



Chief Albert Luthuli Local Municipality
(Registration number MP301)
Annual Financial Statements
for the year ended 30 June 2023

Audited
By
2023 -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 2023

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 Dube S.N Thomo N.G Motaung R.M Nkumane M.J Khumalo S.P Dlamini N.E 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
MPAC Chairperson	
Councillors	



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General Information

	Hlophe M.P Nkambule T.P Hlatshwayo C.S Zwane F.C
Grading of local authority	Grade 4
Chief Finance Officer (CFO)	Matshemo Magret Sekgobela
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	L Guzana Attorneys Mokoena Khulani Attorneys Mohlala Attorneys Mohale Attorneys

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Abbreviations used:

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
RBIG	Regional Bulk Infrastructure Grant
INEP	Integrated National Electrification Programme
EEDSM	Energy Efficient Demand Side Management Grant
WSIG	Water Services Infrastructure Grant
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
MIG	Municipal Infrastructure Grant
LG Seta	Local Government Sector Education and Training Authority
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 judgments 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 Municipality 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.

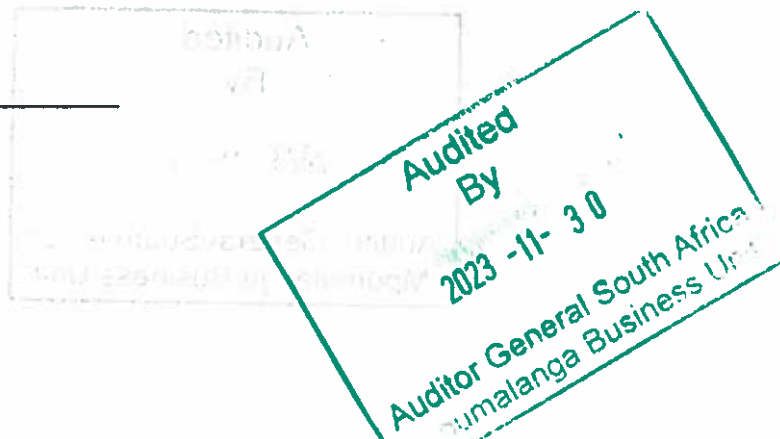
The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal 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 ended 30 June 2024 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 7.

The Annual Financial Statements set out on pages 8-84 which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2023 and were signed on it's behalf by:

Mgijima Ephraim Thabethe
(Pr. Tech. Eng)



Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2023.

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
Mokgope Phetego (BCOM HONS, CTA, Professional Accountant (SA)) (Newly appointed)	2
Boitumelo Vilankulu (Newly appointed)	2
Obed Thenga (BCOM HONS, CGAP, MFMP)	7
Anil Singh (RGFP, ICMA, MFMP)	8
Stanley Ngobeni (Professional Accountant, SA Tax Professional, RGA)	7
Siyakhula Simelane	7

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, 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

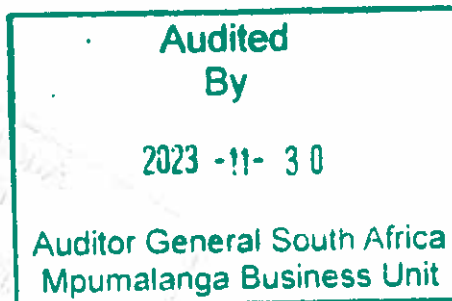
Our review of the internal control environment revealed that there has been a room for improvement in the system of internal controls of the municipality and reducing matters of emphasis and non-compliance issues of the previous year. Furthermore, there are several deficiencies in the system of internal control and/or deviations that 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 the municipality's risk management appears to be effective, and the municipality did implement a comprehensive risk management strategy and related policies. Management's 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 96% 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 96% 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
Ms Phethego Mokgope

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Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

The municipality is engaged in the provision of basic municipal services 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 2023, the municipality had an accumulated surplus (deficit) of R 2,111,822,113 and that the municipality's total assets exceed its liabilities by R 2,205,886,214.

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

Munsoft was appointed as a financial system provider for implementation of a mSCOA compliant financial system after 30 June 2023.=

The investigation into unauthorized, irregular and fruitless and wasteful expenditure was concluded after 30 June 2023

From the 28th of July 2023, the municipality did not have access to the Inzalo Enterprise Management System due to disputes with the financial system provider.

4. Accounting policies

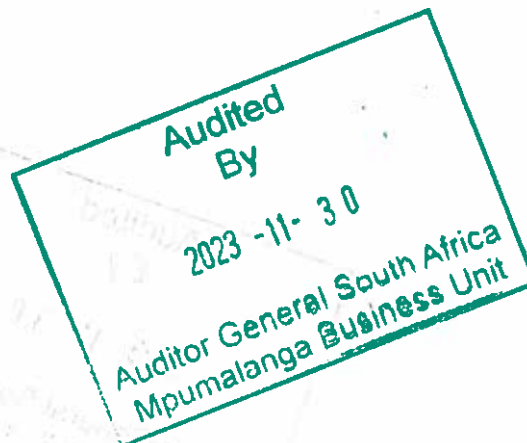
The annual financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations of such statements issued by the Accounting Standards Board.

5.

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

Name
Mgijima Ephraim Thabethe

Nationality
South African



Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	4,083,119	26,249,736
Receivable from exchange transactions	4	58,625,538	42,336,284
Statutory receivables	5	85,205,259	83,936,042
Other receivables from non-exchange transactions	6	309,717	309,717
Inventories	7	4,975,140	4,495,740
Investments	8	4,470,413	4,155,292
Operating lease asset	9	6,922	2,379
		157,676,108	161,485,190
Non-Current Assets			
Operating lease asset	9	38,487	44,537
Investments	8	477,997	446,723
Investment property	10	41,948,000	40,750,400
Property, plant and equipment	11	2,285,445,930	2,047,901,996
		2,327,910,414	2,089,143,656
Total Assets		2,485,586,522	2,250,628,846
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	168,773,450	146,322,273
Finance lease obligation	13	1,155,349	2,919,289
Unspent conditional grants and receipts	14	4,050,000	7,414,736
Employee benefit obligation	16	958,000	900,000
Long service award	17	1,675,000	1,441,000
		176,611,799	158,997,298
Non-Current Liabilities			
Finance lease obligation	13	226,551	1,381,500
Employee benefit obligation	16	8,406,000	8,887,001
Provisions	15	84,733,958	82,049,138
Long service award	17	9,722,000	9,475,999
		103,088,509	101,793,638
Total Liabilities		279,700,308	260,790,936
Net Assets		2,205,886,214	1,989,837,910
Social responsibility Reserves		9,363,638	7,307,614
Revaluation reserve		84,700,463	84,700,463
Accumulated surplus		2,111,822,113	1,897,829,833
Total Net Assets		2,205,886,214	1,989,837,910

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Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	60,992,144	63,124,189
Rental income- facilities		534,971	681,321
Interest received from exchange transactions - consumers	19	17,446,357	13,646,168
Licences and permits		18,982	15,576
Other income	20	4,449,232	2,901,570
Interest received - investment		9,546,487	4,997,453
Fair value adjustments	21	1,280,241	3,529,049
Total revenue from exchange transactions		94,268,414	88,895,326
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	63,126,967	75,928,249
Interest received from non-exchange transactions - consumers	19	18,672,000	30,701,331
Transfer revenue			
Government grants & subsidies	23	759,759,706	798,244,837
Donations	24	4,291,350	535,480
Traffic fines		5,377,250	8,992,450
Total revenue from non-exchange transactions		851,227,273	914,402,347
Total revenue		945,495,687	1,003,297,673
Expenditure			
Employee related costs	25	(234,000,455)	(214,401,483)
Remuneration of councillors	26	(21,751,896)	(20,318,647)
Depreciation and amortisation	11	(55,907,251)	(53,543,016)
Impairment Loss	11	(17,621,726)	(1,810,178)
Finance costs	27	(11,266,058)	(10,174,558)
Debt Impairment		(13,367,620)	(17,950,865)
Bad debts written off		(3,644,058)	(12,180,221)
Bulk purchases	28	(98,790,469)	(93,325,030)
Contracted services	29	(159,301,408)	(177,019,810)
Grants and subsidies expenditure		(13,541,310)	(16,205,151)
Loss on disposal of assets and liabilities	11	(537,642)	(1,217,677)
Inventories consumed		-	(821,150)
General Expenses	30	(101,889,891)	(79,271,869)
Total expenditure		(731,619,784)	(698,239,655)
Surplus for the year		213,875,903	305,058,018

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Statement of Changes in Net Assets

Figures in Rand	Social Responsibility	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	-	84,700,463	1,656,132,176	1,740,832,639
Adjustments				
Prior year adjustments 48	5,100,502	-	(60,679,518)	(55,579,016)
Balance at 01 July 2021 as restated*	5,100,502	84,700,463	1,592,771,815	1,682,572,780
Changes in net assets				
Contribution	2,207,112	-	-	2,207,112
Contribution	2,207,112	-	-	2,207,112
Surplus for the year	-	-	305,058,018	305,058,018
Total recognised income and expenses for the year	2,207,112	-	305,058,018	307,265,130
Total changes	2,207,112	-	305,058,018	307,265,130
Restated* Balance at 01 July 2022	7,307,614	84,700,463	1,897,946,210	1,989,954,287
Changes in net assets				
Contribution	2,056,024	-	-	2,056,024
Contribution	2,056,024	-	-	2,056,024
Surplus for the year	-	-	213,875,903	213,875,903
Total recognised income and expenses for the year	2,056,024	-	213,875,903	215,931,927
Total changes	2,056,024	-	213,875,903	215,931,927
Balance at 30 June 2023	9,363,638	84,700,463	2,111,822,113	2,205,886,214

Note(s)



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Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Service Charges		135,913,277	128,634,365
Government grants and Subsidies		756,394,970	795,051,549
Interest income		9,546,487	4,997,453
Other receipts		3,593,185	3,598,467
		905,447,919	932,281,834
Payments			
Employee costs		(250,860,238)	(233,390,773)
Suppliers		(361,035,510)	(337,296,842)
Finance costs		(2,836,283)	(2,475,021)
		(614,732,031)	(573,162,636)
Net cash flows from operating activities	32	290,715,888	359,119,198
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(308,985,469)	(379,373,855)
Movement in operating lease		-	6,504
Movement in Investment		(429,036)	(166,968)
Net cash flows from investing activities		(309,414,505)	(379,534,319)
Cash flows from financing activities			
Finance lease payments		(3,468,000)	(4,994,280)
Net increase/(decrease) in cash and cash equivalents		(22,166,617)	(29,823,625)
Cash and cash equivalents at the beginning of the year		26,249,736	56,073,361
Cash and cash equivalents at the end of the year	3	4,083,119	26,249,736

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Statement of Comparison of Budget and Actual Amounts

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Mpumalanga Business Unit

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	128,584,774	(273)	128,584,501	60,992,144	(67,592,357)	47
Rental income	142,361	937,639	1,080,000	534,971	(545,029)	47
Interest received from exchange transactions	12,938,284	(1,150,561)	11,787,723	17,446,357	5,658,634	47
Licences and permits	-	214,000	214,000	18,982	(195,018)	47
Other income	932,432	1,000,001	1,932,433	4,449,232	2,516,799	47
Interest received - investment	2,386,491	-	2,386,491	9,546,487	7,159,996	47
Total revenue from exchange transactions	144,984,342	1,000,806	145,985,148	92,988,173	(52,996,975)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	116,197,186	2,250,983	118,448,169	63,126,967	(55,321,202)	47
Interest received from non-exchange transactions	25,104,318	(3,538,061)	21,566,257	18,672,000	(2,894,257)	47
Transfer revenue						
Government grants & subsidies	730,055,000	-	730,055,000	759,759,706	29,704,706	47
Donations	-	-	-	4,291,350	4,291,350	47
Fines, Penalties and Forfeits	213,634	499,999	713,633	5,377,250	4,663,617	47
Total revenue from non-exchange transactions	871,570,138	(787,079)	870,783,059	851,227,273	(19,555,786)	
Total revenue	1,016,554,480	213,727	1,016,768,207	944,215,446	(72,552,761)	
Expenditure						
Employee related Costs	(187,664,503)	(45,526,619)	(233,191,122)	(234,000,455)	(809,333)	47
Remuneration of councillors	(30,534,651)	8,782,755	(21,751,896)	(21,751,896)	-	47
Depreciation and amortisation	(38,058,022)	-	(38,058,022)	(55,907,251)	(17,849,229)	47
Impairment loss	-	-	-	(17,621,726)	(17,621,726)	47
Finance costs	(1,794,407)	(7,000,711)	(8,795,118)	(11,266,058)	(2,470,940)	47
Debt Impairment	(50,113,720)	36,746,100	(13,367,620)	(13,367,620)	-	47
Bad debts written off	-	(3,644,058)	(3,644,058)	(3,644,058)	-	47
Bulk purchases	(101,897,752)	3,107,283	(98,790,469)	(98,790,469)	-	47
Contracted Services	(210,419,447)	51,118,039	(159,301,408)	(159,301,408)	-	47
Grants and subsidies expenditure	-	(12,500,000)	(12,500,000)	(13,541,310)	(1,041,310)	47
General Expenses	(57,968,692)	(43,925,000)	(101,893,692)	(101,889,891)	3,801	47
Capital expenditure	(337,596,000)	-	(337,596,000)	(359,496,001)	(21,900,001)	47
Total expenditure	(1,016,047,194)	(12,842,211)	(1,028,889,405)	(1,090,578,143)	(61,688,738)	
Operating deficit	507,286	(12,628,484)	(12,121,198)	(146,362,697)	(134,241,499)	
Loss on disposal of assets and liabilities	-	-	-	(537,642)	(537,642)	47
Fair value adjustments	-	-	-	1,280,241	1,280,241	47

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	-	-	-	742,599	742,599	
Deficit before taxation	507,286	(12,628,484)	(12,121,198)	(145,620,098)	(133,498,900)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	507,286	(12,628,484)	(12,121,198)	(145,620,098)	(133,498,900)	

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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

Cash and cash equivalents	6,569,887	-	6,569,887	4,083,119	(2,486,768)	47
Receivables from exchange transactions	100,536,877	-	100,536,877	58,625,538	(41,911,339)	
Statutory receivables	66,680,204	-	66,680,204	85,205,259	18,525,055	
Inventories	4,239,024	-	4,239,024	4,975,140	736,116	
Investments	3,734,940	-	3,734,940	4,470,413	735,473	
Operating lease asset	1,027,426	-	1,027,426	6,922	(1,020,504)	
Other receivables from non-exchange transactions	-	-	-	309,717	309,717	
	182,788,358	-	182,788,358	157,676,108	(25,112,250)	

Non-Current Assets

Operating lease asset	309,717	-	309,717	38,487	(271,230)	
Investments	812,662	-	812,662	477,997	(334,665)	
Investment property	37,114,000	-	37,114,000	41,948,000	4,834,000	
Property, plant and equipment	1,405,457,921	-	1,405,457,921	2,285,445,930	879,988,009	
	1,443,694,300	-	1,443,694,300	2,327,910,414	884,216,114	
Total Assets	1,626,482,658	-	1,626,482,658	2,485,586,522	859,103,864	

Liabilities

Current Liabilities

Payables from exchange transactions	481,028	-	481,028	168,773,451	168,292,423	
Finance lease obligation	138,079,619	-	138,079,619	1,155,349	(136,924,270)	
Unspent conditional grants and receipts	-	-	-	4,050,000	4,050,000	
Employee benefit obligation	-	-	-	958,000	958,000	
Long service award	-	-	-	1,675,000	1,675,000	
	138,560,647	-	138,560,647	176,611,800	38,051,153	

Non-Current Liabilities

Finance lease obligation	-	-	-	226,551	226,551	
Employee benefit obligation	-	-	-	8,406,000	8,406,000	
Provisions	114,878,550	-	114,878,550	84,733,958	(30,144,592)	
Long service award	-	-	-	9,722,000	9,722,000	
	114,878,550	-	114,878,550	103,088,509	(11,790,041)	

Total Liabilities	253,439,197	-	253,439,197	279,700,309	26,261,112	
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Net Assets	1,373,043,461	-	1,373,043,461	2,205,886,213	832,842,752	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Social responsibility	-	-	-	9,363,638	9,363,638	
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Chief Albert Luthuli Local Municipality

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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						
Reserves						
Revaluation reserve	84,700,463	-	84,700,463	84,700,463	-	
Accumulated surplus	1,288,436,123	-	1,288,436,123	2,111,822,114	823,385,991	
Total Net Assets	1,373,136,586	-	1,373,136,586	2,205,886,215	832,749,629	

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Figures in Rand

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1. Presentation of Annual Financial Statements

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

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

A Summary of 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 judgments 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 judgemental 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 judgments 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 judgments 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 28.

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 15.

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. 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 post retirement benefit obligations. In determining the appropriate discount rate, the municipality considers the interest rates of government 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 post retirement obligations are based on current market conditions. Additional information is disclosed in note 16.

Effective interest rate

The municipality used the CPI to discount future cash flows except where stated otherwise.

Chief Albert Luthuli Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

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1.2 Significant judgments and sources of estimation uncertainty (continued)

Allowance for impairments

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 cost. Transaction costs are included in the initial measurement.

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

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

Fair value

Subsequent to initial measurement investment property is measured at fair value. Refer to note 10

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

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

1.4 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.

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.

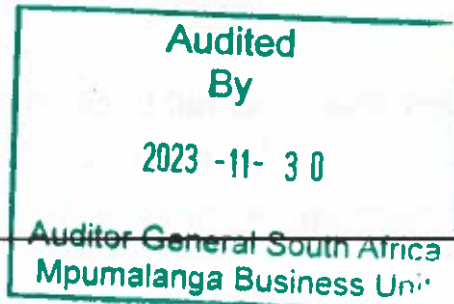
Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount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

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1.4 Property, plant and equipment (continued)

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.

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

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

Asset Class	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10-50 years
Landfill site	Straight-line	0-100 years
Infrastructure	Straight-line	15-80 years
Community	Straight-line	10-50 years
Other assets	Straight-line	2-35 years

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 .

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

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1.5 Financial instruments

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
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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1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Gains and losses

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.

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.

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Accounting Policies

1.5 Financial instruments (continued)

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.

Classification

The municipality has the following types of statutory receivables as reflected on the face of the statement of financial position or in the notes thereto:

Class	Legislation
Property Rates	Municipal Property Rates Act 6 of 2004
Traffic fines	National Road Traffic Act 93 of 1996
VAT	VAT Act 89 of 1991

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

- interest (calculated at a rate of prime plus 1) or other charges that may have accrued on the receivable
- impairment losses; and
- amounts derecognised.

Impairment losses

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1.6 Statutory receivables (continued)

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

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

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

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

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

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

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

Derecognition

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

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

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

1.7 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.

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1.7 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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.

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

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1.8 Inventories (continued)

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

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 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.

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.

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.

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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1.9 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.

1.10 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.

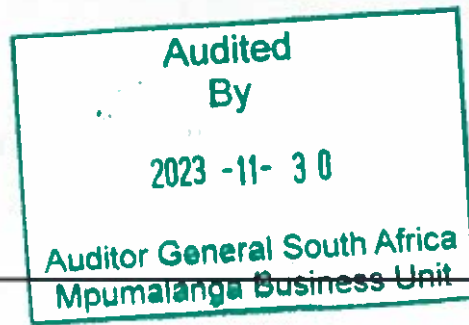
The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

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1.10 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.

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.

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.

1.11 Social responsibility

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

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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.

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

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.

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.

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1.13 Provisions and contingencies (continued)

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.

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

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

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

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

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 34.

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 1.9 and 1.10.

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

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

1.14 Commitments

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

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1.14 Commitments (continued)

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Interest, royalties and dividends

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

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

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

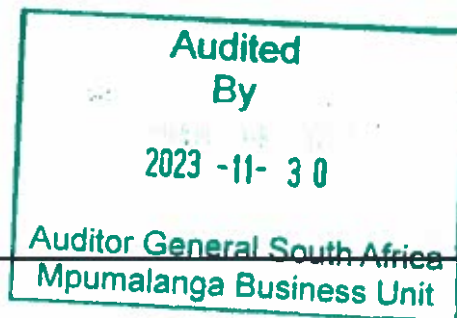


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1.16 Revenue from non-exchange transactions

Property Rates

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

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

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

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

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.

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.

1.17 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.

1.18 Comparative figures

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

1.19 Unauthorised expenditure

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

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;.
- expenditure from a vote unrelated to the department or functional area covered by the vote;

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1.19 Unauthorised expenditure (continued)

- 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.

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

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

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

1.22 Accumulated surplus

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

1.23 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.

1.24 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.

1.25 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 2022/07/01 to 2023/06/30.

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1.25 Budget information (continued)

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 annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 44.

1.26 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..

1.27 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.

1.28 Expenditure

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

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

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:

Effective date:
Years beginning on or
after

Expected impact:

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

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2. New standards and interpretations (continued)

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	The impact of the is not material.
• GRAP 25 (as revised): Employee Benefits	01 April 2023	The impact of the is not material.
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	The impact of the is not material.

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Expected impact is a change in the measurement of impairment as well as a change in the disclosures of financial instruments
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	(1,334,882)	2,142,994
Other cash and cash equivalents	5,418,001	24,106,742
	4,083,119	26,249,736

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:

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3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Standard bank-CurrentAccount-033255954	782,497	1,943,126	512,743	(1,450,937)	1,980,360	512,743
Standard bank-CurrentAccount-31686648	116,052	162,634	194,965	116,055	162,632	194,965
Standard bank-InvestmentAccount-308654552-001	39,063	553,668	18,155,068	39,060	553,668	18,155,068
Standard bank-InvestmentAccount-038478668-002	221,700	4,013,503	1,007,826	221,700	4,013,503	1,007,826
Standard bank-InvestmentAccount-038478668-003	3,156,312	148,780	6,037,495	3,156,313	148,780	6,037,495
Standard bank-InvestmentAccount-038478668-004	346,785	14,255,365	11,542,547	346,785	14,255,365	11,542,547
Standard bank-InvestmentAccount-034878668-005	924,146	5,119,123	18,597,744	924,146	5,119,123	18,597,744
Standard bank-InvestmentAccount-038478668-006	729,997	16,303	21,325	729,997	16,303	21,325
Total	6,316,552	26,212,502	56,069,713	4,083,119	26,249,734	56,069,713

Call accounts summary

Standard bank- Investment Account-308654552-001	39,063	553,668
Standard bank- Investment Account-038478668-002	221,700	4,013,503
Standard bank- Investment Account-038478668-003	3,156,312	148,780
Standard bank- Investment Account-038478668-004	346,785	14,255,365
Standard bank- Investment Account-034878668-005	924,146	5,119,123
Standard bank- Investment Account-038478668-006	729,997	16,303
	5,418,003	24,106,742

4. Receivables from exchange transactions

Gross balances

Electricity	17,331,165	18,276,314
Water	42,010,090	32,360,637
Sewerage	89,204,775	79,285,704
Refuse	77,060,172	67,696,138
Auctioneer	918,659	918,659
Prepaid Electricity Vendor	1,485,294	1,485,294
Other	5,553,426	1,387,912
	233,563,581	201,410,658

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4. Receivables from exchange transactions (continued)

Less: Allowance for impairment

Electricity	(13,115,959)	(12,570,895)
Water	(31,792,588)	(24,398,569)
Sewerage	(67,508,799)	(65,605,178)
Refuse	(58,317,950)	(55,678,116)
Other	(4,202,747)	(821,616)
	(174,938,043)	(159,074,374)

Net balance

Electricity	4,215,206	5,705,419
Water	10,217,502	7,962,068
Sewerage	21,695,976	13,680,526
Refuse	18,742,222	12,018,022
Auctioneer	918,659	918,659
Prepaid Electricity Vendor	1,485,294	1,485,294
Other	1,350,679	566,296
	58,625,538	42,336,284

Electricity

Current (0 -30 days)	1,816,040	1,933,690
31 - 60 days	832,616	941,162
61 - 90 days	949,323	736,486
> 90 days	13,733,187	14,664,976
Less allowance for impairment	(13,115,959)	(12,570,895)
	4,215,207	5,705,419

Water

Current (0 -30 days)	1,593,215	1,264,308
31 - 60 days	1,506,457	1,233,422
61 - 90 days	1,282,355	1,282,350
> 90 days	37,628,064	28,580,557
Less allowance for impairment	(31,792,589)	(24,398,569)
	10,217,502	7,962,068

Sewerage

Current (0 -30 days)	1,645,974	1,214,957
31 - 60 days	1,349,458	1,159,515
61 - 90 days	1,507,981	1,050,746
>90 days	84,701,362	75,860,486
Less allowance for impairment	(67,508,799)	(65,605,179)
	21,695,976	13,680,525

Refuse

Current (0 -30 days)	1,825,172	1,143,699
31 - 60 days	1,349,673	1,077,821
61 - 90 days	1,369,108	1,027,612
>90 days	72,516,219	64,447,005
Less allowance for impairment	(58,317,950)	(55,678,116)
	18,742,222	12,018,021

Auctioneer

> 365 days	918,659	918,659
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4. Receivables from exchange transactions (continued)		
Prepaid Electricity Vendor		
> 365 days	1,485,294	1,485,294
Other		
Current (0 -30 days)	159,443	196,098
31 - 60 days	48,355	59,426
61 - 90 days	46,277	208,352
>90 days	5,299,351	924,036
Less allowance for impairment	(4,202,747)	(821,616)
	1,350,679	566,296
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	5,334,538	1,154,521
31 - 60 days	4,197,630	3,772,626
61 - 90 days	3,905,893	3,553,842
> 90 days	192,114,739	168,130,574
	205,552,800	176,611,563
Less: Allowance for impairment	(191,937,082)	(162,320,843)
	13,615,718	14,290,720
Industrial/ commercial		
Current (0 -30 days)	787,474	422,590
31 - 60 days	597,892	585,286
61 - 90 days	1,076,398	680,780
> 90 days	14,529,785	14,230,680
121 - 365 days	(14,382,842)	(13,085,170)
	2,608,707	2,834,166
National and provincial government		
Current (0 -30 days)	917,831	(5,924,453)
31 - 60 days	291,037	534,793
61 - 90 days	172,753	541,651
> 90 days	7,233,658	33,773,059
	8,615,279	28,925,050
Total		
Current (0 -30 days)	7,039,843	(4,347,342)
31 - 60 days	5,086,558	4,892,704
61 - 90 days	5,155,044	4,776,272
> 90 days	213,878,183	216,134,313
	231,159,628	221,455,947
Less: Allowance for impairment	(206,319,923)	(175,406,013)
	24,839,705	46,049,934
Reconciliation of allowance for impairment		
Balance at beginning of the year	(159,074,374)	(186,794,327)
Contributions to allowance	(15,863,669)	8,779,011
Reversal of allowance	-	18,940,942
	(174,938,043)	(159,074,374)

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Figures in Rand	2023	2022
4. Receivables from exchange transactions (continued)		
Consumer debtors pledged as security		
None of the consumer debtors 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:		
5. Statutory receivables		
Gross balances		
Property Rates	259,227,839	269,932,656
Traffic Fines	10,198,335	50,619,720
VAT Receivable	21,329,322	12,683,682
	290,755,496	333,236,058
Less: Allowance for impairment		
Property Rates	(196,179,633)	(198,871,923)
Traffic Fines	(9,370,604)	(50,428,093)
	(205,550,237)	(249,300,016)
Net balance		
Property Rates	63,048,206	71,060,733
Traffic Fines	827,731	191,627
VAT Receivable	21,329,322	12,683,682
	85,205,259	83,936,042
Property Rates		
Current (0 -30 days)	38,252,341	8,654,269
31 - 60 days	5,168,188	5,927,029
61 - 90 days	4,683,457	5,205,859
>90 days	211,123,853	231,072,252
Less allowance for impairment	(196,179,633)	(198,871,924)
	63,048,206	51,987,485
Traffic Fines		
Current (0 -30 days)	478,387	274,097
31 - 60 days	774,236	780,793
61 - 90 days	643,641	695,139
> 90 days	8,302,070	48,869,690
Less allowance for impairment	(9,370,603)	(50,428,092)
	827,731	191,627

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5. Statutory receivables (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	9,792,343	3,184,281
31 - 60 days	1,834,042	2,073,579
61 - 90 days	1,927,852	1,888,261
> 90 days	96,462,188	106,822,241
	110,016,425	113,968,362
Less: Allowance for impairment	(93,800,177)	(86,276,735)
	16,216,248	27,691,627
Industrial/ commercial		
Current (0 -30 days)	4,896,701	2,736,220
31 - 60 days	1,941,125	2,121,352
61 - 90 days	2,100,497	1,978,391
>90 days	88,398,464	99,708,493
	97,336,787	106,544,456
Less: Allowance for impairment	(92,697,370)	(99,522,782)
	4,639,417	7,021,674
National and provincial government		
Current (0 -30 days)	23,563,297	4,089,588
31 - 60 days	1,393,021	2,997,855
61 - 90 days	655,109	2,552,952
> 90 days	26,263,201	98,450,571
	51,874,628	108,090,966
Total		
Current (0 -30 days)	38,252,341	10,010,088
31 - 60 days	5,168,188	7,192,786
61 - 90 days	4,683,457	6,419,604
91 - 120 days	211,123,853	304,981,305
	259,227,839	328,603,783
Less: Allowance for impairment	(186,497,548)	(185,799,517)
	72,730,291	142,804,266

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Figures in Rand	2023	2022
5. Statutory receivables (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(198,871,925)	(641,862,817)
Contributions to allowance	2,692,292	(2,539,675)
Reversal of allowance	-	445,530,569
	(196,179,633)	(198,871,923)

Property rates are levied in accordance with the Municipal Property Rates Act. Property rates are levied using the valuation roll which came into effect on 1 July 2020.

Traffic fines are charged for traffic violations in accordance with the National Road Traffic Act

VAT Receivable arises as a result of Input VAT being higher than the Output VAT in accordance with the VAT Act.

Statutory receivables pledged as security

None of the receivables were pledged as security

Credit quality of statutory receivables

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.

6. Other receivables from non-exchange transactions

Staff debtor	309,717	309,717
7. Inventories		
Consumables	4,834,385	4,360,615
Water for distribution	140,755	135,125
	4,975,140	4,495,740
Reconciliation of inventory movement		
Opening balance	4,360,616	4,090,356
Purchased	1,439,122	1,391,166
Utilised	(965,352)	(1,120,906)
	4,834,386	4,360,616
Reconciliation of water stock movement		
Opening balance	135,126	148,669
Produced/ (consumed)	5,630	(13,543)
	140,756	135,126

Inventory pledged as security

At year end no inventory has been pledged as security.

8. Investments

Designated at fair value		
Listed shares	772,671	700,105

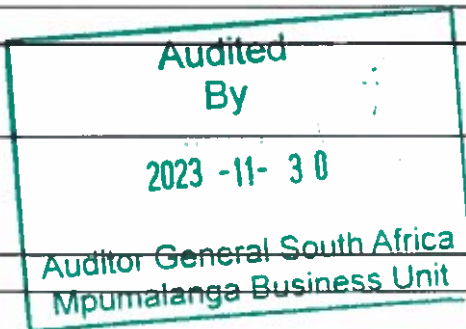
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Figures in Rand	2023	2022
8. Investments (continued)		
At amortised cost		
Sanlam: Guarantee Capital Fund - Policy number 9921774X7	136,677	126,602
RMB Momentum - Account number RU 500434741	341,320	320,121
Stanlib Classic Investment Plan - Account number IP0006247	824,584	764,281
Stanlib Extra Income Fund - Account number IP0006247	2,873,158	2,690,906
	4,175,739	3,901,910
Total other financial assets	4,948,410	4,602,015
Non-current assets		
At amortised cost	477,997	446,723
Current assets		
Designated at fair value	772,671	700,105
At amortised cost	3,697,742	3,455,187
	4,470,413	4,155,292



Financial assets at fair value

Listed shares are carried at fair value:

The municipality own 13242 shares in Sanlam Limited which was trading at R58.35 (2022: R52.87) 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.

9. Operating lease asset

Non-current assets	38,487	44,537
Current assets	6,922	2,379
	45,409	46,916

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	128,764	167,239
In the second to the fifth year	220,913	331,363
	349,677	498,602

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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10. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	41,948,000	-	41,948,000	40,750,400	-	40,750,400

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	40,750,400	1,197,600	41,948,000

Reconciliation of investment property - 2022

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

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. DDP Valuers are registered with the South African Council for the Property Valuers Profession, and the South African Institute of Valuers

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

Rental revenue in surplus for the year	534,971	681,321
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11. Property, plant and equipment

	2023			2022		
	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	24,546,124	(5,346,666)	19,199,458	14,836,549	(4,958,945)	9,877,604
Infrastructure	2,820,870,945	(846,938,163)	1,973,932,782	2,541,016,784	(800,105,781)	1,740,911,003
Community	133,958,943	(30,911,947)	103,046,996	136,779,174	(27,209,205)	109,569,969
Landfill site	40,492,463	(20,309,903)	20,182,560	44,278,300	(19,099,168)	25,179,132
Other property, plant and equipment	91,749,033	(37,112,599)	54,636,434	78,729,724	(30,813,136)	47,916,588
Total	3,226,065,208	(940,619,278)	2,285,445,930	2,930,088,231	(862,186,235)	2,047,901,996

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	114,447,700	-	-	-	-	-	114,447,700
Buildings	9,877,604	9,730,480	(2,625)	-	(358,018)	(47,983)	19,199,458
Community Infrastructure	109,569,969	783,544	-	-	(3,702,742)	(3,603,775)	103,046,996
Landfill site	1,740,911,003	289,342,998	-	63,547	(42,462,100)	(13,922,666)	1,973,932,782
Other property, plant and equipment	25,179,132	-	-	(3,785,837)	(1,210,735)	-	20,182,560
	47,916,588	15,475,821	(535,017)	-	(8,173,656)	(47,302)	54,636,434
	2,047,901,996	315,332,843	(537,642)	(3,722,290)	(55,907,251)	(17,621,726)	2,285,445,930

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	5,803,969	(8,976)	-	(340,983)	-	9,877,604
Community Infrastructure	113,558,654	-	(257,362)	-	(3,731,323)	-	109,569,969
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	-	-	(14,858,586)	(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

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11. Property, plant and equipment (continued)

Pledged 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 R9 106 066 (2022 :R2 984 742).

The future impact of the revision will be a decrease in the depreciation charge amounting to R12 598 704.13

Long outstanding capital projects

The following previously halted projects were impaired during the current financial year:

The projects were on the design phase, the planning designs were completed, and due to funding constraint the implementation was stopped.

Project name		
Community halls	3,603,775	-
Refurbishment of Carolina water waste P20/2014	5,000,935	-
Upgrade Eerstehoek water scheme	1,500,000	-
Extension of bulk sewer network at eManzana	2,024,663	-
Construction of water infrastructure for Nhlazatshe	90,149	-
Construction of Elukwatini G water reticulation	56,838	-
Supply of pipeline and raised tank for Nhlazatshe	69,082	-
Construction of water reticulation	810,717	-
	13,156,159	-

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	511,654,489	3,603,774	3,252,553	518,510,816
Additions/capital expenditure	289,342,998	783,543	9,730,116	299,856,657
Impairments	(9,552,384)	(3,603,774)	-	(13,156,158)
Completed items	(326,543,195)	-	(12,982,669)	(339,525,864)
	464,901,908	783,543	-	465,685,451

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Buildings	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	3,603,774	3,252,553	518,510,816

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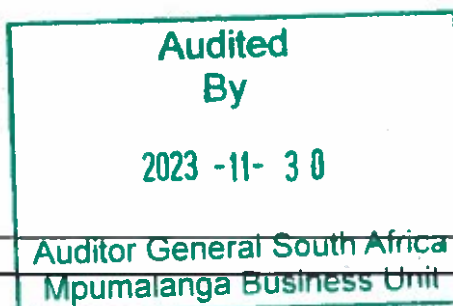
Notes to the Annual Financial Statements

Figures in Rand	2023	2022
11. Property, plant and equipment (continued)		
Expenditure incurred to repair and maintain property, plant and equipment		
Maintenance of equipment	44,569,638	40,154,451
Maintenance of other assets	4,197,215	3,941,692
Maintenance of buildings	3,223,551	521,750
	51,990,404	44,617,893

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.

12. Payables from exchange transactions

Trade payables	24,616,517	23,402,454
Unallocated deposits	2,372,717	450,051
Prepaid electricity	472,056	121,346
Consumer deposits	488,040	484,950
Income received in advance	61,221,643	48,400,093
Payroll accruals- 13th Cheque	4,313,493	4,074,861
Leave	18,480,412	17,643,350
Retentions	54,030,742	49,599,336
Payroll provision	2,777,830	2,145,832
	168,773,450	146,322,273



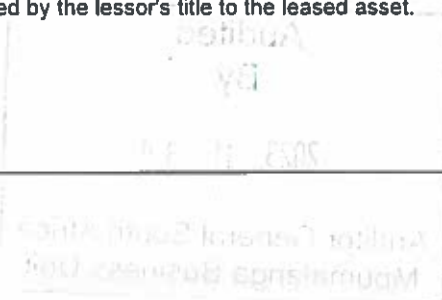
13. Finance lease obligation

Minimum lease payments due		
- within one year	1,339,139	3,468,000
- in second to fifth year inclusive	220,692	1,559,431
	1,559,831	5,027,431
less: future finance charges	(177,931)	(726,643)
Present value of minimum lease payments	1,381,900	4,300,788
Present value of minimum lease payments due		
- within one year	1,155,749	2,919,289
- in second to fifth year inclusive	226,151	1,381,500
	1,381,900	4,300,789
Non-current liabilities	226,551	1,381,500
Current liabilities	1,155,349	2,919,289
	1,381,900	4,300,789

The average lease term was 3 years and the average effective borrowing rate was 9% (2022: 9%).

Interest rates are fixed at the contract date.

Some leases have fixed repayment terms and others escalate between 0% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.



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14. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Data Cleansing Grant	-	7,414,736
Disaster Relief Grant	4,050,000	-
	4,050,000	7,414,736
Movement during the year		
Balance at the beginning of the year	7,414,728	10,608,024
Additions during the year	756,394,974	445,816,549
Income recognition during the year	(759,759,702)	(449,009,837)
	4,050,000	7,414,736



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15. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Total
Provision for rehabilitation	82,049,138	2,684,820	84,733,958

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

Provision for Rehabilitation

This report consolidates the provision of the final rehabilitation and closure costs for the landfills controlled by Chief Albert Luthuli Local Municipality the period ending 30 June 2023.

The following landfills are included in this consolidated report:

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

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.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

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

Financial Assumptions used

Unit Costs

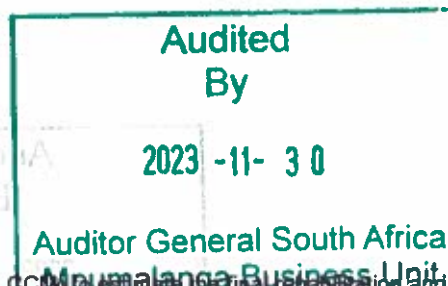
Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

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 6.1716%.

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.



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15. Provisions (continued)

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

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

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

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

Calculation of Closure Costs

Key Financial assumptions used .

Assumption	For Carolina (old), eManzana and Empuluzi landfills	For Ekulindeni landfill	For Carolina (new) and Elukwatini landfills
CPI	6.1716%	6.1716%	6.1716%
Discount rate	10.6716%	10.9216%	11.4216%
Net effective discount rate	4.5%	4.75%	5.25%

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15. Provisions (continued)

Discounting of Closure Costs

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

Description	2023	2022
Landfill Closure provision	84,733,958	82,049,138
Interest charge	7,880,664	6,681,498
	92,614,622	88,730,636

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

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

Current and non-current Liabilities

Current and non-current discounted liability for landfill closure costs:

Current Liability	-	-
Non-current liability	84,733,958	82,049,138
	84,733,958	82,049,138

Disclosures

Disclosure in the Statement of Financial performance or the notes thereto

Change in landfill closure provision	(5,195,844)	(14,888,587)
Interest charge	7,880,664	6,681,498
	2,684,820	(8,207,089)

Disclosure in the statement of financial Position or the notes thereto

Opening Balance	82,049,138	90,256,227
Change in landfill closure provision	(5,195,844)	(14,888,587)
Interest charge	7,880,664	6,681,498
	84,733,958	82,049,138

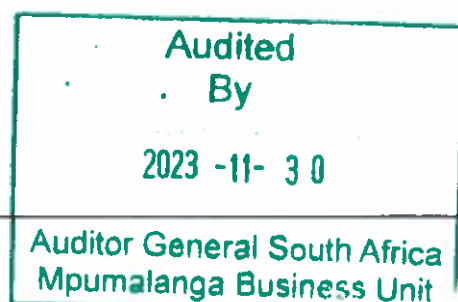
16. Employee benefit obligations

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 rand value/subsidy.



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16. Employee benefit obligations (continued)		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	9,364,000	9,787,000
Non-current liabilities	8,406,000	8,887,001
Current liabilities	958,000	900,000
	9,364,000	9,787,001
Changes in the fair value of plan assets are as follows:		
Opening balance	9,787,000	9,841,000
Interest costs	1,022,000	860,000
Actuarial gains/(losses)	(509,160)	(26,575)
Benefits paid	(935,840)	(887,425)
	9,364,000	9,787,000
Net expense recognised in the statement of financial performance		
Interest cost	1,022,000	860,000
Actuarial (gains)/losses	(509,160)	(26,575)
	512,840	833,425

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16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2023	2022
Discount rate	11.08 %	10.93 %
Health care cost inflation rate	6.97 %	7.84 %
Net discount rate	3.84 %	2.87 %

Financial Assumptions

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

Discount Rate

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

Consequently, a discount rate of 11.08% per annum has been used. The corresponding index-linked yield at this term is 4.84%. 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 2023.

Health Care Cost Inflation Rate

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

A health care cost inflation rate of 6.97% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.47%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.84% which derives from $((1+11.08\%)/(1+6.97\%))-1$.

The CPI inflation assumption of 5.47% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.84%) and those of fixed interest bonds (11.08%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+11.08\%-0.50\%)/(1+4.84\%))-1$.

Demographic Assumptions

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

Post Employment Mortality

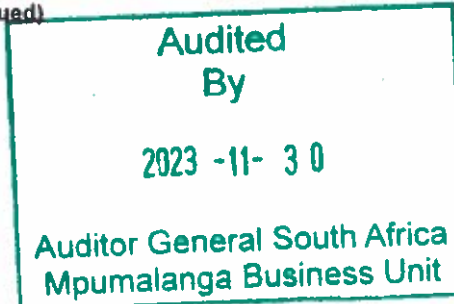
PA(90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010. This means that we expect 1% fewer people to die next year. In the year thereafter, we expect 1.99% fewer people to die, i.e. 1.99% is derived from $[1 - (1 - 1\%)^2]$, and so on.

Family Profile

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

Medical Scheme Option

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



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16. Employee benefit obligations (continued)

Plan Assets

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

Other Assumptions

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

Sensitivity Analysis

Sensitivity analysis on the accrued liability

Health care inflation rate
Discount rate
Port-employment mortality

Sensitivity analysis on the interest cost

Health care inflation rate
Discount rate
Port-employment mortality

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One percentage point increase	One percentage point decrease
10,094,000	8,714,000
8,742,000	10,072,000
9,002,000	9,729,000

One percentage point increase	One percentage point decrease
1,066,00	914,000
1,000,000	968,000
946,000	1,026,000

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

	2023 R	2022 R	2021 R	2020 R	2019 R
Defined benefit obligation	9,364,000	9,787,000	9,841,000	9,683,000	10,691,000
Experience adjustments on plan liabilities	233,000	116,000	(522,000)	102,000	497,000

17. 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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17. Long service award (continued)		
Carrying value	Audited By 2023 -11- 30 Auditor General South Africa Mpumalanga Business Unit	
Present value		
Changes in present value		
Opening balance	10,917,000	10,534,000
Current service cost	1,000,000	952,000
Interest cost	1,131,000	909,000
Benefits paid	(1,516,109)	(1,294,140)
Actuarial loss/(gain)	(392,891)	(183,860)
Change in policy valued	258,000	-
	11,397,000	10,917,000
Net expense recognised in the statement of financial performance		
Current service cost	1,000,000	952,000
Interest cost	1,131,000	909,000
Actuarial loss/(gain)	(392,891)	(183,860)
	1,738,109	1,677,140

Key assumptions

Discount rate:	11.32%
General earnings inflation rate:	6.57%
Net effective discount rate:	4.45%

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.

Financial Assumptions

It is difficult to predict future investment returns and earnings 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 employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, a discount rate of 11.32% per annum has been used. The corresponding liability-weighted index-linked yield is 4.97%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2023.

Earnings Inflation Rate

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.

The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation. The latter is considered under demographic assumptions.

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17. Long service award (continued)

Earnings Inflation Rate

General Earnings Inflation Rate

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The CPI inflation assumption of 5.57% was obtained from the differential between market yields on index-linked bonds (4.97%) consistent with the estimated terms of the liabilities and those of nominal bonds (11.32%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+11.32\%-0.50\%)/(1+4.97\%))-1$.

Thus, a general earnings inflation rate of 6.57% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 4.45%.

Demographic Assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional Earnings Scale

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 6.57% per annum for all employees.

Age Band	Additional Promotional Scale
20-24	5.0%
25-29	4.0%
30-34	3.0%
35-39	2.0%
40-44	1.0%
>44	0.0%

Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Withdrawal Rates

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates.

Plan Assets

Management has indicated that there are currently no long-term assets set aside off-balance sheet in respect of the LSA liability.

Long service award arrangement assumptions

The municipality offers employees long service award for every five years of service completed, from ten years of service to 45 years of service, inclusive.

It was assumed that the employer's long service award arrangements would remain as outlined in above, and that the level of benefits in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments..

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17. Long service award (continued)

Sensitivity analysis

	One percentage point increase	Current valuation percentage	One percentage point decrease
Accrued liability	11,805,000	11,139,000	10,532,000
Current service cost	1,079,000	1,000,000	930,000
Interest cost	1,206,000	1,131,000	1,063,000

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 amounts for the current and previous four reporting periods are as follows:

	2023	2022	2021	2020	2019
Accrued liability	11,139,000	10,917,000	10,534,000	9,591,000	8,667,000
Experience adjustments on plan liabilities	271,109	85,140	481,875	277,788	358,370
	11,410,109	11,002,140	11,015,875	9,868,788	9,025,370
Current portion				1,675,000	1,441,000
Non-current portion				9,722,000	9,475,999
				11,397,000	10,916,999

18. Service charges

Sale of electricity	33,302,821	37,227,030
Sale of water	11,030,441	10,755,597
Sewerage and sanitation charges	7,998,860	7,964,230
Refuse removal	8,492,729	7,043,148
Other service charges	167,293	134,184
	60,992,144	63,124,189

19. Interest received - consumers

Interest received from exchange transactions- consumers	17,446,357	13,646,168
Interest received from non-exchange transactions-consumers	18,672,000	30,701,331
	36,118,357	44,347,499

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20. Other income		
Building Plans	379,079	626,835
Burial service fees	182,318	279,880
Clearance certificates	30,936	16,752
Connection fees	79,072	129,488
Fire brigade fees	271,859	273,405
Proof of residence	746,616	677,283
Sale of stands	96,496	278,934
Tender deposits	49,573	67,227
Administration and handling fees	122,387	359,846
Advertising	785	73,598
Valuation certificates	38	23
Cleaning and removal	53,581	117,412
Cash surplus	638	887
Insurance claim	1,025,847	-
Landfill site - change in accounting estimate	1,410,007	-
	4,449,232	2,901,570
21. Fair value adjustments		
Investment property (Fair value model)	1,197,600	3,636,400
Investments	82,641	(107,351)
	1,280,241	3,529,049
22. Property rates		
Rates received		
Residential	14,961,489	15,449,395
Commercial	18,751,552	18,369,807
State	29,413,926	42,109,047
	63,126,967	75,928,249
Valuations		
Residential	2,455,625,801	2,457,415,700
Commercial	894,547,600	898,347,600
State	938,081,800	940,581,900
Municipal	557,221,100	556,951,100
Agricultural	4,906,852,100	4,886,288,993
Other	147,473,302	147,073,300
	9,899,801,703	9,886,658,593

Valuations on land and buildings are performed every five 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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23. Government grants & subsidies		
Operating grants		
Equitable share	388,235,000	349,235,000
FMG	2,000,000	2,000,000
EPWP	2,227,000	1,391,000
LG Seta	389,970	349,545
Data cleansing	7,414,736	2,585,268
Disaster Relief Grant	4,100,000	-
	404,366,706	355,560,813
Capital grants		
RBIG	165,142,000	258,608,024
MIG	99,706,000	92,108,000
WSIG	72,745,000	64,000,000
EEDSMG	-	3,500,000
INEP	17,800,000	24,468,000
	355,393,000	442,684,024
	759,759,706	798,244,837

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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	2,227,000	1,391,000
Conditions met - transferred to revenue	(2,227,000)	(1,391,000)
	-	-

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	72,745,000	64,000,000
Conditions met - transferred to revenue	(72,745,000)	(64,000,000)
	-	-

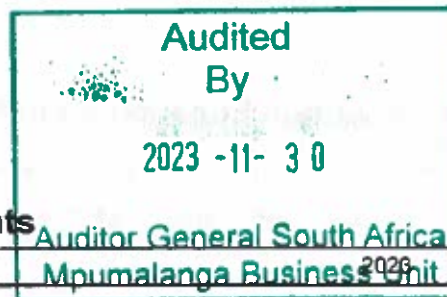
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23. Government grants & subsidies (continued)

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	99,706,000	92,108,000
Conditions met - transferred to revenue	(99,706,000)	(92,108,000)

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.

Intergrated National Electrification Programme

Current-year receipts	17,800,000	24,468,000
Conditions met - transferred to revenue	(17,800,000)	(24,468,000)

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
Current-year receipts	165,142,000	248,000,000
Conditions met - transferred to revenue	(165,142,000)	(258,608,024)

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	389,970	349,549
Conditions met - transferred to revenue	(389,970)	(349,549)

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
Conditions met - transferred to revenue	-	(3,500,000)

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23. Government grants & 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

Balance unspent at beginning of year	7,414,736	-
Current-year receipts	-	10,000,000
Conditions met - transferred to revenue	(7,414,736)	(2,585,264)
	-	7,414,736

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

Disaster Relief Grant

Current-year receipts	8,150,000	-
Conditions met - transferred to revenue	(4,100,000)	-
	4,050,000	-

Conditions still to be met - remain liabilities (see note 14).

The grant is intended to augment the resources of the municipality with regard to the following prioritised projects as per the request of the municipality supported by the provincial disaster management centre municipality.

24. Donations

Isuzu Fire Truck	2,791,350	-
GSDM installation of boreholes	1,500,000	-
Fencing of Carolina waterworks	-	535,480
	4,291,350	535,480

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25. Employee related costs		
Basic	132,736,965	123,148,351
Bonus	10,990,544	10,519,633
Medical aid - company contributions	12,602,877	11,331,606
UIF	1,002,304	895,079
Bargaining Council	61,322	56,578
SDL	1,836,296	1,705,438
Pension Fund	25,176,290	22,892,869
Interest cost on actuarial valuations	1,022,000	860,000
Provident Fund	1,463,985	1,242,378
Travel, motor car, accommodation, subsistence and other allowances	13,389,329	12,188,356
Overtime payments	11,949,870	11,782,272
Long-service awards	1,516,109	1,294,140
Acting allowances	3,473,491	3,529,011
Actuarial loss/(gain)	(902,051)	(210,435)
Housing benefits and allowances	1,473,459	1,587,705
Telephone allowances	812,057	781,646
Standby allowances	9,530,634	9,104,505
Pension payout	3,916,390	-
Long service award - Service cost	872,891	566,850
Employee benefits - 13th Cheque & Leave	1,075,693	1,125,491
	234,000,455	214,401,483

Remuneration of Municipal Manager: Thabethe M.E.

Annual Remuneration	907,688	66,326
Car Allowance	180,000	15,000
Performance Bonuses	133,763	-
Contributions to UIF, Medical and Pension Funds	172,420	12,832
Cellphone allowance	24,000	2,000
Rural allowance	51,944	3,731
	1,469,815	99,889

Remuneration of Chief Finance Officer : Sekgobela M.M. (Appointed February 2023)

Annual Remuneration	276,901	-
Car Allowance	75,000	-
Performance Bonuses	121,489	-
Contributions to UIF, Medical and Pension Funds	84,880	-
Cellphone allowance	5,000	-
Rural allowance	17,293	-
	580,563	-

Remuneration of Acting Chief Finance Officer: Hlophe O.G (September 2022 - January 2023)

Annual Remuneration	270,958	-
Car Allowance	67,922	-
Contributions to UIF, Medical and Pension Funds	89,393	-
Acting allowance	126,401	-
Cellphone allowance	4,800	-
	559,474	-



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25. Employee related costs (continued)

Remuneration of Director Corporate Services: Sibeko S.S.

Annual Remuneration	490,065	776,937
Car Allowance	115,000	150,000
Performance Bonuses	85,042	80,533
Contributions to UIF, Medical and Pension Funds	146,851	218,494
Cellphone allowance	8,000	12,000
Rural allowance	29,477	45,339
Acting Allowance	-	13,166
Leave Paidout	217,633	-
	1,092,068	1,296,469

Remuneration of Acting Director Corporate Services: Nkosi M.S (October 2022- January 2023)

Annual Remuneration	216,766	-
Car Allowance	54,338	-
Cellphone allowance	3,800	-
Acting Allowance	100,889	-
	375,793	-

Remuneration of Director Community Services and Public Safety: Malaza S.I (Appointed August 2022)

Annual Remuneration	733,884	-
Car Allowance	88,000	-
Performance Bonuses	98,610	-
Contributions to UIF, Medical and Pension Funds	140,469	-
Cellphone allowance	11,000	-
Rural allowance	38,095	-
Acting Allowance	4,159	-
	1,114,217	-

Remuneration of Acting Director Community Services and Public Safety : Thabethe N.P (July 2022)

Annual Remuneration	54,191	154,980
Car Allowance	13,584	38,850
Contributions to UIF, SDL, Medical and Pension Funds	15,136	43,870
Cellphone Allowance	800	2,400
Acting Allowance	18,746	62,762
	102,457	302,862

Remuneration of Director Technical Services: Magubane M.P.

Annual Remuneration	710,274	688,771
Car Allowance	180,000	180,000
Contributions to UIF, SDL, Medical and Pension Funds	186,932	167,187
Cellphone Allowance	12,000	12,000
Rural Allowance	47,985	40,889
Performance Bonus	98,610	93,380
Acting Allowance	18,746	-
	1,254,547	1,182,227

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25. Employee related costs (continued)

Remuneration of Director Planning & Economic Development: Motloung L (Appointed August 2022)

Annual Remuneration	582,083	-
Travel Allowance	165,000	-
Contributions to UIF, SDL, Medical and Pension Funds	118,966	-
Cellphone Allowance	11,000	-
Housing Allowance	110,000	-
Rural Allowance	38,095	-
Performance bonus	98,610	-
	1,123,754	-

Remuneration of Acting Director Planning & Economic Development: Thwala A.N (July 2022)

Annual Remuneration	54,192	154,980
Car Allowance	13,584	38,850
Contributions to UIF, Medical and Pension Funds	14,384	42,111
Cellphone Allowance	800	2,400
Acting Allowance	18,746	60,831
13th Cheque	-	51,660
	101,706	350,832

Remuneration of Former Municipal Manager : Dlamini M.S - Backpayment (Contract ended April 2022)

Annual Remuneration	17,333	687,716
Car Allowance	-	200,000
Cellphone Allowance	-	20,000
Performance Bonuses	-	126,669
Contributions to UIF, Medical and Pension Funds	1,366	192,147
13th Cheque	-	115,553
Rural Allowance	693	46,221
Leave Payout	-	266,245
	19,392	1,654,551

Remuneration of Former Chief Finance Officer: Mnisi M.G.T (Resigned August 2022)

Annual Remuneration	166,430	859,748
Car Allowance	27,657	165,943
Performance Bonus	-	115,047
Cellphone allowance	2,000	12,000
Contributions to UIF, Medical and Pension Funds	20,678	113,991
Rural Allowance	8,350	45,339
Acting Allowance	-	36,459
Leave Payout	217,633	-
	442,748	1,348,527

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25. Employee related costs (continued)		
Remuneration of Former Director Community and Public Safety: Shabangu J.W - Backpayment (Contract ended March 2022)		
Annual Remuneration	11,500	643,086
Car Allowance	-	58,500
Performance Bonuses	142,436	134,883
Contributions to UIF, Medical and Pension Funds	1,336	80,623
Cellphone Allowance	-	9,000
Rural Allowance	460	30,667
Acting Allowance	-	48,056
Leave Payout	-	171,741
	155,732	1,176,556

Remuneration of Former Director Planning and Economic Development: Lukhele T.A - Backpayment (Contract ended March 2022)		
Annual Remuneration	2,834	544,375
Car Allowance	-	84,750
Contributions to UIF, Medical and Pension Funds	59	154,707
Cellphone Allowance	-	8,000
Rural Allowance	113	15,113
Leave Payout	-	119,030
	3,006	925,975

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

26. Remuneration of councillors

Executive Major	995,843	945,398
Speaker	813,414	786,823
Chief Whip	758,005	720,445
Mayoral Committee Members	4,535,787	3,600,100
Councillors	14,648,847	14,265,881
	21,751,896	20,318,647

In-kind benefits

The Executive Mayor is provided with a vehicle, driver, aid, secretary and chief of staff 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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26. Remuneration of councillors (continued)

2023	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
Executive Mayor Nkosi D.P.	827,376	-	40,800	120,086	7,581	995,843
	827,376	-	40,800	120,086	7,581	995,843

2023	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
Speaker Gininda S.V.	444,954	189,335	40,800	124,722	6,385	806,196
Mngomezulu M.W. (Former)	5,363	1,788	-	-	68	7,219
	450,317	191,123	40,800	124,722	6,453	813,415

2023	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
Chief Whip Sidu L.L.	428,632	177,807	40,800	104,790	5,976	758,005
	428,632	177,807	40,800	104,790	5,976	758,005

2023	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
Mayoral Committee Members	-	-	-	-	-	-
Thomo N.G	433,466	176,815	40,800	96,977	5,916	753,974
Nkosi S.P	462,113	176,564	40,800	67,579	5,822	752,878
Zulu G.G.	438,155	176,564	40,800	91,537	5,891	752,947
Dube S.N.	462,997	172,702	40,800	67,579	5,800	749,878
Mathebula J.T	459,461	175,680	40,800	67,579	5,789	749,309
Dlamini E.S.	582,797	-	40,800	119,923	5,794	749,314
Nkosi S.Z. (Former)	5,105	1,702	-	-	65	6,872
Makhubela N.V. (Former)	5,105	1,702	-	-	65	6,872
Magagula P (Former)	5,105	1,702	-	-	65	6,872
Mnisi-Nkosi N (Former)	5,105	1,702	-	-	65	6,872
	2,859,409	885,133	244,800	511,174	35,272	4,535,788

2023	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
MPAC Chairperson Motaung R.M	598,663	-	40,800	87,423	5,593	732,479
	598,663	-	40,800	87,423	5,593	732,479

2023	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
S79 Chairpersons	-	-	-	-	-	-
Thomo G.P.	248,618	95,065	40,800	36,578	3,319	424,380
Jele D	271,821	-	40,800	108,440	3,447	424,508
Lulane S.K.	331,490	-	40,800	48,771	3,276	424,337
Nkumane M.J.	331,490	-	40,800	48,771	3,276	424,337
Khumalo S.P.	331,490	-	40,800	48,771	3,276	424,337
Nkosi P.Z.	248,618	95,065	40,800	36,578	3,319	424,380
Mthombeni S.F. (Former)	2,723	908	-	-	34	3,665
Nkosi J.S. (Former)	2,723	908	-	-	34	3,665
Shabangu L.D. (Former)	2,723	908	-	-	34	3,665
Ngwenya R.D. (Former)	2,829	-	-	-	28	2,857

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26. Remuneration of councillors (continued)

	1,774,525	192,854	244,800	327,909	20,043	2,560,131
2023	Basic Salary	Travel Allowance	Cellphone Allowance	Pension & Medical Aid	SDL	Total
Councillors	-	-	-	-	-	-
Sikhakhane N.B.	196,379	74,960	40,800	28,502	2,710	343,351
Van der Walt L.	166,587	74,960	40,800	58,293	2,795	343,435
Matshaba K.A.	176,978	74,960	40,800	47,902	2,765	343,405
Zwane F.C.	166,981	74,960	40,800	57,900	2,794	343,435
Ndebele J.C.H.	196,379	74,960	40,800	28,502	2,710	343,351
Mbuli T.G.	196,379	74,960	40,800	28,502	2,710	343,351
Nkosi D.S.	261,839	-	40,800	38,002	2,678	343,319
Masuku B.M.	194,257	74,253	40,800	28,502	2,494	340,306
Mbokane P.S.	259,010	-	40,800	38,002	2,649	340,461
Hlatshwayo P.T.	286,537	-	40,800	43,975	2,922	374,234
Gininda O.	259,010	-	40,800	38,002	2,649	340,461
Shiba X.S.G.	259,010	-	40,800	38,002	2,649	340,461
Nkambule K.V.	259,010	-	40,800	38,002	2,649	340,461
Maisela S.J.	259,010	-	40,800	38,002	2,649	340,461
Adams P.P.	237,897	24,279	40,800	34,836	2,661	340,473
Makene J.	259,010	-	40,800	38,002	2,649	340,461
Mabuza V.B.	259,010	-	40,800	38,002	2,649	340,461
Nkosi A.J.	259,010	-	40,800	38,002	2,649	340,461
Mauku B.M.	253,732	6,069	40,800	37,211	2,652	340,464
Manana B.L.	194,257	74,253	40,800	28,502	2,683	340,495
Phakathi F.D.M.	259,010	-	40,800	38,002	2,649	340,461
Methula Z.C.	195,672	72,839	40,800	28,502	2,686	340,499
Nkosi N.P.	194,257	74,253	40,800	28,502	2,683	340,495
Mncina L.M.	259,010	-	40,800	38,002	2,649	340,461
Thwala S.J.	259,010	-	40,800	38,002	2,649	340,461
Sithole B.I.	259,010	-	40,800	38,002	2,649	340,461
Hlophe M.P.	194,257	74,253	40,800	28,502	2,683	340,495
Nkambule T.P.	216,784	48,559	40,800	31,669	2,674	340,486
Nkosi L.N.P.	259,010	-	40,800	38,002	2,649	340,461
Hlatshwayo C.S.	194,257	74,253	40,800	28,502	2,683	340,495
Mbatha M.E.	206,228	60,699	40,800	30,085	2,680	340,492
Thambekwayo M.T.	259,010	-	40,800	38,002	2,649	340,461
Dlamini N.E.	253,353	-	40,800	38,002	2,593	334,748
Nkosi V.L. (Former)	2,121	707	-	-	27	2,855
Dludlu Z.M. (Former)	3,630	-	-	-	36	3,666
Nkosi A.D. (Former)	2,121	707	-	-	27	2,855
Lubhede E.J. (Former)	2,121	707	-	-	27	2,855
Ngubeni A (Former)	2,121	707	-	-	27	2,855
Cindi N.R. (Former)	2,121	707	-	-	27	2,855
Nkosi G.J. (Former)	2,121	707	-	-	27	2,855
Mbhele J.S. (Former)	2,121	707	-	-	27	2,855
Mithembu M.S. (Former)	2,121	707	-	-	27	2,855
Malaza M.A. (Former)	2,121	707	-	-	27	2,855
Nkosi B.G. (Former)	2,121	707	-	-	27	2,855
Nkosi T.S. (Former)	2,121	707	-	-	27	2,855
Nkosi T.B. (Former)	2,121	707	-	-	27	2,855
Shongwe J.D. (Former)	2,121	707	-	-	27	2,855
Jele J.J. (Former)	2,121	707	-	-	27	2,855
Nkezi J.T. (Former)	2,828	-	-	-	28	2,856
Nhlabathi N.C. (Former)	2,121	707	-	-	27	2,855
Khumalo M.J. (Former)	2,121	707	-	-	27	2,855
Mkhwanazi H.L.Z. (Former)	2,121	707	-	-	27	2,855
Ngoma Z (Former)	2,121	707	-	-	27	2,855
Ntjana M.L. (Former)	2,121	707	-	-	27	2,855

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26. Remuneration of councillors (continued)						
Hlabathi P.Z. (Former)	2,121	707	-	-	27	2,855
Zulu W (Former)	2,829	-	-	-	28	2,857
Mnisi S.T. (Former)	2,121	707	-	-	27	2,855
Kgwedi T.H. (Former)	2,121	707	-	-	27	2,855
	7,665,099	1,049,024	1,346,400	1,206,421	89,028	11,355,972
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

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26. Remuneration of councillors (continued)

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

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
Hlatswayo 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.K.	158,392	-	28,591	23,759	1,652	212,394
Maisela S.J	158,392	-	28,591	23,759	1,652	212,394

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26. Remuneration of councillors (continued)						
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
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

27. Finance costs

Rehabilitation of landfill sites		7,880,664	6,681,497
Finance leases		549,111	1,018,040
Bulk purchases		10,701	58,872
Other interest paid		2,825,582	2,416,149
		11,266,058	10,174,558

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Figures in Rand	2023	2022
28. Bulk purchases		
Electricity - Eskom	98,790,469	93,325,030
<p>Electricity distribution losses are based on units per invoices received from Eskom and units sold per prepaid reports and conventional billing. The loss was determined to be R26 794 427.78 (2022: R31 213 775.30) and 16 364 069.70 units (2022: 30 894 545) which is 46.52% (2022: 76.79%) .</p> <p>The losses are as a result of technical losses due to aging infrastructure.</p> <p>Water distribution losses are based on the kilowaters of water produced 10 477 358kl (2022: 10 477 358kl) and total water distributed 6 857 384.00kl (2022: 6 530 845kl) and the estimated loss is 3 619 974kl, R10 981 019 (2022: 3 946 513kl, R8 035 530.59) which is 39.31% (2022: 37.67%)</p>		
29. Contracted services		
Outsourced Services		
Burial Services	6,000	11,000
Business and Advisory	15,445,538	18,045,671
Catering Services	410,144	50,350
Cleaning Services	-	25,130
Meter Management	1,366,239	1,924,805
Medical Services	92,016	129,739
Mini Dumping Sites	1,470,518	2,170,643
Research and advisory	1,382,990	280,718
Professional Staff	20,479,059	15,862,068
Security Services	23,615,811	21,670,470
Consultants and Professional Services		
Business and Advisory	10,622,136	20,913,961
Infrastructure and Planning	5,827,862	1,738,990
Audit Committee	287,824	215,790
Legal Cost	9,154,188	6,120,379
	4,806,906	4,141,876
Contractors		
Bore Waterhole Maintenance	6,835,008	31,413,948
Event Promoters	3,182,678	5,971,869
Fire Protection	1,500,391	2,748,365
Repairs and maintenance	51,238,528	42,944,320
Removal of Hazardous Waste	1,577,572	639,718
	159,301,408	177,019,810



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Figures in Rand	2023	2022
30. General expenses		
Advertising	4,038,147	3,600,100
Auditors remuneration	7,592,409	5,156,648
Bank charges	550,884	457,476
Commission paid	14,904,526	-
Consumables	18,851,076	17,896,211
Entertainment	26,220	81,400
Insurance	2,009,261	3,206,304
Levies	6,756	17,622
Motor vehicle expenses	14,962,552	10,088,793
Printing and stationery	3,815,951	3,188,012
Protective clothing	8,743,351	9,774,169
Subscriptions and membership fees	2,355,905	105,755
Telephone and fax	3,975,516	6,452,352
Transport and freight	3,263,950	2,412,898
Training	2,872,303	3,545,763
Travel - local	2,402,923	1,623,210
EPWP Expenditure	2,688,200	1,884,210
Interview costs	2,890,264	1,120,190
Assets less than capitalisation threshold	519,612	-
Committee Costs	4,355,100	4,693,951
EEDM	-	3,043,478
Refunds	25,065	-
Other expenses	1,039,920	923,327
	101,889,891	79,271,869
31. Auditors' remuneration		
Fees	7,592,409	5,156,648

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Figures in Rand	2023	2022
32. Cash generated from operations		
Surplus	213,875,903	305,058,018
Adjustments for:		
Depreciation and amortisation	55,907,251	53,543,016
Loss on disposal of property plant and equipment	537,642	1,217,677
Fair value adjustments	(1,280,241)	(3,529,049)
Finance costs - Finance leases	549,111	1,018,040
Rehabilitation of landfill site	7,880,664	6,681,524
Actuarial gain	902,051	(210,435)
Donations	(4,291,350)	(535,480)
Net interest cost on employee benefit	1,022,000	(27,425)
Provision for leave	837,062	863,053
Long service award	1,131,000	566,860
Impairment loss	17,621,726	1,810,178
Debt impairment	13,367,620	17,950,865
Bad debts written off	3,644,058	12,180,221
Net Current Service cost	1,000,000	-
Inventories consumed	113,335	834,693
Changes in working capital:		
Inventories	(479,400)	(256,716)
Receivables from exchange transactions	(32,152,923)	(26,760,746)
Statutory receivables	928,147	(36,566,693)
Operating lease asset	(1,507)	6,504
Payables from exchange transactions	21,614,115	23,886,915
Statutory receivables -VAT	(8,645,640)	4,581,466
Unspent conditional grants and receipts	(3,364,736)	(3,193,288)
	290,715,888	359,119,198
33. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	207,707,196	202,381,193
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational	12,601,076	19,690,939
Total commitments		
Total commitments		
Authorised capital expenditure	207,707,196	202,381,193
Authorised operational expenditure	12,601,076	19,690,939
	220,308,272	222,072,132

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Figures in Rand	2023	2022
34. Contingencies		
Litigations in the process against the municipality relating to civil claims include the following:		
Grand Valley Estates (Pty) Ltd	-	26,680,000
Sifiso Thela	232,384	232,384
Minister of Water and Sanitation	4,500,000	4,500,000
Khumalo Mantombi Martha obo Khumalo Sabelo Xolane	-	10,000,000
Ntombifuthi Mazibuko	-	3,916,387
	4,732,384	45,328,771

The figures disclosed above are actual amounts as per the court summons and were confirmed to be reasonable by external lawyers.

Grand Valley Estates (Pty) Ltd

The plaintiff submitted a notice to withdraw the legal action against the municipality.

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 Eerstehoek/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 submitted a complete notice of action withdrawal due to unforeseen circumstances, resulting in the elimination of the contingent liability.

Ntombifuthi Mazibuko

The court proceedings resulted in the municipality making a payment to the applicant as per the motion, thereby eliminating the contingent liability.

35. 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 25
Refer to accounting officer's report and note 25
Refer to accounting officer's report and note 26
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36. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Liquidity risk

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

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 and liabilities exposed to credit risk at year end were as follows:

Financial instrument	2023	2022
Cash and cash equivalents	4,083,119	26,249,736
Receivables from exchange transactions	58,625,538	73,521,437
Other receivables from non-exchange transactions	309,717	309,717
Investments	4,948,390	4,602,015
Trade payables	24,616,517	23,402,454

Market 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.

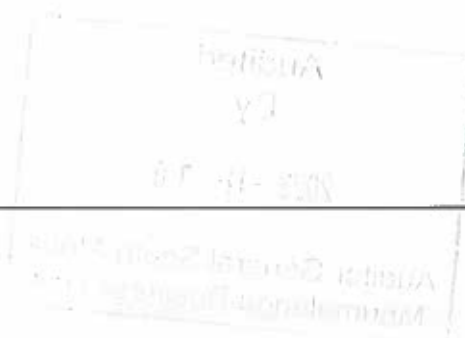
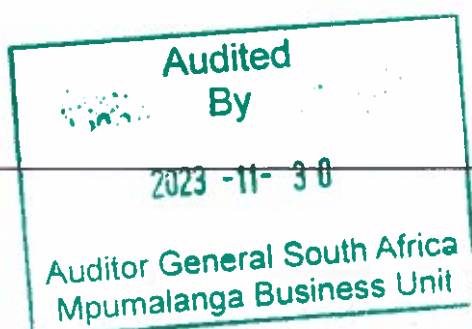
The municipality is exposed to equity securities market risk because of investments held by the municipality and classified on the statement of financial position as at fair value through surplus or deficit.

37. 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.

38. Unauthorised expenditure

Opening balance as previously reported	-	9,859,613
Less: Amount written off	-	(9,859,613)
Closing balance	-	-



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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
39. Fruitless and wasteful expenditure		
Opening balance as previously reported	16,634	122,284
Eskom	10,701	12,951
SARS: Interest plus penalties	76	3,683
Less: Amount written off	(25,486)	(122,284)
Closing balance	1,925	16,634

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

40. Irregular expenditure

Opening balance as previously reported	273,244,582	226,595,071
Add: Irregular expenditure - current	42,672,831	62,838,995
Less: Amount written off - current	(313,424,115)	(16,189,484)
Closing balance	2,493,298	273,244,582

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Chief Albert Luthuli Local Municipality

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40. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

Bid adjudication committee not complying with Regulation 29(2)	290,528	3 987,005
Local content not implemented	-	4 395,082
Government employee	29 500	27 850
Deviations	42,352,803	54 429,058
	42,672,831	62,838,995

All amounts disclosed as irregular expenditure are VAT inclusive.

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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41. Additional disclosure in terms of Municipal Finance Management Act			
Contributions to organised local government			
Current year subscription / fee	122,645	113,156	
Amount paid - current year	(122,645)	(113,156)	
	-	-	
Audit fees			
Opening balance	10,514	-	
Current year subscription / fee	8,755,708	5,940,659	
Amount paid - current year	(8,760,921)	(5,930,145)	
	5,301	10,514	
PAYE and UIF			
Opening balance	8,228	-	
Current year subscription / fee	39,040,535	36,265,615	
Amount paid - current year	(39,048,764)	(36,257,387)	
Unallocated receipt	(93,414)	-	
	(93,415)	8,228	
Pension and Medical Aid Deductions			
Current year subscription / fee	64,737,359	58,849,262	
Amount paid - current year	(64,737,359)	(58,849,262)	
	-	-	
Councillors' arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:			
30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Van der Walt. L	2,448	15,968	18,416
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
42. 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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Annual Financial Statements for the year ended 30 June 2023

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43. Segment information

General 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.

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43. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Planning and Economic Development	Corporate Services	Financial Services	Council General	Community Services	Technical Services	Total
Revenue							
Service charges	-	-	19,740,855	-	7,760,575	33,490,714	60,992,144
Rental income	-	534,971	-	-	-	-	534,971
Interest received - consumers	-	-	36,118,357	-	-	-	36,118,357
License and permits	-	-	18,982	-	-	-	18,982
Other income	379,079	66,459	3,486,989	-	513,537	3,166	4,449,230
Interest received - investment	-	-	9,546,487	-	-	-	9,546,487
Fair value adjustments	-	-	1,280,241	-	-	-	1,280,241
Property rates	-	-	63,126,967	-	-	-	63,126,967
Government grants and subsidies	-	-	759,759,706	-	-	-	759,759,706
Donations	-	-	-	-	4,291,350	-	4,291,350
Fines	-	-	-	-	5,377,250	-	5,377,250
Total segment revenue	379,079	601,430	893,078,584	-	17,942,712	33,493,880	945,495,685
Entity's revenue							945,495,685

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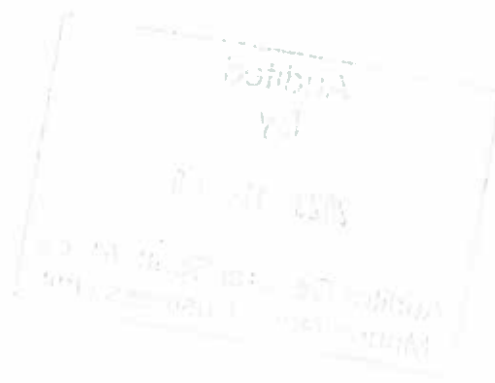
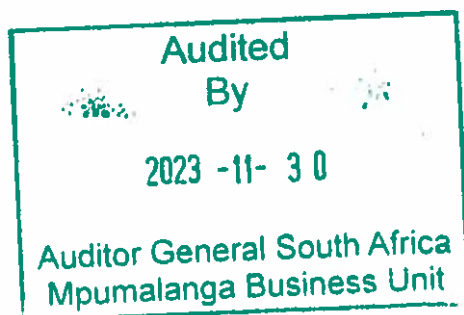
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	Planning and Economic Development	Corporate Services	Financial Services	Council General	Community Services	Technical Services	Total
43. Segment information (continued)							
Expenditure							
Employee related costs	11,478,226	51,096,180	34,389,185	1,953,324	98,175,581	36,907,958	234,000,454
Remuneration of councillors	-	-	-	21,751,896	-	-	21,751,896
Depreciation and amortisation	-	55,907,251	-	-	-	-	55,907,251
Impairment loss	-	-	17,621,726	-	-	-	17,621,726
Finance costs	-	3,013,358	8,252,702	-	-	-	11,266,060
Debt impairment	-	-	13,367,620	-	-	-	13,367,620
Bulk purchases	-	-	-	-	-	98,790,469	98,790,469
Bad debts	-	-	3,644,058	-	-	-	3,644,058
Contracted services	6,004,512	18,048,917	27,104,890	3,543,618	31,618,087	72,981,384	159,301,408
Loss on disposal of assets and liabilities	-	-	-	537,642	-	-	537,642
General expenses	409,808	2,301,898	37,061,374	38,053,892	7,133,778	16,929,141	101,889,891
Grants and subsidies expenditure	-	-	-	-	-	13,541,310	13,541,310
Total segment expenditure	17,892,546	130,367,604	141,441,555	65,840,372	136,927,446	239,150,262	731,619,785
Total segmental surplus/(deficit)	(17,513,467)	(129,766,174)	751,637,029	(65,840,372)	(118,984,734)	(205,656,382)	213,875,900
Assets							
Cash and cash equivalents	-	-	4,083,119	-	-	-	4,083,119
Receivables from exchange transactions	-	-	58,625,538	-	-	-	58,625,538
Statutory receivables	-	-	85,111,533	93,726	-	-	85,205,259
Other receivables from non-exchange	-	-	309,717	-	-	-	309,717
Inventories	-	-	4,975,140	-	-	-	4,975,140
Investments	-	-	4,948,410	-	-	-	4,948,410
Operating lease asset	-	-	45,409	-	-	-	45,409
Investment property	-	-	41,948,000	-	-	-	41,948,000
Property plant and equipment	-	-	2,049,621,814	-	-	235,824,117	2,285,445,931
Total segment assets	-	-	2,249,668,680	93,726	-	235,824,117	2,485,586,523
Total assets as per Statement of financial Position							2,485,586,523



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	Planning and Economic Development	Corporate Services	Financial Services	Council General	Community Services	Technical Services	Total
43. Segment information (continued)							
Liabilities							
Payable from exchange transactions	-	-	168 301 394	-	472 056	-	168 773 450
Finance lease obligation	-	-	1 381 900	-	-	-	1 381 900
Unspent conditional grants	-	-	4 050 000	-	-	-	4 050 000
Employee benefit obligation	-	-	9 364 000	-	-	-	9 364 000
Long service award	-	-	11 397 000	-	-	-	11 397 000
Provisions	-	-	84 733 958	-	-	-	84 733 958
Total segment liabilities	-	-	279,228,252	-	472,056	-	279,700,308
Total liabilities as per Statement of financial Position							279,700,308

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43. Segment information (continued)

2022

	Planning and Economic Development	Corporate Services	Financial Services	Council General	Community Services'	Technical Services	Total
Revenue							
Service charges	-	-	134,184	-	8,061,295	54,928,710	63,124,189
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 - investment	-	-	4,997,453	-	-	-	4,997,453
Fair value adjustments	-	-	3,529,049	-	-	-	3,529,049
Property rates	-	-	75,928,249	-	-	-	75,928,249
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
Total segment revenue	994,943	1,386,674	483,522,912	-	17,724,442	499,668,702	1,003,297,673
Entity's revenue							1,003,297,673

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	Planning and Economic Development	Corporate Services	Financial Services	Council General	Community Services	Technical Services	Total
43. Segment information (continued)							
Expenditure							
Employee related costs	10 754,853	26,958 359	34,450,236	6 321,865	47 440,462	88 475 708	214 401,483
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	-	-	-	-	-	93 325 030	93 325,030
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
Inventories consumed	-	-	-	-	-	821 150	821 150
Total segment expenditure	27,820,966	74,383,016	120,093,145	26,772,262	99,768,445	349,401,821	698,239,655
Total segmental surplus/(deficit)	(26,826,023)	(72,996,342)	363,429,767	(26,772,262)	(82,044,003)	150,266,881	305,058,018
Assets							
Cash and cash equivalents	-	-	26 249,736	-	-	-	26 249 736
Receivables from exchange transactions	-	-	42 336 284	-	-	-	42 336 284
Statutory receivables	-	-	83 936 042	-	-	-	83 936 042
Other receivables from non-exchange transactions	-	-	309,717	-	-	-	309 717
Inventories	-	-	4 495,740	-	-	-	4 495 740
Investments	-	-	4 602 015	-	-	-	4 602 015
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
Total segment assets	114,447,700	6,626,051	250,643,438	-	131,145,329	1,747,766,328	2,250,628,846

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	Planning and Economic Development	Corporate Services	Financial Services	Council General	Community Services	Technical Services	Total
43. Segment information (continued)							
Total assets as per Statement of financial Position							2,250,628,846
Liabilities							
Payables from exchange transactions	-	4,074,861	85,049,098	-	-	57,198,314	146,322,273
Finance lease obligation	-	-	4,300,789	-	-	-	4,300,789
Unspent conditional grants	-	-	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	-	-	-	-	82,049,138	-	82,049,138
Total segment liabilities	-	4,074,861	117,468,622	-	82,049,138	57,198,314	260,790,935
Total liabilities as per Statement of financial Position							260,790,935

Information about geographical areas

The municipality will currently not be able to provide information per geographical area as the cost to develop it will be excessive.

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44. COVID- 19 Expenditure		
Face masks	-	1,431,250
Disposable overalls	-	2,750,000
Disposable gloves	-	118,300
D59 flame suits	-	314,500
FFP2 respirators	-	126,000
Infrared thermometers	-	22,264
	-	4,762,314

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The municipality did not incur any expenditure related to COVID-19 in the current financial year.

45. Subsequent events

Munsoft was appointed as a financial system provider for implementation of a mSCOA compliant financial system after 30 June 2023.

The investigation into irregular expenditure and fruitless and wasteful expenditure was concluded after 30 June 2023.

From the 28th of July 2023, the municipality did not have access to the Inzalo Enterprise Management System due to disputes with the financial system provider.

46. Adjustment Budget

Chief Albert Luthuli Municipality performed an adjustment budget for the financial year 2022/23 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.

47. Budget differences

Material 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 all Chief Albert Luthuli registered accounts. The billing on the accounts were reversed. 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 Chief Albert Luthuli. This has had a material impact on the disposable income of consumers.

Rental of facilities

Poor payment levels which resulted in a decrease in rental income revenue 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.

License and permits

Unanticipated revenue from licence and permits as a result of new building plans or amendments in existing properties. Applications are emanating from the Municipal town planning department in line with the newly implemented SPLUMA.

Other income

Other income included an increased consumption in proof of residence, insurance claim payout and bulding plans and other subsidiary revenue sources which were not anticipated to be received.

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47. Budget differences (continued)

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.

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 Chief Albert Luthuli Local Municipality accounts. 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 water Services Infrastructure Grant and on the Integrated National Electrification Program (INEP)

Donations

Unanticipated receipt of the Fire truck by Sasol and the completion and capitalisation of capital infrastructure completed by the Implementing Agent (GSDM)

Traffic fines

The implementation of a new traffic and management system had a positive impact on enforcement of speedlaw and traffic laws and regulations.

Employee related costs

Original budget did not include other employee related benefits such as car allowance for the funded positions that were appointed in the year. Adjustments had to be made due to a number of post level 3 appointees.

Remuneration of councillors

Budgeted estimated to cover the increase as per the determination of upper limits. Mid year assessment served as a guiding factor to adjust the budget downwards

Impairment loss

Unanticipated reduction in the useful lives of major infrastructure assets due to inadequate repairs and maintenance and impairment of long outstanding capital projects

Finance costs

Increase as a result of 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.

Debt impairment

Expectation of high impairment value due to low collection rate

Bulk purchases

Amount budgeted on the basis of maximum seasonal expenditure incurred. Hence the savings from the original budget.

Contracted services

Cost containment measures applied especially on repairs and maintenance. Other projects performed by internal staff. GSDM also intervened in the maintenance of roads and internal staff were used.

General expenditure

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.

Depreciation and amortisation

An increase is as a result of Assets that were added and capitalised during the year as well as a reduction in the useful lives of major infrastructure assets due to inadequate repairs and maintenance.

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47. Budget differences (continued)

Bad debts written off

No anticipation of write offs hence the adjustment at midyear.

Grants and subsidies expenditure

The expenditure item is as a result of expensed VIP toilets (less than the capilisation value) that are budgeted under Municipal Infrastructure Grant

Capital expenditure

An amount of R4 050 000 remained unspent in relation to the disaster recovery grant.

Cash and cash equivalents

Projected bank balance was based on prior year actual bank balance.

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48. 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

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions		73,521,437	(31,185,153)	-	42,336,284
Statutory receivables		106,698,890	(35,136,813)	-	71,562,077
VAT Receivable		12,662,755	20,927	-	12,683,682
Payables from exchange transactions		135,679,215	(7,000,290)	17,643,350	146,322,275
Provisions		17,643,350	-	(17,643,350)	-
Social responsibility		-	7,307,614	-	7,307,614
Accumulated surplus		(1,964,438,197)	65,993,715	-	(1,898,444,482)
		(1,618,232,550)	-	-	(1,618,232,550)

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		64,131,997	(1,007,808)	-	63,124,189
Property rates		77,882,046	(1,953,797)	-	75,928,249
Bulk purchases		(94,006,668)	(139,511)	821,150	(93,325,029)
Inventories consumed		-	-	(821,150)	(821,150)
Employee related costs		(214,254,597)	(146,886)	-	(214,401,483)
Surplus for the year		(166,247,222)	(3,248,002)	-	(169,495,224)

1. Receivables from exchange transactions

During the review and assessment of management accounts it was noted that management did not account for receivables from exchange transactions in accordance with the requirements of GRAP 104 Financial Instruments.

Service charges were levied against municipal properties and the municipality should not be included as a debtor in its financial statements as it does not expect to receive cash or any other financial asset from another entity. This resulted in receivables from exchange transactions being overstated.

The accounts have been restated to incorporate the impact of the misclassification of municipal accounts as debtors.

Effects of adjustment

Decrease in receivables from exchange transaction	-	(31,185,153)
Decrease in service charges	-	1,007,808
Decrease in accumulated surplus	-	30,177,345
	-	-

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48. Prior-year adjustments (continued)

2. Statutory receivables

During the review and assessment of management accounts it was noted that management did not account for statutory receivables in accordance with the requirements of GRAP 104 Financial Instruments.

Property rates were levied against municipal properties and the municipality should not be included as a debtor in its financial statements as it does not expect to receive cash or any other financial asset from another entity. This resulted in receivables from exchange transactions being overstated.

The accounts have been restated to incorporate the impact of the misclassification of municipal accounts as debtors.

Effect of adjustments

Decrease in statutory receivables	-	(35,136,813)
Decrease in property rates	-	1,953,797
Decrease in accumulated surplus	-	33,183,016
	-	-

3. Bulk Purchases

During the review and assessment of management accounts, it was noted that bulk purchases incurred in the 2021/22 financial year had been incorrectly captured in the 2022/23 financial year. This was due to the late submission and receipt of invoices and statements of accounts from Eskom.

Effects of adjustment

Increase bulk purchases	-	139,511
Increase in VAT	-	20,927
Increase in trade payables	-	(160,438)
	-	-

Water stock consumed was incorrectly classified as bulk purchases.

Effect of adjustment

Decrease in bulk purchases	-	(821,150)
Increase in inventory consumed	-	821,150
	-	-

4. Provisions

During the review and assessment of management accounts, it was noted that the leave provision was disclosed incorrectly. Leave is an employee benefit and employee benefits are excluded from the scope of GRAP 19, therefore it should not be disclosed as a provision.

Effect of adjustment

Decrease in provisions	-	17,643,350
Increase in payables from exchange transactions	-	(17,643,350)
	-	-

5. Employee related costs

During the review and assessment of management accounts, it was noted that employee related cost expenditure incurred in the 2021/22 financial year had been incorrectly captured in the 2022/23 financial year.

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48. Prior-year adjustments (continued)		
Effect of adjustment		
Increase overtime	-	2,700
Increase in standby allowances	-	6,882
Increase in performance bonus	-	766,414
Increase in payroll provision	-	(775,996)
	-	-

During the review and assessment of management accounts, it was noted that employee related cost expenditure incurred in the 2020/21 financial year had been incorrectly captured in the 2021/22 financial year.

Effect of adjustment		
Increase in accumulated surplus	-	(629,110)
Decrease in payroll provision	-	629,110
	-	-

6. Payables from exchange transactions

Reclassification of 1% Social responsibility incorrectly classified as a liability.

Effect of adjustment		
Decrease in payables from exchange transactions	-	7,307,614
Increase in social responsibility	-	(7,307,614)
	-	-

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