 156	107 336
Amount paid - current year	(113 156)	(107 336)

Audit fees

Current year subscription / fee	5 940 659	6 986 060
Amount paid - current year	(5 930 145)	(6 986 060)

10 514

PAYE and UIF

Current year subscription / fee	36 265 615	33 542 422
Amount paid - current year	(36 257 387)	(33 542 422)

8 228

Pension and Medical Aid Deductions

Current year subscription / fee	58 849 262	55 634 234
Amount paid - current year	(58 849 262)	(55 634 234)

Councillors' arrear consumer accounts

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

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Van der Walt. L	3 252	16 902	20 154

31 October 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total
Shabangu L.D	14 840	23 971	38 811
Malaza M	1 052	7 576	8 628
Zulu W	819	15 059	15 878
	16 711	46 606	63 317

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

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54. Deviation from supply chain management regulations

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

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

The municipality did not have any deviations during the year

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55. Segment information

Identification of segments

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

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.

Segment surplus or deficit, assets and liabilities:

Revenue	Planning and Economic Development	Corporate services	Financial Services	Council General	Community Services	Technical Services	Total
Service charges	-	-	134 184	-	-	55 936 518	64 131 997
Rental income	-	-	681 321	-	-	-	681 321
Interest received - consumers	-	-	44 347 499	-	-	-	44 347 499
License and permits	15 576	-	-	-	-	-	15 576
Other income	979 367	1 037 129	84 889	-	670 697	129 488	2 901 570
Interest received - interest	-	-	4 997 453	-	-	-	4 997 453
Fair value adjustments	-	-	3 529 049	-	-	-	3 529 049
Property rates	-	-	77 882 046	-	-	-	77 882 046
Government grants and subsidies	-	349 545	353 820 268	-	-	444 075 024	798 244 837
Donations	-	-	-	-	-	535 480	535 480
Fines	-	-	-	-	8 992 450	-	8 992 450

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55. Segment Information (continued)

	994 943	1 386 674	485 476 709	-	17 724 442	500 676 510	1 006 259 278
Expenditure	Planning and Economic Development	Corporate Services	Financial Services	Council General	Community Services	Technical Services	Total
Employee related costs	(10 754 853)	(26 958 359)	(34 450 236)	(6 321 865)	(47 440 462)	(88 328 822)	(214 254 597)
Remuneration of councillors	-	-	-	(20 318 647)	-	-	(20 318 647)
Depreciation and amortisation	-	(340 983)	(8 220 603)	-	(7 340 299)	(37 641 130)	(53 543 015)
Impairment loss	-	-	-	-	(31 393)	(1 778 785)	(1 810 178)
Finance costs	-	(1 018 040)	(2 416 149)	-	(6 681 497)	(58 872)	(10 174 558)
Debt impairment	-	-	(17 950 866)	-	-	-	(17 950 866)
Bulk purchases	-	-	-	-	-	(94 006 668)	(94 006 668)
Bad debts	-	-	(12 180 221)	-	-	-	(12 180 221)
Contracted services	(16 142 786)	(16 579 653)	(40 884 437)	(50 350)	(27 265 326)	(76 097 258)	(177 019 810)
Loss on disposal of assets and liabilities	-	-	-	-	(1 217 677)	-	(1 217 677)
General expenses	(923 327)	(29 485 981)	(3 990 633)	(81 400)	(9 791 791)	(34 998 737)	(79 271 869)
Grants and subsidies expenditure	-	-	-	-	-	(16 205 151)	(16 205 151)
	(27 820 966)	(74 383 016)	(120 093 145)	(26 772 262)	(115 973 696)	(332 910 272)	(697 953 257)

Assets

	Planning and Economic Development	Corporate Services	Financial Services	Council General	Community Services	Technical Services	Total
Cash and cash equivalents	-	-	26 249 736	-	-	-	26 249 736
Receivables from exchange transactions	-	-	73 521 437	-	-	-	73 521 437
Receivables from non-exchange transactions	-	-	106 698 890	-	-	-	106 698 890
Inventories	-	-	4 495 740	-	-	-	4 495 740
Investments	-	-	4 602 015	-	-	-	4 602 015
VAT	-	-	12 662 755	-	-	-	12 662 755
Operating lease asset	-	-	46 916	-	-	-	46 916
Investment property	-	-	40 750 400	-	-	-	40 750 400
Property, plant and equipment	114 447 700	6 626 051	47 916 588	-	131 145 329	1 747 766 328	2 047 901 996
	114 447 700	6 626 051	316 944 477	-	131 145 329	1 747 766 328	2 316 929 885

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55. Segment information (continued)

Liabilities	Planning and Economic Development	Corporate Services	Financial Services	Council General	Community Services	Technical Services	Total
Payable from exchange transactions	-	4 074 861	74 576 058	-	-	57 028 296	135 679 215
Finance lease obligation	-	-	4 300 789	-	-	-	4 300 789
Unspent conditional grants and receipts	-	-	7 414 736	-	-	-	7 414 736
Employee benefit obligation	-	9 787 000	-	-	-	-	9 787 000
Long service award	-	10 916 999	-	-	-	-	10 916 999
Provisions	-	17 643 350	-	-	82 049 138	-	99 692 488
	-	42 422 210	86 291 583	-	82 049 138	57 028 296	267 791 227


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56. COVID- 19 Expenditure		
Face masks	1 431 250	429 100
Disposable overalls	2 750 000	1 350 000
Disposable gloves	118 300	82 000
Sanitizer	-	654 113
Protective glass	-	334 000
D59 flame suits	314 500	523 100
FFP2 respirators	126 000	294 000
Gas and chemical mask protection	-	126 980
Infrared thermometers	22 264	25 000
	4 762 314	3 818 293

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

57. Events after the reporting date

The investigation into unauthorized, irregular and fruitless and wasteful expenditure was concluded after 30 June 2022.

58. Adjustment Budget

Chief Albert Luthuli Municipality performed an adjustment budget for the financial year 2021/22 to cater for the adjustment of under and over budgeted figures as well as to accommodate additional revenues received or cuts made in terms of government grants.

59. Budget differences

Differences between budget and actual amounts

Statement of Financial Performance

Service charges

The municipality implemented a data cleansing exercise with the aim of assessing the prospects of collection on arrears municipal accounts. The exercise resulted in a write off of liquidated, sequestrated and untraceable accounts. These accounts were further closed and removed from the billing system. This had a bearing on the monthly billing. Further to this the lower than anticipated revenue collection is 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.

Rental of facilities and equipment

Revaluation of investment property which resulted in an increase in market values. The fair value adjustment resulted in a concurrent impact on the rental of municipal facilities.

Interest received - consumers

Poor payment of municipal services from consumers. This resulted in the activation of levying interest on overdue municipal accounts. Further, due to the poor economic climate, residents of Chief Albert Luthuli Local Municipality experienced significantly reduced disposal income and purchasing power which resulted in a negative bearing on the payment ability for services consumed by businesses, industries and consumers.

Other income

Other income included an increased consumption in proof of residence and rental of municipal halls and other subsidiary revenue sources

Interest received- investments

The municipality received an additional allocation which was further invested in 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.

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59. Budget differences (continued)

Property rates

The municipality implemented a data cleansing exercise with the aim of assessing the prospects of collection on arrears municipal accounts. The exercise resulted in a write off of liquidated, sequestered and untraceable accounts. These accounts were further closed and removed from the billing system. This had a bearing on the monthly billing. Further to this the lower than anticipated revenue collection is 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.

Government grants and subsidies

The approval and implementation of a supplementary Division of Revenue by the Minister of Finance. Additional allocations were received by Chief Albert Luthuli Local Municipality on Regional Infrastructure Grant (RBIG) and on the Integrated National Electrification Program (INEP)

Donations

Completion and capitalisation of capital infrastructure completed by the Implementing Agent (GSDM)

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 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.

Contracted services

Increase in the appointment of service providers as a means of subsidising capacity shortcomings within the technical services department. This is an essential strategy aimed at accelerating service delivery.

General expenses

General increase in the procurement of consumables, protective clothing and equipment as a means of ensuring compliance with occupational, health and safety requirements for municipal employees.

Loss on sale of assets

Unanticipated loss on disposal due to the community unrest which resulted in significant damage on the Municipal Cultural Hub in the Emanzana unit office

Statement of Financial Position

Cash and cash equivalents

The reduction in the cash and cash equivalents is as a result of the reduction in unspent conditional grants from the Regional Bulk Infrastructure Grant (RBIG). The Municipal Implementing Agent (Gert Sibande District Municipality) was essential in the timely implementation of all key capital projects assigned through the Division of Revenue. Unspent Conditional Grants are cash-backed. The successful implementation of projects results in the reduction in available funds.

Receivables from exchange transactions

Data cleansing exercise had a positive impact on the receivables from exchange transactions. This is as a result of writing off all irrecoverable accounts and untraceable accounts which had contaminated the municipal debt book. This resulted in the improved credibility of the municipal debtors. The enhanced legitimacy and traceability clients resulted in the decreased impairment and provision of doubtful debtors.

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59. Budget differences (continued)

Receivables from non-exchange transactions

Lower than anticipated revenue from property rates due to writing off and closing accounts of untraceable debtors. This concurrently resulted in the reduction of the receivables from non exchange transactions.

Inventories

Marginal increase in stock items in aid of accelerating the delivery of basic services. This is an essential strategy aimed at increasing the turnaround time in reference to service delivery breakdowns.

VAT Receivable

The reduction in VAT Receivable is due to the timeous submission of VAT 201 returns to the Receiver of Revenue. The improved cashflow management was also essential in assisting the municipality to ensure the payment of all creditors, employee related costs, third parties and the South African Revenue Services (SARS). This resulted in the acceleration of refunds due to the municipality which concurrently amounted to the reduction in VAT Receivable.

Operating lease asset

Prior period error correction has a result of an incorrect interpretation of GRAP13 in reference for account for operating leases resulted in the reduction of the current asset. Previous disclosure incorrectly recognised the entire straight-lining amount as a current asset as opposed to only recognising the difference between the actual rental and the straight-lining amount.

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

Revaluation of investment property which resulted in an increase in market values. The fair value adjustment resulted in a concurrent impact on the value of municipal property held for capital appreciation or an undefined future use.

Property, plant and equipment

The acceleration in the construction and completion of capital projects in reference to MIG, RBIG, INEP and WSIG in aid of improving service delivery resulted in an increment in the property, plant and equipment which were capitalised in the financial year under review.

Payables from exchange transactions

Increase in outstanding trade payables and retention on completed capital projects resulted in the increase in payables from exchange transactions. Management can further reiterate that all outstanding creditors at year end were invoiced one month before the end of the financial year and are still well within the provisions of S65 of the MFMA (not outstanding for a period longer than 30 days)

Finance lease obligation

The implementation of the Municipal Fleet Procurement Plan resulted in the procurement of a host of municipal vehicles and yellow fleet plant in aid of reducing the dependancy on the fleet management contract. Additional vehicles procured inhouse included a grader, a TLB and a Tipper Truck. The increase owned vehicles resulted in the reduction on the finance lease obligation.

Unspent conditional grants

The reduction in the unspent conditional grant is due to the successful implementation of municipal capital projects and the 100% expenditure on conditional grants. The implementation of an accelration plan in aid of ensuring the 100% expenditure on the Regional Bulk Infrastructure Grant led to the reduction in the unspent conditional grant component. The current existing unspent conditional grant is in reference to the late appropriation of a grant received from the Mpumalanga Provincial Treasury on the 03 March 2022 for the purposes of data cleansing. A roll over application was subsequently submitted to the Provincial Treasury. The municipality is awaiting approval thereof.

Provisions

The recording of a change in estimate from the provision for the municipal landfill as recommended by the appointed management experts in reference to 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

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59. Budget differences (continued)

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 easily anticipated by the municipality due to the complexity of this component

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 easily anticipated by the municipality due to the complexity of this component

Cashflow Statement

Service charges

Institutional re-arrangements through the separation of the credit control and debt collection unit led to an improvement in the implementation of the municipal credit control, debt collection policy. This has resulted in a positive impact in reference to the revenue collection and a concurrent improvement on the municipal liquidity and cashflow from services delivered to the community of Chief Albert Luthuli Local Municipality

Government grants and subsidies

Chief Albert Luthuli Local Municipality has been confirmed as a low risk and stable municipality due to the continuous improvement in the financial management. The consistent positive audit outcome (unqualified) for the 5 consecutive financial years has also had a positive impact in the municipal public image. The combination of the above resulted in the improved investor and stakeholder confidence in the ability of the municipality to ensure the prudent management of public funds. This resulted in additional allocations to Chief Albert Luthuli Municipality from underperforming municipalities.

Interest received- investments

Poor economic growth within the south african environment as a result of the reduced repo rate from the South African Reserve Bank. This had a negative impact on the interest received from investments due to reduced interest rates

Other receipts

Data cleansing had a positive impact in reference to the allocation of accounts and amounts received from consumers. This resulted in the correction of previous misclassifications from other income to correct accounts as per the services rendered.

Employee related costs

Additional staff appointed in key service delivery components in aid of accelerating the delivery of quality services to the people of Chief Albert Luthuli Local Municipality

Suppliers

The increase in expenditure components in reference to contracted services and other general expenditure in order to ensure the availability of service delivery components (Tools, equipment and materials) with the view of not only accelerating the delivery of services but also the improvement of the turnaround time

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 ontake of new Property Plant and Equipment

Proceeds from sale of investment property

No proceeds from sale of municipal property due to property development plans still in the process of being developed.

Movement in operating lease asset

Poor payment rate on rental income as a result of the failure of lessee's to honour amounts levied due to the poor economic conditions, higher inflation and lower disposable income of households. The South African economic climate is currently at an all time low.

Movement in investments

Reduction in the Repo Rate from the South African Reserve Bank resulted in lower interest rates from investment activities which had a concurrent reduction impact on movement in investments.

Audited
By

2022 -11- 30

Auditor General South Africa
Tanga Business Unit

Chief Albert Luthuli Local Municipality

(Registration number MP301)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

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59. Budget differences (continued)

Finance lease payments

The implementation of the Municipal Fleet Procurement Plan resulted in the procurement of a host of municipal vehicles and yellow fleet plant in aid of reducing the dependency on the fleet management contract. Additional vehicles procured inhouse included a grader, a TLB and a Tipper Truck. The increase owned vehicles resulted in the reduction on the finance lease payment.

Cash and cash equivalents

The reduction in the cash and cash equivalents is as a result of the reduction in unspent conditional grants from the Regional Bulk Infrastructure Grant (RBIG). The Municipal Implementing Agent (Gert Sibande District Municipality) was essential in the timeous implementation of all key capital projects assigned through the Division of Revenue. Unspent Conditional Grants are cash-backed. The successful implementaion of projects results in the reduction in available funds.

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60. 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

2021

	Note	As previously reported	Correction of error	Restated
Infrastructure	10	1 432 029 273	(15 731 447)	1 416 297 826
Operating lease asset	8	1 027 426	(974 006)	53 420
Other property, plant and equipment	10	41 393 742	658 074	42 051 816
Payables from exchange transactions		(112 572 262)	(112 548)	(112 684 810)
Accumulated surplus		(1 672 292 698)	16 159 927	(1 656 132 771)
		(310 414 519)	-	(310 414 519)

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Restated
Depreciation and amortisation	31	(45 055 711)	(4 354 998)	(49 410 709)
Contracted services	37	(107 963 188)	563 344	(107 399 844)
Bulk purchases		(86 605 870)	(115 328)	(86 721 198)
Employee related costs		(200 706 155)	1 216 974	(199 489 181)
Surplus for the year		(440 330 924)	(2 690 008)	(443 020 932)

Cash flow statement

2021

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Suppliers		(300 198 308)	(8 882 885)	(309 081 193)
Finance cost		-	2 588 290	2 588 290
		(300 198 308)	(6 294 595)	(306 492 903)
Cash flow from investing activities				
Purchase of property, plant and equipment		(366 917 588)	10 254 202	(356 663 386)

1. Infrastructure

During the review and compilation of the 2021/22 financial year municipal infrastructure asset register, management noted that projects to the value of R100 846 703 that were completed in the prior year (2020/21) were not transferred from work in progress (WIP) to property, plant and equipment. Completion certificates were not made available timeously due to defects and corrections on site.

Effect of adjustment

Increase in depreciation	-	4 263 190
Increase in accumulated depreciation	-	(4 263 190)

Chief Albert Luthuli Local Municipality

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2022

2021

60. Prior-year adjustments (continued)

2. Infrastructure

During the review and compilation of the 2021/22 financial year municipal infrastructure asset register, management noted that a substation fence to the value of R563636 completed in the prior year (2020/21) was erroneously recorded as an expense in the financial records of the municipality.

Effect of adjustment

Increase in infrastructure assets	-	563 636
Increase in Accumulated Surplus	-	(563 636)
	-	-

3. Operating lease asset

During the review and assessment of management accounts, it was noted that the previous disclosure of the operating lease asset was incorrectly recognised. The entire straight-lining amount was recognised as a current asset as opposed to only recognising the difference between the actual rental and the straight-lining amount.

Effect of adjustment

Decrease in operating lease asset	-	(974 006)
Decrease in accumulated surplus	-	974 006
	-	-

4. Other property, plant and equipment

During the review and compilation of the 2021/22 financial year municipal infrastructure asset register, management noted that moveable assets to the value of R749 728 that were donated by Lumphuyane Logistics and Projects in the prior year (2020/21) were not recorded in the financial records of the municipality.

Effect of adjustment

Increase in other property, plant and equipment	-	749 728
Increase in depreciation	-	(91 654)
Increase in accumulated surplus	-	(658 074)
	-	-

5. Bulk Purchases

During the review and assessment of management accounts, it was noted that bulk purchases incurred in the 2020/21 financial year had been incorrectly captured in the 2021/22 financial year. This was due to the late submission and receipt of invoices and statement of accounts from Eskom.

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Notes to the Annual Financial Statements

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60. Prior-year adjustments (continued)		
Effect of adjustment		
Increase in trade payables	-	(115 328)
Increase in bulk purchases	-	115 328
	-	-
6. Payables from exchange transactions		
During the review and assessment of management accounts, it was noted that an advance payment that was erroneously reversed on the financial system was incorrectly included in trade payables.		
Effect of adjustment		
Decrease in trade payables	-	2 780
Increase in accumulated surplus	-	(2 780)
	-	-
7. Government grants and subsidies expenditure		
During the review and assessment of management accounts, it was noted that VIP toilet expenditure incurred in the 2020/21 financial year had been incorrectly captured in the 2021/22 financial year.		
Effect of adjustment		
Increase in government grants and subsidies expenditure	-	12 031 739
Decrease in infrastructure assets	-	(12 031 739)
	-	-
8. Employee related costs		
During the review and assessment of management accounts, it was noted that employee related costs expenditure incurred in the 2019/20 financial year had been incorrectly captured in the 2020/21 financial year.		
Effect of adjustment		
Decrease in accumulated surplus	-	1 216 974
Decrease in overtime payments	-	(738 765)
Decrease in acting allowances	-	(76 131)
Decrease in standby allowances	-	(402 078)
	-	-

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