



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

Msukaligwa Local Municipality

(Registration number MP302)
Annual Financial Statements for the year ended 30 June 2022

General Information

Legal form of entity	Local Municipality
Mayoral committee	
Executive Mayor	Cllr. M.P. Nkosi
Speaker	Cllr. N.S Xaba
Chief Whip	
MMC - Corporate Services	Cllr. T.J Madlala
MMC - Technical Services	Cllr. T.C Motha
MMC - Community and Social Services	Cllr. S.E Ngovene
MMC - Finance	Cllr. E.C Msezane
MMC - Planning Economic Development	Cllr. B.G Motha
Councillors	Cllr. D.V.F Arnoldi
	Cllr. J.D.A Bignaut
	Cllr. Z Breydenbach
	Cllr. S.S.S Buthelezi
	Cllr. S.S Cindi
	Cllr. A.M Estate
	Cllr. S.P Khalishwa
	Cllr. L.N.V Kubheka
	Cllr. B.I Mabuza
	Cllr. S.M Mabuza
	Cllr. V.C.N Madini
	Cllr. T.J Maduna
	Cllr. B.A Mahalela
	Cllr. M.S Malaza
	Cllr. V.J Maseko
	Cllr. S.C Mathebula
	Cllr. M.M Mkhaliphi
	Cllr. B.L Ndrazi
	Cllr. M.F.J Ndlovu
	Cllr. S.F Ngwenya
	Cllr. L.L Nhlapo
	Cllr. B.J Nkosi
	Cllr. M.Z Nkosi
	Cllr. N.R Nkosi
	Cllr. T Nkosi
	Cllr. M.A Nzimande
	Cllr. R.T Nzimande
	Cllr. J.J Scholtz
	Cllr. P.T Sibeko
	Cllr. P.H Sibiyi
	Cllr. M.R Yende
	Cllr. T.P Zulu
	Cllr. Z.E Zulu
Out-going council following the local government elections	
Executive Mayor	Cllr. B.J. Mkhaliphi
Speaker	Cllr. M.P. Nkosi
Chief Whip	Cllr. P.E. Mashiane
MMC - Corporate Services	Cllr. J.A. Bal
MMC - Technical Services	Cllr. E.C. Msezane
MMC - Community and Social Services	Cllr. T.A. Mnisi
MMC - Finance	Cllr. B.J. Mkhaliphi
MMC - Planning Economic Development	Cllr. J.S. Bongwe

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General Information

Councillors

Cllr. T.C. Motha
Cllr. Z. Breydenbach
Cllr. G.S. Greyling
Cllr. B.I. Jiyane
Cllr. F.J. Mabasa
Cllr. B.I. Mabuza
Cllr. M.E. Madonsela
Cllr. L.S. Mahlangu
Cllr. L.A. Maseko
Cllr. M.Z.M. Mashiane
Cllr. P.E. Mashiane
Cllr. V.V. Mazibuko
Cllr. L.D. Mdebele
Cllr. T.J. Madlala
Cllr. P.F. Moloyi
Cllr. B.N.N. Ndlovu
Cllr. D.M. Nkambule
Cllr. T. Nkosi
Cllr. Z.J. Nkosi
Cllr. J.J. Nzimande
Cllr. P.T. Sibeko
Cllr. B.J.M. Sithole
Cllr. H.F. Swart
Cllr. D.J. Lita
Cllr. M.R. Yende
Cllr. Z.K. Dhludhlu
Cllr. J.D.A. Blignaut
Cllr. M.J. Blose
Cllr. L.N.V. Kubheka
Cllr. D. Mabunda
Cllr. N.H. Magagula
Cllr. M. Sibeko

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Grading of local authority	4
Accounting Officer	Mr. M. Kunene - Appointed 12 August 2022
Acting Accounting Officer	Mr. C.J. Lisa - Appointed 28 February 2022 Mr. B.C. Sibeko - Appointed 26 November 2021 Mr. S.I. Malaza - Appointed 26 February 2021
Chief Finance Officer (CFO)	Vacant
Acting Chief Finance Officer (ACFO)	Mr. S.M. Phiri
Registered office	Civic Centre C/o Kerk and Taute Street Ermelo 2350
Business address	Civic Centre C/o Kerk and Taute Street Ermelo 2350
Postal address	PO Box 48 Ermelo 2350
Bankers	First National Bank Limited Standard Bank Limited
Auditors	Auditor-General of South Africa Registered Auditors
Attorneys	TMN Kgomo & Associates Mhlongo Khumalo Attorney Gildenhuys Malaġi Attorneys Mohlala Attorneys Setlafala Attorneys Julie Mahommed Attorneys Marivate Attorneys L Guzana Inc Madonsela Mthunzi Inc Sibeko Attorneys Bekker, Brink and Brink Attorneys
Rounding	All amounts have been rounded to the nearest R1
Website	www.msukaligwa.gov.za
Contact number	Tel: 017 8611 Msuka (086 116 7852) Fax: 017 801 3851

Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

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Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Abbreviations

ACFO	Acting Chief Financial Officer
AGSA	Auditor-General of South Africa
CFO	Chief Financial Officer
COID	Compensation for Occupational Injuries and Diseases
COVID 19	Corona Virus 2019
DCSSL	Department of Community Safety, Security And Liaison
GRAP	Generally Recognised Accounting Practice
GSDM	Gert Sibande District Municipality
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
LG SETA	Local Government Sectoral and Training Authority
MMC	Member of the Mayoral Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
MSA	Municipal Systems Act
mSCOA	Municipal Standard Chart of Accounts
PPP	Public Private Partnership
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund

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Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

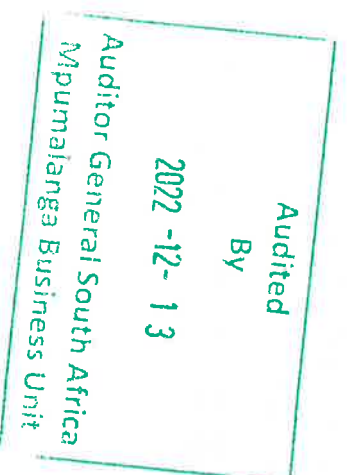
The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The annual financial statements set out on page 10 - 125, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed.

Mr. M. Kunene
Municipal Manager

Ermelo
31 August 2022



Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Audit Committee Report

1. Audit committee members and attendance

The Audit committee consists of the members listed hereunder and should meet four times a year, as per its approved terms of reference. During the current year 07 meetings were held.

Outgoing Audit & Performance Committee:

Name of member	Number of meetings attended
N. Marobane	1
B.P. Mosomane	1
F. Mudau	1

In coming Audit Committee:

Name of member	Number of meetings attended
F. Mudau	6
P.B. Mosomane	5
N. Maseko	6
P. Mangoma	5
M. Mmapheto	6

2. Audit committee responsibility

The Audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The Audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

3. The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV report on Corporate Governance requirements, Internal audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal auditors, the Audit report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviation therefrom. Accordingly, we can report that the system of internal controls over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The Audit committee is satisfied with the content and quality of monthly and quarterly report prepared and issued by the Accounting Officer of the municipality during the year under review.

4. Internal audit

The Audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

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Msukaliqwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Report

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

1. Review of activities

Operations

Net surplus of the municipality was R49,331,085 (2021: deficit R62,682,957).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Provincial Executive of the Mpumalanga Provincial Government intervened in the municipality in terms of section 139(1)(b) of the Constitution and Section 139(5) of the Constitution read with Section 139 of the Municipal Finance Management Act (MFMA) (Act No. 56 of 2003).

As part of the intervention by the Provincial Executive, the Municipal Financial Recovery Services unit within the Provincial Treasury has been requested to assist with the development of a financial recovery plan for Msukaliqwa Local Municipality. The financial recovery plan was developed, approved and implemented in the current financial year under review and has been monitored on a monthly basis.

The primary responsibility to avoid, identify and resolve financial problems rests with the Msukaliqwa Council and the Plan must be monitored by Council, the Executive Mayor and the Municipal Manager to ensure successful implementation, and places significant implementation responsibility on the Municipal Manager, Chief Financial Officer and other senior managers.

The Municipality should move away from short term and reactionary planning to a long term stable and sustainable framework, hence the Municipality must prioritise the development of a long term spatial and financial plan that is realistic and achievable and based on sound socio-economic analysis. The financial indicators issued in MFMA Circular 71 should also be used as a basis for such a long-term financial plan.

3. Subsequent events

The post of Municipal Manager was filled on 12 August 2022.

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

4. Accounting Officer's interest in contracts

The accounting officer does not have any direct or indirect interest's in contracts.

5. Accounting policies

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

6. Accounting Officer

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

Name	Changes
Mr. M. Kunene	Appointed 12 August 2022
Mr. C.J. Lisa	Appointed February 2022 - August 2022
Mr. B.C. Sibeko	Appointed November 2021 - January 2022
Mr. S.I. Malaza	Appointed February 2021 - November 2022

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A.P

Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Accounting Office's Report

7. Corporate governance

General

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

The municipality confirms and acknowledges its responsibilities in lieu of the MFMA, MSA and related Regulations as issued from time to time by National Treasury. We further note responsibilities with regards to the requirements of King IV. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the entity's compliance with the code on a three monthly basis.

The salient features of the entity's adoption of the Code is outlined below:

Audit and risk committee

In the year under review, the Audit committee was established, and the Audit Committee members appointed, as well as the Chairperson of the Risk Committee are as follows:

Audit Committee members:

Position	Name	Date appointed
Chairperson Members:	Ms F. Mudau	02 August 2021
	Ms P.B. Mosomane	02 August 2021
	Ms. N Maseko	02 August 2021
	Ms P. Mangoma	02 August 2021
	Mr M. Mmapheto	02 August 2021

Risk Committee member:

Position	Name	Date appointed
Chairperson	L. Gafane	02 August 2021

In terms of Section 166 of the Municipal Finance Management Act, (Act 56 of 2003), the municipality, must appoint members of the Audit Committee. Notwithstanding that councillors appointed by the parent municipality constituted the municipal Audit Committees, National Treasury policy requires that municipalities should appoint further members of the entity's audit committees who are not councillors of the municipality onto the audit committee.

Internal audit

The municipality has a fully functional Internal Audit Unit. This is in compliance with the Municipal Finance Management Act, 2003.

The Internal Audit Function must apply to IIA Standards during the course of implementation of their work. Reports are submitted quarterly to the ARC for consideration and approval.

8. Bankers

The bankers of the municipality are First National Bank Limited which is used for ²⁰²² daily operations as well as investing of grant funding.

9. Auditors

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

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Accounting Office's Report

10. Public Private Partnership

In accordance with the PPP agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commencement.

The municipality has no PPP agreements.

The annual financial statements set out from page 10 - 125, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022.

Mr. M. Kunene
Municipal Manager

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Mpumalanga Business Unit

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Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	7	13,003,712	26,063,539
Receivables from exchange transactions	8&10	146,660,286	125,349,964
Receivables from non-exchange transactions	9&10	59,810,828	41,729,516
VAT receivable	11	115,462,266	97,371,801
Cash and cash equivalents	12	9,661,538	7,833,380
		344,598,630	298,348,200
Non-Current Assets			
Investment property	3	180,113,008	114,321,362
Property, plant and equipment	4	2,537,476,313	2,380,992,260
Intangible assets	5	61,916	108,045
Heritage assets	6	174,895	192,195
		2,717,826,132	2,495,613,862
		3,062,424,762	2,793,962,062
Total Assets			
Liabilities			
Current Liabilities			
Finance lease obligation	13	1,179,875	1,337,562
Payables from exchange transactions	14	1,574,804,067	1,364,686,687
Consumer deposits	15	19,243,836	18,566,235
Employee benefit obligation	16	5,605,000	3,504,000
Unspent conditional grants and receipts	17	1,337,635	1,740,904
		1,602,170,413	1,389,835,388
Non-Current Liabilities			
Finance lease obligation	13	-	1,179,875
Employee benefit obligation	16	68,197,000	68,723,000
Provision	18	81,932,532	73,430,066
		150,129,532	143,332,941
Total Liabilities		1,752,299,945	1,533,168,329
Net Assets		1,310,124,817	1,260,793,733
Accumulated surplus		1,310,124,817	1,260,793,733
Total Net Assets		1,310,124,817	1,260,793,733

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* See Note 55

Msukaligwa Local Municipality

(Registration number MP302)
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Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	389,925,396	375,616,655
Rental of facilities and equipment	20	2,721,920	2,501,084
Agency services	21	8,000,655	9,276,278
Other income	21	13,956,891	12,183,998
Interest earned	22	30,806,311	42,394,724
Total revenue from exchange transactions		445,411,173	441,972,739
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	183,825,668	127,003,868
Transfer revenue			
Government grants & subsidies	24	511,096,117	386,175,885
Fines	25	4,770,692	5,970,890
Donations received	26	-	11,480,722
Total revenue from non-exchange transactions		699,692,477	530,631,365
Total revenue		1,145,103,650	972,604,104
Expenditure			
Employee related costs	27	(254,072,082)	(249,247,402)
Remuneration of councillors	28	(15,489,401)	(16,058,210)
Repairs and Maintenance	29	(29,442,494)	(26,475,010)
Depreciation and amortisation	30	(137,641,766)	(126,751,398)
Impairment loss	31	(4,090,039)	(11,140,490)
Finance costs	32	(87,000,055)	(103,395,453)
Debt Impairment	33	(121,120,243)	(49,874,512)
Bulk purchases	34	(391,565,584)	(335,609,104)
Contracted services	35	(45,202,243)	(53,062,515)
Losses on disposal of assets	36	(17,650,037)	(8,336,492)
General Expenses	37	(48,726,711)	(51,103,164)
Total expenditure		(1,152,000,655)	(1,031,053,750)
Operating deficit		(6,897,005)	(58,449,646)
Fair value adjustments	38	66,567,036	-
Actuarial gain	16	By 5,856,510	(4,104,602)
Inventories (losses)/gains		(16,195,456)	(128,709)
Surplus (deficit) for the year		2022 -12- 56,228,090	(4,233,311)
		49,331,085	(62,682,957)

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 2022 -12- 56,228,090
 49,331,085

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* See Note 55

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Restated Opening Balance	1,247,795,672	1,247,795,672
Adjustments		
Prior year adjustments	75,681,018	75,681,018
Balance at 01 July 2020 as restated*	1,323,476,690	1,323,476,690
Changes in net assets	(62,682,957)	(62,682,957)
Surplus/(Deficit) for the year	(62,682,957)	(62,682,957)
Total changes		
Opening balance as previously reported	1,183,380,901	1,183,380,901
Adjustments		
Prior year adjustments	77,412,831	77,412,831
Restated* Balance at 01 July 2021 as restated*	1,260,793,732	1,260,793,732
Changes in net assets	49,331,085	49,331,085
Surplus / (Deficit) for the year	49,331,085	49,331,085
Total changes		
Balance at 30 June 2022	1,310,124,817	1,310,124,817

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* See Note 55

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Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Property rates and Traffic fines		132,423,893	117,895,331
Services		322,561,210	332,748,030
Grants		510,692,848	371,092,450
Interest income		1,097,687	948,898
		<u>966,775,638</u>	<u>822,684,709</u>
Payments			
Employee costs		(263,188,268)	(265,612,536)
Suppliers		(387,164,110)	(401,598,565)
		<u>(650,352,378)</u>	<u>(667,211,121)</u>
Net cash flows from operating activities	39	<u>316,423,260</u>	<u>155,473,588</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(314,401,366)	(170,457,852)
Proceeds from sale of investment property	3	1,143,826	2,391,626
Purchase of other intangible assets	5	-	(108,045)
Net cash flows from investing activities		<u>(313,257,540)</u>	<u>(168,174,271)</u>
Cash flows from financing activities			
Finance lease payments		(1,337,562)	(1,462,908)
Net increase/(decrease) in cash and cash equivalents		<u>1,828,158</u>	<u>(14,163,591)</u>
Cash and cash equivalents at the beginning of the year		7,833,380	21,996,971
Cash and cash equivalents at the end of the year	12	<u>9,661,538</u>	<u>7,833,380</u>

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* See Note 55

Msukaligwa 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						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	441,196,899	(45,641,477)	395,555,422	389,925,396	(5,630,026)	
Rental of facilities and equipment	2,687,998	(31,278)	2,656,720	2,721,920	65,200	
Agency services	9,000,000	(400,000)	8,600,000	8,000,655	(599,345)	
Other income	5,141,864	2,506,678	7,648,542	13,956,891	6,308,349	52 1.01
Interest received	42,284,605	(14,404,331)	27,880,274	30,806,311	2,926,037	52 1.02
Gains on disposal of assets	-	953,000	953,000	-	(953,000)	52 1.03
Total revenue from exchange transactions	500,311,366	(57,017,408)	443,293,958	445,411,173	2,117,215	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	191,336,759	(8,213,309)	183,123,450	183,825,668	702,218	
Licences and Permits	1,553,000	1,007,000	2,560,000	-	(2,560,000)	52 1.04
Transfer revenue						
Government grants & subsidies	406,795,571	430,000	407,225,571	511,096,117	103,870,546	52 1.05
Fines, Penalties and Forfeits	5,239,000	(2,000)	5,237,000	4,770,801	(466,199)	
Total revenue from non-exchange transactions	604,924,330	(6,778,309)	598,146,021	699,692,586	101,546,565	
Total revenue	1,105,235,696	(63,795,717)	1,041,439,979	1,145,103,759	103,663,780	
Expenditure						
Employee related costs	(271,208,849)	(11,681,903)	(282,890,752)	(254,072,082)	28,818,670	52 1.06
Remuneration of councillors	(17,648,000)	-	(17,648,000)	(15,489,401)	2,158,599	52 1.07
Depreciation and amortisation	(139,145,623)	(1,469,918)	(140,615,541)	(137,641,766)	2,973,775	
Expenses from service concession arrangements	-	-	-	(4,090,039)	(4,090,039)	
Finance costs	-	(29,000,000)	(29,000,000)	(87,000,055)	(58,000,055)	52 1.09
Debt Impairment	(152,853,000)	72,651,000	(80,202,000)	(121,120,243)	(40,918,243)	52 1.10
Bulk purchases	(340,293,572)	131,504,572	(208,789,000)	(391,565,584)	(182,776,584)	52 1.11
Contracted Services	(79,214,706)	12,629,706	(66,585,000)	(45,202,243)	21,382,757	52 1.12
Cost of housing sold	-	-	-	(17,650,037)	(17,650,037)	
General Expenses	(143,146,416)	(30,005,584)	(173,152,000)	(78,169,205)	94,982,795	52 1.13
Total expenditure	(1,143,510,166)	144,627,873	(998,882,293)	(1,152,000,655)	(153,118,362)	
Operating deficit	(38,274,470)	80,832,156	42,557,686	(6,896,896)	149,454,582	
Fair value adjustments	-	-	-	66,567,036	66,567,036	52 1.15
Actuarial gains/losses	-	-	-	5,856,510	5,856,510	52 1.16
Inventories losses	-	-	-	-	-	52 1.17
Surplus / (Deficit)	(38,274,470)	80,832,156	42,557,686	49,331,194	6,773,508	

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Msukaligwa Local Municipality

(Registration number MP302)
Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

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

Statement of Financial Position

Assets

Current Assets

Inventories	17,217,000	8,846,205	26,063,205	13,003,712	(13,059,493)	52 1.18
Receivables from non-exchange transactions	174,158,000	67,080,495	241,238,495	59,810,828	(181,427,667)	52 1.19
Consumer debtors	303,933,000	(171,081,666)	132,851,334	146,660,286	13,808,952	52 1.19
VAT receivable	-	-	-	115,462,266	115,462,266	52 1.20
Call investment deposits	68,735,000	(65,858,073)	2,876,927	5,593,397	2,716,470	52 1.21
Cash and cash equivalents	(46,102,522)	47,216,959	1,114,437	4,068,140	2,953,703	52 1.21
	517,940,478	(113,796,080)	404,144,398	344,598,629	(59,545,769)	

Non-Current Assets

Investment property	117,019,000	(2,697,451)	114,321,549	180,113,008	65,791,459	52 1.22
Property, plant and equipment	2,591,540,000	8,818,178	2,600,358,178	2,537,476,313	(62,881,865)	
Loss on disposal of assets	192,000	-	192,000	236,811	44,811	
	2,708,751,000	6,120,727	2,714,871,727	2,717,826,132	2,954,405	
	3,226,691,478	(107,675,353)	3,119,016,125	3,062,424,761	(56,591,364)	

Liabilities

Current Liabilities

Finance lease obligation	-	-	-	1,179,875	1,179,875	52 1.23
Payables from exchange transactions	977,995,000	616,076,822	1,594,071,822	1,574,804,069	(19,267,753)	52 1.24
Consumer deposits	17,434,000	(13,923,000)	3,511,000	19,243,836	15,732,836	52 1.25
Unspent conditional grants and receipts	-	-	-	1,337,635	1,337,635	52 1.26
Provisions	20,176,000	929,377	21,105,377	5,605,000	(15,500,377)	52 1.27
	1,015,605,000	603,083,199	1,618,688,199	1,602,170,415	(16,517,784)	

Non-Current Liabilities

Finance lease obligation	1,279,000	1,238,088	2,517,088	-	(2,517,088)	52 1.23
Provision	59,519,000	17,415,445	76,934,445	150,129,532	73,195,087	52 1.27
	60,798,000	18,653,533	79,451,533	150,129,532	70,677,999	
	1,076,403,000	621,736,732	1,698,139,732	1,752,299,947	54,160,215	
	2,150,288,478	(729,412,085)	1,420,876,393	1,310,124,814	(110,751,579)	

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus

	2,150,288,478	(729,412,085)	1,420,876,393	1,310,124,814	(110,751,579)	
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Muskaligwa Local Municipality

(Registration number MP302)
Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis								
		Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference	
Figures in Rand								
Cash Flow Statement								
Cash flows from operating activities								
Receipts								
Property rates	146,438,741	(14,408,941)	132,029,800	132,423,893	394,093	52 1.28		
Services	408,773,106	9,357,058	418,130,164	322,561,210	(95,568,954)	52 1.28		
Grants	406,145,999	(2,202,023)	403,943,976	510,692,848	106,748,872	52 1.28		
Interest income	300,000	-	300,000	1,097,687	797,687	52 1.28		
Other receipts	124,940,154	(107,253,724)	17,686,430	-	(17,686,430)	52 1.28		
	1,086,598,000	(114,507,630)	972,090,370	966,775,638	(5,314,732)			
Payments								
Suppliers and Employee costs	(839,813,276)	133,952,023	(705,861,253)	(652,655,582)	53,205,671	52 1.28		
Finance costs	-	(29,900,000)	(29,900,000)	-	29,900,000	52 1.28		
	(839,813,276)	104,052,023	(735,761,253)	(652,655,582)	83,105,671			
Net cash flows from operating activities	246,784,724	(10,455,607)	236,329,117	314,120,056	77,790,939			
Cash flows from investing activities								
Purchase of property, plant and equipment	(243,924,223)	1,256,224	(242,667,999)	(311,775,856)	(69,107,857)	52 1.29		
Proceeds from sale of property, plant and equipment	-	952,565	952,565	775,390	(177,175)	52 1.29		
Purchase of other intangible assets	-	-	-	46,129	46,129	52 1.29		
Net cash flows from investing activities	(243,924,223)	2,208,789	(241,715,434)	(310,954,337)	(69,238,903)			
Cash flows from financing activities								
Increase (decrease) in consumer deposits	(3,511,337)	3,511,337	-	-	-	-		
Finance lease payments	-	-	-	(1,337,562)	(1,337,562)			
Increase (decrease) in consumer deposits	500,000	-	500,000	500,000	(500,000)			
Net cash flows from financing activities	(3,511,337)	3,511,337	-	(1,337,562)	(1,337,562)			
Net increase/(decrease) in cash and cash equivalents	(650,836)	(4,735,481)	(5,386,317)	204,828,157	7,214,474			
Cash and cash equivalents at the beginning of the year	70,000,977	(62,139,556)	7,861,421	67,833,865	28,041			
Cash and cash equivalents at the end of the year	69,350,141	(66,875,037)	2,475,104	9,661,537	7,186,433			

For reasons, please refer to note 52. Explanations are generally not given for variances under 10%, or where the value of the balance is under R1 million. The variance on accumulated surplus is the result of all other variances, therefore this is not discussed.

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Msukaliywa Local Municipality

(Registration number MP302)
Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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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.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables and/or loans and receivables

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

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

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Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of waste and water network and other assets

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

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors 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.

Other

All assets and liabilities have been grossed up (i.e. not offset against each other), except where offsetting is required or permitted by a Standard of GRAP or where offsetting reflects the substance of the transaction or event.

1.4 Investment property

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

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

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

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Investment property (continued)

Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

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

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

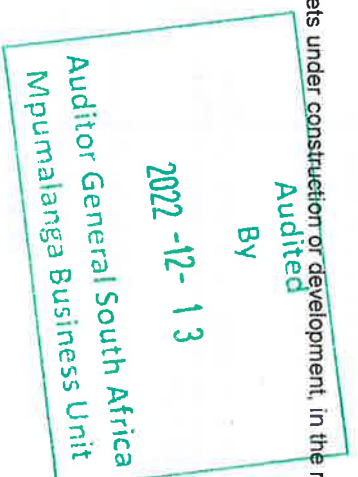
Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

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

The nature OR type of properties classified as held for strategic purposes are as follows:

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

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



Msukaligwa Local Municipality

(Registration number MP302)
Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	25 - 50 Years
Land - Landfill	Straight-line	Per expert report
Plant and machinery	Straight-line	4 - 15 Years
Furniture and fixtures	Straight-line	4 - 15 Years
Motor vehicles	Straight-line	5 - 15 Years
IT equipment	Straight-line	2 - 5 Years
Infrastructure - Mechanical equipment	Straight-line	10 - 20 Years
Civil structures	Straight-line	15 - 50 Years
Electricity - Distribution cables	Straight-line	40 - 50 Years
Electricity - Equipment	Straight-line	15 - 45 Years
Electricity - Public lighting	Straight-line	30 - 40 years
External facilities	Straight-line	7 - 30 Years
Roads - Bridges	Straight-line	30 - 80 Years
Roads - Furniture	Straight-line	8 - 80 Years
Roads - S structure	Straight-line	10 - 50 Years
Roads - Traffic Management	Straight-line	10 - 15 Years
Sewerage - Pipe line	Straight-line	40 - 50 Years
Sewerage - Pump station	Straight-line	10 - 55 Years
Sports and playground	Straight-line	10 - 40 Years
Stormwater - Drainage construction	Straight-line	50 - 70 Years
Stormwater - Drainage unlined	Straight-line	10 - 15 Years
Water - Dams and reservoirs	Straight-line	50 - 80 Years
Water - Other	Straight-line	15 - 20 Years
Water - Pipes and grid	Straight-line	50 - 90 Years
Water - Pumps and tanks	Straight-line	15 - 20 Years
Intangible assets - Computer software	Straight-line	3 - 5 Years
Library books	Straight-line	5-10 Years

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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.

Items of Property, Plant and Equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

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Accounting Policies

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- (a) changes in the liability after the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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Mpumalanga Province
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1.7 Intangible assets (continued)

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 Years

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

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1.8 Heritage assets (continued)

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

1.9 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or

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1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;

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1.9 Financial instruments (continued)

- Financial instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Trade receivables from exchange transactions	Financial asset measured at amortised cost
Trade receivables from non exchange transactions	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Vat Payable	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Employee benefit provisions	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 entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.



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1.9 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

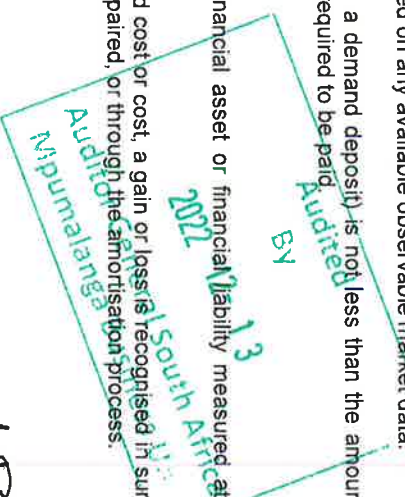
The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

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

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



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1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

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.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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Municipal Manager South Africa
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1.9 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax (where applicable) relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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.

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

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Accounting Policies

1.10 Statutory receivables (continued)

Subsequent measurement

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

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

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

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

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

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

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

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

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

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1.10 Statutory receivables (continued)

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.

1.11 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 Inventories

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

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1.12 Inventories (continued)

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

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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Business

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1.13 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

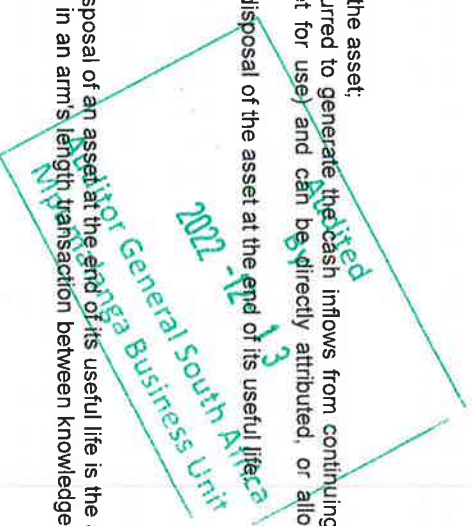
Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

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.



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1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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 ^{for its} estimation of the recoverable amount of the cash-generating unit.

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1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).
Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

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

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

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

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

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

Useful life is either:

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

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

[Specify judgements made]

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 Employee benefits

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

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

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
 - the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.
- Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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Accounting Policies

1.15 Employee benefits (continued)

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

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Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The municipality provides post-retirement medical aid benefits on retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense or income unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

The expense or income shall include the following:

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Where contributions to a defined contribution plan do not fall due wholly within twelve months ^{By} 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~~ ^{value of money} is consistent with the currency and estimated term of the obligation.

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1.15 Employee benefits (continued)

Defined benefit plans

Defined benefit plans are benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

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1.15 Employee benefits (continued)

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

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1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

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1.16 Provisions and contingencies (continued)

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

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

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

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

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

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

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

Decommissioning, restoration and similar liability

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

- 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 1.13 and 1.14.

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

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

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1.16 Provisions and contingencies (continued)

Levies

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

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

Government refers to government, government agencies and similar bodies whether local, national or international.

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

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

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

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

1.17 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, contracts should relate to something other than the business of the municipality.

1.18 Revenue from exchange transactions

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

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

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

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1.18 Revenue from exchange transactions (continued)

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 services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

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

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

1.19 Revenue from non-exchange transactions

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

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

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

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Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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.

Transfers

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

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

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

Fines

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

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

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

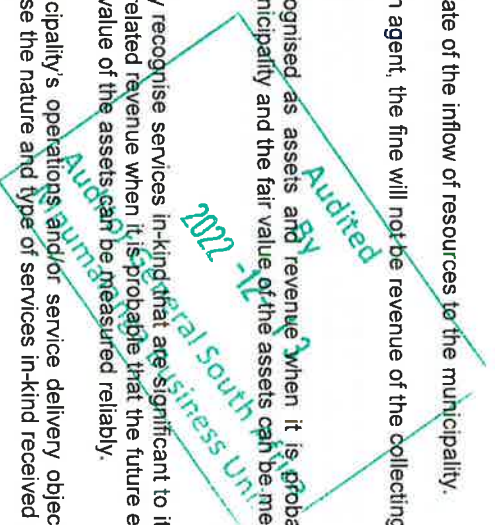
Gifts and donations, including goods in-kind

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

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.



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1.20 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

1.21 Investment income

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

1.22 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.

1.23 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

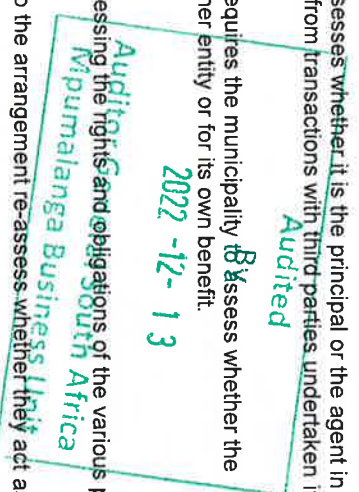
When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.



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Accounting Policies

1.23 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

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

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

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

1.24 Comparative figures

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

1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.26 Fruitless and wasteful expenditure

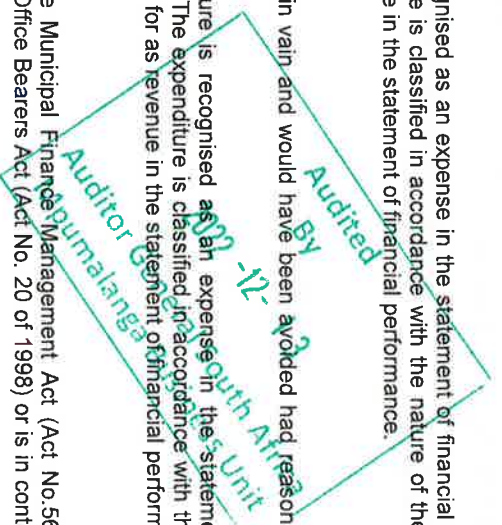
Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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.

1.27 Irregular expenditure

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

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



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Accounting Policies

1.28 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met. Refer to note 57.

1.29 Budget information

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

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

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

The approved budget covers the fiscal period from 01/07/2021 to 30/06/2022.

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.

1.30 Related parties

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.31 Events after reporting date

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

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

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

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

1.32 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Agricultural activity is the management by an municipality of the biological transformation and harvest of biological assets for:

- (a) sale;
 - (b) distribution at no charge or for a nominal charge; or
 - (c) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.
- A bearer plant is a living plant that:
- (a) is used in the production or supply of agricultural produce;
 - (b) is expected to bear produce for more than one period; and
 - (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or development and, where applicable, the amount attributed to the asset when initially recognised in accordance with the specific requirements of other Standards of GRAP

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

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

The residual value of an asset is the estimated amount that an municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

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Accounting Policies

1.32 Living and non-living resources (continued)

Useful life is the period over which an asset is expected to be available for use by an municipality, or the number of production or similar units expected to be obtained from the asset by an municipality.

1.33 Value added tax

The municipality is registered with the SARS for VAT on the payment basis, in accordance with the Section 15(2)(a) of the Value Added Tax Act no 89 of 1991.

1.34 Operating expenses

The definition of expenses encompasses expenses that arise from the ordinary activities of the entity.

Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for.

The point at which an expense is recognised is dependent on the nature of the transaction ~~and~~ ⁱⁿ that gives rise to the expense.

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Notes to the Annual Financial Statements

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

No new standards or interpretations were adopted in the current year. Directive 14 Application of Standards of GRAP by Public Entities became effective, but is not applicable to the municipality.

2.2 Standards and interpretations issued, but not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• IGRAP 21 The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• IGRAP 7 (Revised) Limit on a Defined Benefit Asset Min Fund Requirement and Interact	01 April 2023	Unlikely there will be a material impact
• GRAP 25 (Revised) Employee Benefits	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (Revised) Financial Instruments	01 April 2025	Unlikely there will be a material impact, however this is still being assessed

The ASB indicates that the Guideline on The Application of Materiality to Financial Statements is not authoritative, but application is recommended; this is being reviewed to determine the impact on the financial statements and if these would be desirable.

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Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	180,113,008	-	180,113,008	114,321,362	-	114,321,362

Reconciliation of investment property - 2022

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	114,321,362	(775,390)	66,567,036	180,113,008

Reconciliation of investment property - 2021

	Opening balance	Disposals	Total
Investment property	116,712,988	(2,391,626)	114,321,362

Investment Property

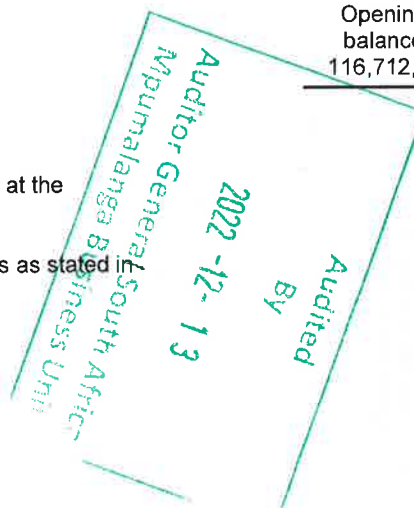
The Municipality is recognising Investment Property using the Fair Value model (reflecting market conditions at the reporting date).

During the financial year the Municipality adjusted the fair values of its investment properties using the values as stated in the new 2021/2022 Municipal Valuation Roll, as determined by an independent professional valuer.

The outcome of the fair value adjustment is indicated below:

2022

2021



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3. Investment property (continued)

Fair Value Adjustment: Gains

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



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Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	135,285,137	-	135,285,137	135,454,642	-	135,454,642
Plant and machinery	5,810,303	(3,024,334)	2,785,969	5,346,233	(2,449,938)	2,896,295
Furniture, fixtures and Office equipment	12,548,092	(9,456,983)	3,091,109	13,330,034	(9,260,874)	4,069,160
Motor vehicles	55,972,536	(14,189,794)	41,782,742	54,073,212	(11,691,034)	42,382,178
IT equipment	7,321,288	(4,393,417)	2,927,871	7,337,256	(4,213,249)	3,124,007
Community	502,175,410	(301,607,887)	200,567,523	524,938,918	(302,460,040)	222,478,878
Library books	10,295,562	(3,711,428)	6,584,134	10,165,237	(2,692,742)	7,472,495
Electrical	705,929,184	(389,089,549)	316,839,635	692,155,219	(378,155,998)	313,999,221
Roads	1,571,753,674	(1,017,359,530)	554,394,144	1,554,734,173	(967,836,281)	586,897,892
Lease assets	4,006,550	(2,894,229)	1,112,321	4,006,550	(1,558,713)	2,447,837
Sanitation	822,873,420	(345,048,301)	477,825,119	785,540,073	(327,411,944)	458,128,129
Water supply	1,370,421,511	(581,963,929)	788,457,582	1,165,068,997	(570,061,590)	595,007,407
Solid waste	28,141,918	(22,318,891)	5,823,027	26,357,511	(19,723,392)	6,634,119
Total	5,232,534,585	(2,695,058,272)	2,537,476,313	4,978,508,055	(2,597,515,795)	2,380,992,260

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	WIP	Disposals	Depreciation	Impairment loss	Total
Land	135,454,642	-	-	(169,505)	-	-	135,285,137
Plant and machinery	2,896,295	908,867	-	(201,482)	(809,594)	(8,117)	2,785,969
Furniture, fixtures and Office equipment	4,069,159	139,710	-	(371,840)	(734,066)	(11,854)	3,091,109
Motor vehicles	42,382,178	3,444,516	-	(376,772)	(3,656,239)	(10,941)	41,782,742
IT equipment	3,124,007	759,479	-	(175,247)	(774,758)	(5,610)	2,927,871
Community	222,478,878	30,000	-	(8,636,585)	(13,182,200)	(122,570)	200,567,523
Library books	7,472,495	130,324	-	-	(1,018,685)	-	6,584,134
Electrical	313,999,221	5,656,540	15,965,999	(460,277)	(17,794,104)	(527,744)	316,839,635
Roads	586,897,892	7,667,862	11,839,472	(280,253)	(49,921,391)	(1,809,438)	554,394,144
Leased assets	2,447,837	-	-	-	(1,335,517)	-	1,112,320
Sanitation	458,128,129	36,952,749	4,007,437	(1,685,579)	(19,238,795)	(338,821)	477,825,120
Water supply	595,007,407	38,605,031	188,293,381	(5,660,698)	(26,534,307)	(1,253,232)	788,457,582
Solid waste	6,634,119	1,786,836	-	(235)	(2,595,981)	(1,712)	5,823,027
	2,380,992,259	96,081,914	220,106,289	(18,018,473)	(137,595,637)	(4,090,039)	2,537,476,313

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	WIP	Disposals	Depreciation	Impairment loss	Total
Land	135,454,642	-	-	-	-	-	135,454,642
Plant and machinery	2,422,958	1,029,261	-	(15,179)	(540,745)	-	2,896,295
Furniture and fixtures & Office equipment	3,946,616	1,230,212	-	(27,337)	(1,064,100)	(16,232)	4,069,159
Motor vehicles	24,495,847	20,615,598	-	(1,023,026)	(1,324,828)	(381,413)	42,382,178
IT equipment	1,739,071	2,171,438	-	(11,464)	(757,582)	(17,456)	3,124,007
Community	225,311,009	18,323,099	(6,523,856)	(94,064)	(12,991,822)	(1,545,488)	222,478,878
Library books	8,444,452	40,608	-	-	(1,012,565)	-	7,472,495
Electrical	334,293,543	1,040,041	136,819	(444,088)	(17,924,165)	(3,102,929)	313,999,221
Roads	623,238,342	38,085,213	(23,367,057)	(269,058)	(47,880,126)	(2,909,422)	586,897,892
Leased assets	3,783,352	-	-	-	(1,335,515)	-	2,447,837
Sanitation	448,591,123	82,009,803	(54,138,373)	(2,683,633)	(14,806,349)	(844,442)	458,128,129
Water supply	525,726,983	6,635,871	94,091,253	(3,215,436)	(25,901,885)	(2,329,379)	595,007,407
Solid waste	7,788,591	-	-	-	(1,142,140)	(12,332)	6,634,119
	2,345,236,529	171,181,144	10,198,786	(7,783,285)	(126,681,822)	(11,159,093)	2,380,992,259

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Opening	Additions	Completion	Total
Community	1,961,265	43,000	(43,000)	1,961,265
Electrical	136,819	21,622,538	(5,656,540)	16,102,817
Roads	5,104,422	19,507,334	(7,667,862)	16,943,894
Sanitation	32,817,561	41,343,906	(37,336,469)	36,824,998
Water supply	95,774,176	226,514,691	(38,221,311)	284,067,556
	135,794,243	309,031,469	(88,925,182)	355,900,530

Reconciliation of Work-in-Progress 2021

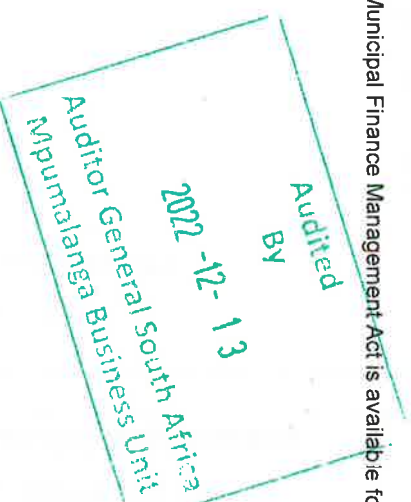
	Opening	Additions	Completion	Total
Community	8,485,121	11,799,243	(18,323,099)	1,961,265
Electrical	-	1,176,860	(1,040,041)	136,819
Roads	28,471,478	14,718,157	(38,085,213)	5,104,422
Sanitation	86,955,934	27,871,430	(82,009,803)	32,817,561
Water supply	1,682,921	100,727,126	(6,635,871)	95,774,176
	125,595,454	156,292,816	(146,094,027)	135,794,243

Projects taking significantly longer to complete

INTERNAL SEWER NETWORK IN BREYTEN EXTS

The above project has been included in the Work in Progress register of the municipality since 2019. The appointed contractor has been dismissed and any retention held has not been paid over to them. The Department of Water and Sanitation has indicated that they will take over the completion of the project.

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



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4. Property, plant and equipment (continued)

Disposals

Loss on Disposal: Total R 18 018 473

During the financial year the municipality incurred disposals/write-offs on its Property, Plant and Equipment due to various factors.

These included, amongst others, infrastructure that were upgraded (for example, roads that have been replaced by new brick paved roads, including upgrades to its storm water drainage systems) or infrastructure that were downgraded and written off due to theft, vandalism, fire damage, lightning damage, normal breakage or building demolition.

The majority of these involuntarily write-offs were due to acts of vandalism and thefts.

Included in this amount is the donation of the Ermelo Aerodrome and associated assets to Gert Sibande District Municipality (R 8 607 517).

Infrastructure Assets:

- Land: R 169 505
Donation of land associated with the Ermelo Aerodrome.
- Community: R 8 636 586
Donation of all municipal owned building associated with the Ermelo Aerodrome.
- Electrical: R 460 277
Various pole mounted transformers were replaced due to lightning damage. Fire damage was also incurred at the Ermelo Sub-station.
- Roads and Storm Water drainage: R 280 252
Various dilapidated road structures and drainage collection points were written off due to being upgraded and rebuilt.
- Sanitation: R 1 685 579
The sewerage treatment works in Davel and Breyten were upgraded, and various submersible pumps, electrical motors, pipes, and valves were written off and replaced.
- Water Supply: R 5 660 698
Various boreholes and handpumps were written off due to disrepair. Various water pumps and other mechanical equipment were written off and replaced at the Kwazanale and Davel water treatment works.

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Movable Assets:

- Computer Equipment: R175 247
- Motor Vehicles: R376 772

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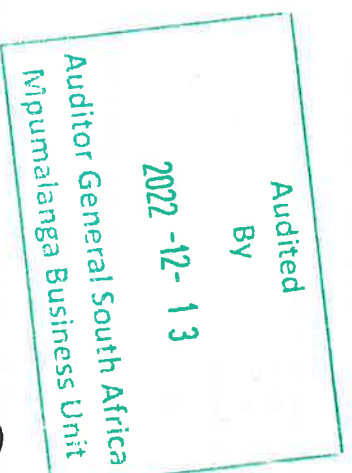
2022

2021

4. Property, plant and equipment (continued)

- Plant and Machinery: R 201 482
- Furniture, Fixtures and Fittings: R 371 840

Detailed descriptions, component types and Rand values assigned to each of the above written off assets can be found in the Fixed Asset Register of the municipality.



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5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	139,149	(77,233)	61,916	139,149	(31,104)	108,045

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	108,045	(46,129)	61,916

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	139,149	(31,104)	108,045

Other information

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

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6. Heritage assets

Heritage assets which fair values cannot be reliably measured: (Para .94)
Art Collections, antiquities and exhibits

Reconciliation of heritage assets 2022

Heritage assets which fair values cannot be reliably measured: (Para .94)
Art Collections, antiquities and exhibits

Reconciliation of heritage assets 2021

Heritage assets which fair values cannot be reliably measured: (Para .94)
Art Collections, antiquities and exhibits

2022			2021		
Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
174,895	-	174,895	192,195	-	192,195

Opening balance	Disposals	Total
192,195	(17,300)	174,895

Opening balance	Total
192,195	192,195

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6. Heritage assets (continued)

Heritage assets which fair values cannot be reliably measured

During the financial year, the municipality's Mayoral Chain of Office could not be verified. An audit was performed on all heritage assets and an additional heritage asset, a gold coin, could not be found. These heritage assets were derecognised in terms of the Asset Management policy of the municipality.

Chain of Office (Mayor Ermelo Gold Plated) – R 16 350 (loss)

Coin (Gold 1880 – 1973 Bethal) – R950 (loss)

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

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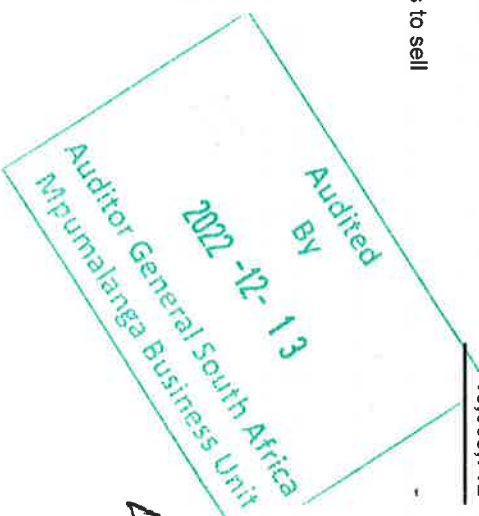
Notes to the Annual Financial Statements

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	2022	2021
7. Inventories		
Consumables	12,930,043	26,063,539
Water	73,669	-
	13,003,712	26,063,539

Carrying value of inventories carried at fair value less costs to sell

18,026,557



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8. Receivables from exchange transactions

Consumer debtors - Electricity	47,020,905	38,368,558
Consumer debtors - Water	45,022,024	39,534,070
Consumer debtors - Sewerage	21,213,617	17,889,205
Consumer debtors - Refuse	19,696,933	17,035,034
Consumer debtors - Services	9,853,550	9,269,893
Consumer debtors - Rentals	1,924,366	1,185,959
Consumer debtors - Land sales	6,498	11,769
Fleet card - balance receivable	-	96,003
Prepaid electricity	1,921,436	1,960,054
Refunds and prepayments	957	(581)
	146,660,286	125,349,964

Credit quality of trade and other receivables

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

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9. Receivables from non-exchange transactions

Fines	1,055,677	1,676,277
Consumer debtors - Rates	58,755,151	40,053,239
	59,810,828	41,729,516

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10. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates
Consumer debtors - Electricity
Consumer debtors - Water
Consumer debtors - Sewerage
Consumer debtors - Refuse
Consumer debtors - Service debtors
Consumer debtors - Rentals
Consumer debtors - Land sale

191,995,861	141,676,812
169,985,069	144,187,775
235,799,531	202,171,268
149,822,004	124,353,481
146,964,944	123,690,828
49,662,988	45,914,832
7,223,755	6,217,976
42,655	42,523
951,496,807	788,255,495

Less: Allowance for impairment

Consumer debtors - Rates
Consumer debtors - Electricity
Consumer debtors - Water
Consumer debtors - Sewerage
Consumer debtors - Refuse
Consumer debtors - Service debtors
Consumer debtors - Rentals
Consumer debtors - Land sale

(133,240,710)	(101,623,573)
(122,964,164)	(105,819,217)
(190,777,507)	(162,637,198)
(128,608,387)	(106,464,276)
(127,268,011)	(106,655,794)
(39,809,438)	(36,644,939)
(5,299,389)	(5,032,017)
(36,157)	(30,754)
(748,003,763)	(624,907,768)

Net balance

Consumer debtors - Rates
Consumer debtors - Electricity
Consumer debtors - Water
Consumer debtors - Sewerage
Consumer debtors - Refuse
Consumer debtors - Service debtors
Consumer debtors - Rentals
Consumer debtors - Land sale

58,755,151	40,053,239
47,020,905	38,368,558
45,022,024	39,534,070
21,213,617	17,889,205
19,696,933	17,035,034
9,853,550	9,269,893
1,924,366	1,185,959
6,498	11,769
203,493,044	163,347,727

Rates

Current (0 -30 days)
31 - 180 days
181 - 360 days
Over 1 year
Over 2 years

11,945,717	11,969,786
17,647,178	7,907,618
8,956,659	5,196,875
8,275,153	5,553,333
11,930,444	9,425,627
58,755,151	40,053,239

Electricity

Current (0 -30 days)
31 - 180 days
181 - 360 days
Over 1 year
Over 2 years

14,728,224	16,666,214
472,194	5,869,121
4,603,470	3,628,550
84,786,594	4,090,718
11,430,423	8,113,955
2022 -47,020,905	38,368,558

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10. Consumer debtors disclosure (continued)

Water

Current (0 -30 days)	4,500,339	6,599,847
31 - 180 days	8,510,516	6,514,332
181 - 360 days	5,084,834	5,476,821
Over 1 year	7,165,805	7,094,239
Over 2 years	19,760,530	13,848,831
	45,022,024	39,534,070

Sewerage

Current (0 -30 days)	2,802,223	3,956,266
31 - 180 days	4,824,797	3,808,549
181 - 360 days	3,264,932	2,938,598
Over 1 year	4,080,063	2,650,018
Over 2 years	6,241,602	4,535,774
	21,213,617	17,889,205

Refuse

Current (0 -30 days)	2,282,420	3,616,826
31 - 180 days	3,933,075	3,459,032
181 - 360 days	2,929,079	2,906,248
Over 1 year	4,006,446	2,638,615
Over 2 years	6,545,913	4,414,313
	19,696,933	17,035,034

Service debtors

Current (0 -30 days)	359,565	829,963
31 - 180 days	623,752	386,815
181 - 360 days	1,137,000	727,702
Over 1 year	779,898	1,538,413
Over 2 years	6,953,335	5,787,000
	9,853,550	9,269,893

Rentals

Current (0 -30 days)	106,211	180,159
31 - 180 days	328,265	326,984
181 - 360 days	292,242	226,855
Over 1 year	300,699	225,040
Over 2 years	896,949	226,921
	1,924,366	1,185,959

Land sales

Current (0 -30 days)		159
31 - 180 days		398
181 - 360 days		474
Over 1 year	348	1,113
Over 2 years	5,933	9,625
	6,498	11,769

11. VAT receivable

VAT	115,462,266	97,371,801
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12. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash
Bank balances
Short-term deposits

8,686	13,220
1,090,554	3,247,614
8,562,298	4,572,546
9,661,538	7,833,380

The municipality had the following bank accounts

Account	Bank statement balances		Ledger balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
FNB Primary Account - Current Account - 62822833267	1,069,028	1,695,619	1,265,977	1,265,977
FNB - Call Account - 62837049031	5,593,397	2,876,927	20,721,912	5,593,397
FNB Licensing Account - Current Account - 62858041272	2,471,759	1,452,036	-	2,968,901
			3,264,903	-
Total	9,134,184	6,024,582	21,987,889	9,665,141
			7,837,449	4,142,904

13. Finance lease obligation

Minimum lease payments due

- within one year
- in second to fifth year inclusive

1,219,090	1,462,908
-	1,219,090
1,219,090	2,681,998
(39,214)	(164,560)
1,179,876	2,517,438

Present value of minimum lease payments

less: future finance charges

Present value of minimum lease payments due
- within one year
- in second to fifth year inclusive

1,179,875	1,337,563
-	1,179,875
1,179,875	2,517,438

Non-current liabilities
Current liabilities

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1,179,875	1,179,875
1,337,562	2,517,437

The lease term was 3 years. Interest rates are fixed at the contract date. Leases have fixed repayments. No arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

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14. Payables from exchange transactions

13th cheque accrual	4,937,910	4,727,492
Creditors return of payments	349,728	349,723
Employee related payable and accruals	13,265,429	6,306,023
Leave pay accrual	19,834,373	21,105,485
Licensing and registration	677,043	3,755,914
Receivables paid in advance	34,181,882	30,475,004
Retentions and guarantees held	15,651,064	14,646,145
Trade payables	1,474,695,917	1,275,734,028
Unallocated receipts	11,210,721	7,586,862
	1,574,804,067	1,364,686,687

15. Consumer deposits

Consumer deposits	19,133,784	18,454,746
Sundry deposits	110,052	111,489
	19,243,836	18,566,235

16. Employee benefit obligations

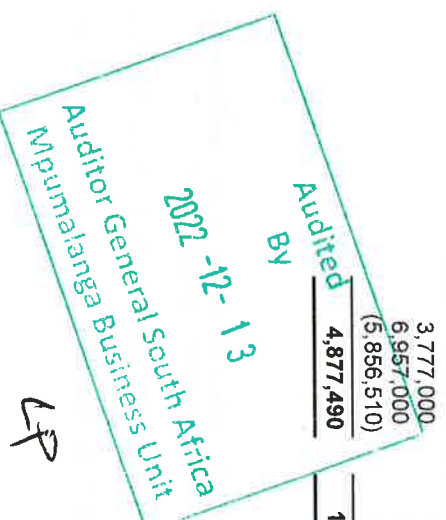
The municipality provides a post-employment medical aid plan to some employees - this is a defined benefit plan; as well as a defined benefit plan in the form of a long-service award.

Changes in the present value of the employee benefit obligations are as follows:

Opening balance	72,227,000	62,613,000
Contributions paid	(3,302,490)	(3,629,602)
Net expense recognised in the statement of financial performance	4,877,490	13,243,602
	73,802,000	72,227,000

Net expense recognised in the statement of financial performance

Current service cost	3,777,000	3,174,000
Interest cost	6,957,000	5,965,000
Actuarial (gains)/losses	(5,856,510)	4,104,602
	4,877,490	13,243,602



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16. Employee benefit obligations (continued)

Current liabilities

Post-employment medical aid
Long service award

2,389,000	2,388,000
3,216,000	1,116,000
5,605,000	3,504,000

Non-current liabilities

Post-employment medical aid
Long service award

57,555,000	56,742,000
10,642,000	11,981,000
68,197,000	68,723,000

Combined

Post-employment medical aid
Long service award

59,944,000	59,130,000
13,858,000	13,097,000
73,802,000	72,227,000

Post-retirement medical aid plan

In estimating the unfunded liability for post-employment health care benefits a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased (i.e. neither imprudent nor excessively conservative) and mutually compatible (i.e. reflective of the economic relationships between factors).

The following assumptions were used:

Key assumptions

Discount rate
Health care cost inflation rate
Net-of-health-care-cost-inflation discount rate
Maximum subsidy inflation rate
Net-of-maximum-subsidy-inflation discount rate

11.82%	10.04%
8.43%	6.80%
3.13%	3.03%
5.95%	4.73%
5.54%	5.08%

Mortality during employment is based on the SA 85-90 tables, and mortality post-employment is based on the PA(90) -1 tables with a 1% mortality improvement p.a. from 2010.

	2022	2021	2020	2019	2018
History of liability	59,944,000	59,130,000	50,854,000	53,621,000	56,125,000
Long service award liability					

Audited
By 2019
2022-12-13
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Msukaligwa Local Municipality

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16. Employee benefit obligations (continued)

The Municipality offers employees LSA for every five years of service completed, from five years of service to 45 years of service, inclusive

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
5	2%	5/250 x annual salary
10	4%	10 / 250 x annual salary
15	8%	20 / 250 x annual salary
20,25,30,35	12%	30 / 250 x annual salary
40	16%	40 / 250 x annual salary
45	18%	45 / 250 x annual salary

In estimating the unfunded liability for LSA of Msukaligwa Municipality a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased (i.e. neither imprudent nor excessively conservative) and mutually compatible (i.e. reflective of the economic relationships between factors).

The following assumptions were used:

Key assumptions

Discount rate	10.87%	9.06%
General earnings inflation rate (long-term)	7.33%	5.76%
Net effective discount rate	3.30%	3.12%
Average retirement age	62	62

Mortality during employment is based on the SA 85-90 tables.

	2022	2021	2020	2019	2018
History of the liability	13,858,000	13,097,000	11,759,000	11,138,000	10,057,000

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Expanded public works programme
Local Government Sector Education and Training Authority grant
Sport and recreation grant - National Lottery
Regional bulk infrastructure grant

	136,213	587,691
Audited	700,000	136,213
BY	501,422	700,000
	1,337,635	317,000
		1,740,904

Movement during the year

Balance at the beginning of the year
Additions during the year
Income recognition during the year

	16,824,339
Auditor General South Africa	185,372,431
Mpumalanga	(184,034,796)
	1,337,635
	1,740,904

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

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

See note 24 for reconciliation of grants from National/Provincial Government.

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17. Unspent conditional grants and receipts (continued)

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

18. Provision

Reconciliation of provision - 2022

	Opening Balance	Change in valuation	Total
Landfill site	73,430,066	8,502,466	81,932,532

Reconciliation of provision - 2021

	Opening Balance	Change in valuation	Total
Landfill site	59,518,621	13,911,445	73,430,066

Environmental rehabilitation provision

The provision for rehabilitation of landfill sites relates to the legal obligation, in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002), whereby the municipality is required to execute the environmental management program to restore the landfill sites at Ermelo, Breyten, Davei, Lothair and Chrissiesmeer to comply with the permit requirements.

The provision was determined by an independent expert as at 30 June 2022 and approximates the discounted expected future cash flows using reasonable estimation techniques. The discount rate used for the landfill sites is based on a bond rate that matures as close as possible to the future date of the rehabilitation. The final rehabilitation of the landfill sites are expected to be over a period of 19 years, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and makes assumptions as to the useful lives of these, assets, which influence the provision for future costs.

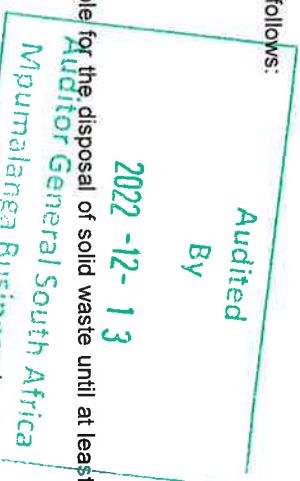
Key assumptions used:

Total area expected to be rehabilitated: 179 596 square metres (2021: 179 596 square metres)
Average rate per square metre: R432 excl. VAT (2021: R392 excl. VAT)

The area to be rehabilitated can be reconciled to the different sites as follows:

Ermelo	: 109 370 square metres
Breyten	: 38 041 square metres
Davei	: 8 051 square metres
Lothair	: 20 081 square metres
Chrissiesmeer	: 4 053 square metres

Each of the landfill sites has adequate footprint and airspace available for the disposal of solid waste until at least 2024, except for Lothair.



Lothair:

The Lothair landfill site has ceased to operate. Closure works have not yet commenced despite there being a limit of 3 years for this activity to commence. Based on historical evidence, the Lothair landfill operated as communal dump (as opposed to a sanitary landfill). Waste disposal was generally contained to a specific area and intermittently covered. It should be noted that the site has not been developed within the area specified in the waste licence. It is therefore assumed that the footprint of the waste pile is as per evidence in historical imagery and that the Municipality will amend the coordinates of the site in the closure licence.

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	2022	2021
19. Service charges		
Sale of electricity	236,684,562	216,115,343
Sale of water	64,285,929	73,573,499
Sewerage and sanitation charges	48,773,955	46,956,651
Refuse removal	40,180,950	38,971,162
	389,925,396	375,616,655
20. Rental of facilities and equipment		
Premises		
Premises	2,315,118	1,947,695
Facilities and equipment		
Rental of equipment	406,802	553,389
	2,721,920	2,501,084
21. Other income		
Advertising	321,128	229,424
Cemetery and burial	803,200	815,878
Commission	421,882	291,245
Connection fees	4,139,151	3,164,637
Fire brigade services	1,526,068	812,708
Insurance claim	21,400	453,860
Licenses and permits	3,624,184	3,357,946
Photocopies	263,140	199,094
Planning and development	2,028,058	2,143,893
Sundry income	621,211	418,126
Tender fees	187,469	297,187
	13,956,891	12,183,998
22. Interest earned		
Interest earned		
Consumer debtors	41,445,681	
Investment revenue	949,043	
	42,394,724	

Audited 29,708,624
1,097,687
BY 30,806,311
2022-12-13
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23. Property rates

Rates levied

Agricultural	19,146,475	6,785,099
Business and commercial	70,042,341	44,328,275
Public benefit organisations	164,147	-
Public service purposes	23,571,833	-
Public service infrastructure	54,351	-
Residential	63,192,944	46,713,770
State	-	29,176,724
Vacant stands	7,653,577	-
	70,846,521	75,890,494
	183,825,668	127,003,868

Valuations

Agriculture	8,960,056,000	4,291,845,000
Business and commercial	2,949,225,700	1,278,157,000
Municipal	911,614,800	201,171,000
Public benefit organisation	300,444,500	-
Public service infrastructure	50,873,200	29,464,000
Public service purposes	992,523,300	-
Residential	8,801,538,100	6,918,180,000
State	-	1,076,184,000
Vacant stands	322,264,000	-
	23,288,539,600	13,795,001,000

Valuations on land and buildings are performed every 4 to 5 years. The last general valuation came into effect on 1 July 2021. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new valuation roll reflects the changes in classification (particularly on state owned properties) in terms of the Municipal Property Rates Amendment Act.

A general rate of 0.95 (2021: 0.9135) is applied to property valuations to determine assessment rates. Rebates of 15% (2021: 15%) are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being 30 June 2022 (30 June 2021). Interest at 0.833% per month (2021: 0.833%) and a collection fee of 0.833% (2021: 0.833%), is levied on rates outstanding two months after due date.

The current general valuation is valid until 30 June 2023.

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Msukaliqwa Local Municipality

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24. Government grants and subsidies

Operating grants

Equitable share
Expanded public works programme grant
Financial management grant
Local government sector education and training authority grant

199,442,000	219,070,328
1,985,690	2,062,310
3,000,000	3,000,000
451,849	166,918
204,879,539	224,299,556

Capital grants

Integrated national electrification programme
Municipal infrastructure grant
Municipal infrastructure grant - PMU
Regional bulk infrastructure grant
Water services infrastructure grant

10,000,000	-
52,856,100	49,104,700
2,781,900	2,618,300
200,578,578	90,153,329
40,000,000	20,000,000
306,216,578	161,876,329
511,096,117	386,175,885

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received
Unconditional grants received

311,549,433	167,105,557
199,442,000	219,070,328
510,991,433	386,175,885

Equitable share

Current-year receipts
Conditions met - transferred to revenue
Roll over not approved - EPWP
Rollover not approved - FMG
Roll over not approved - INEP
Rollover not approved - Municipal Disaster Relief Grant
Rollover not approved - RBIG
Rollover not approved - WSIG

198,537,000	218,544,000
(199,442,000)	(219,070,328)
588,000	-
-	24,736
-	208,574
-	1,980
317,000	-
-	291,038
-	-

This grand funds the basic services for registered indigents as well as municipals operations.

Expanded Public Works Programme

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue
Withheld from Equitable Share

587,691	-
1,985,691	2,650,000
(588,000)	(2,062,309)
-	-
587,691	587,691

Conditions still to be met - remain liabilities (see note 17).

To expand work creation efforts using labour-intensive delivery methods identified focus areas, in compliance with the EPWP guidelines.

Financial Management Grant

Audited
BY
2022-12-1
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Africa
587,691

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	2022	2021
24. Government grants and subsidies (continued)		
Balance unspent at beginning of year	-	24,736
Equitable share allocated	3,000,000	3,000,000
Conditions met - transferred to revenue	(3,000,000)	(3,000,000)
Withheld from Equitable Share	-	(24,736)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The grant funds the implementation of the financial reforms required by the MFMA. This includes the funding of the financial management internship program.

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24. Government grants and subsidies (continued)

Local Government Sector Education and Training Authority grant

Balance unspent at beginning of year	136,213	127,381
Current-year receipts	539,329	175,450
Conditions met - transferred to revenue	(539,329)	(166,918)
	136,213	136,213

Conditions still to be met - remain liabilities (see note 17).

This grant was received from the Local government SETA institution for the training of municipal staff in various categories of learning and skills development.

Sport and recreation grant - National Lottery

Balance unspent at beginning of year	700,000	700,000
--------------------------------------	---------	---------

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

Municipal disaster relief fund grant

Balance unspent at beginning of year	-	1,380
Withheld from Equitable Share	-	(1,380)
	-	-

Conditions still to be met - remain liabilities (see note 17).

This is a disaster fund allocation that was received from National treasury per the Division of revenue act to fund the COVID 19 pandemic that started in March 2020.

Integrated National Electrification Programme

Balance unspent at beginning of year	-	208,574
Current-year receipts	10,000,000	-
Conditions met - transferred to revenue	(10,000,000)	-
Withheld from Equitable Share	-	(208,574)

Conditions still to be met - remain liabilities (see note 17).

This grant is solely for electricity and to enhance the electricity network infrastructure.

Municipal infrastructure grant

Current-year receipts	-	-
Conditions met - transferred to revenue	-	-

Conditions still to be met - remain liabilities (see note 17).

The municipal infrastructure grant is for the construction of roads, basic sewerage and water infrastructure to provide for new, rehabilitation and upgrading of municipal infrastructure.

Municipal infrastructure grant - PMU

Audited	-	-
By	-	-
2022-12-13	-	-
Auditor General of South Africa	-	-
52,856,100	49,104,700	49,104,700
(52,856,100)	(49,104,700)	(49,104,700)
Mpumalanga	-	-

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Msukaligwa Local Municipality

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24. Government grants and subsidies (continued)

Current-year receipts

Conditions met - transferred to revenue

2,781,900	2,618,300
(2,781,900)	(2,618,300)
-	-

Conditions still to be met - remain liabilities (see note 17).

An amount of 5% of the MIG allocation is set aside to fund the Project management planning (PMU) office. The office is responsible for the overall management of capital projects.

Regional bulk infrastructure grant

Balance unspent at beginning of year

Current-year receipts

Conditions met - transferred to revenue

Withheld from Equitable Share

317,000	15,470,329
201,080,000	75,000,000
(200,578,578)	(90,153,329)
(317,000)	-
501,422	317,000

Conditions still to be met - remain liabilities (see note 17).

To develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality. To implement bulk infrastructure with a potential of addressing water conservation and water demand management projects of facilitate. The fund allocated to the local municipalities but administered and spent by the Gert Sibande District Municipality.

Audited
By

Water services infrastructure grant

Balance unspent at beginning of year

Current-year receipts

Conditions met - transferred to revenue

Withheld from Equitable Share

291,038
20,000,000
(20,000,000)
(291,038)
-

Conditions still to be met - remain liabilities (see note 17).

Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities. It provide basic and intermittent water and sanitation supplies that ensures provision of services of identified and prioritised communities, including spring protection and groundwater development; support municipalities in implementing water conservation and water demand management projects; support drought relief projects in affected municipalities.

CP

2022-12-10
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Msukaligwa Local Municipality

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25. Fines

Fire, library and other
Rezoning
Traffic

9,334	1,724
174,408	202,060
4,586,950	5,767,106
4,770,692	5,970,890

26. Donations received

Gert Sibande District Municipality
Private Companies

-	1,480,000
-	10,000,722
-	11,480,722

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27. Employee related costs

Acting allowances	1,239,332	1,598,425
Basic	134,829,957	127,599,668
Bonus	10,879,705	10,494,136
Car allowance	10,833,596	11,392,253
Cell and data allowances	156,270	78,200
COD levy	1,188,888	1,091,401
Group Insurance	2,370,931	2,268,083
Housing benefits and allowances	659,602	1,308,787
Leave expense	480,642	2,152,737
Long service awards	1,167,000	1,053,000
Medical aid company contributions	13,025,050	12,169,376
Other payroll levies	69,631	69,650
Pension Fund	23,155,338	25,421,447
Post-retirement medical aid	25,752,560	25,259,463
SDL	2,610,000	2,131,529
Shift and standby allowance	2,084,285	1,712,438
UIF	13,451,008	12,196,702
Ward committees	1,238,607	1,083,632
	1,830,000	2,187,000
	247,021,402	241,267,927

Remuneration of Municipal Manager - GJ Majola

Annual Remuneration	-	943,293
Car Allowance	-	60,000
Other	-	165,996
	-	1,169,289

Ms GJ Majola passed away on 6 February 2021. Mr SI Malaza was appointed acting municipal manager on 26 February 2021 to November 2021 (See Director of Community and Social Services below). Mr BC Sibeko was appointed acting municipal manager from November 2021 to February 2021 (See below). Mr CJ Lisa was appointed on 28 February 2022 to be acting municipal manager (See below).

Remuneration of Acting Municipal Manager - CJ Lisa

Annual Remuneration	512,933	-
Phone allowance	10,000	-
Contributions to UIF, Medical and Pension Funds	5,948	-
	528,881	-

Mr SI Malaza was appointed acting municipal manager on 26 February 2021 to November 2021 (See Director of Community and Social Services below). Mr BC Sibeko was appointed acting municipal manager from November 2021 to February 2021 (see below). Mr CJ Lisa was appointed on 28 February 2022 to be acting municipal manager. Mr Lisa was appointed by COGHTA and, therefore, does not hold another post within the municipality.

Remuneration of Acting Municipal Manager - BC Sibeko

Annual Remuneration	1174,130	-
Car Allowance	43,999	-
Contributions to UIF, Medical and Pension Funds	51,281	-
Acting allowance	110,226	-
	379,636	-

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Mpumalanga Business Unit
2022-12-17
By [Signature]
Audited

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27. Employee related costs (continued)

Mr SI Malaza was appointed acting municipal manager on 26 February 2021 to November 2021 (See Director of Community and Social Services below). Mr BC Sibeko was appointed acting municipal manager from November 2021 to February 2021. Mr Sibeko does not hold an executive post within the municipality, therefore, his remuneration is only shown for the months during which he acted as municipal manager. Mr CJ Lisa was appointed on 28 February 2022 to be acting municipal manager (see above).

Remuneration of Chief Finance Officer - MMP Matsheke

Annual Remuneration	-	692,220
Car Allowance	-	54,000
Contributions to UIF, Medical and Pension Funds	-	186,636
	-	932,856

The post of CFO has not been filled in 2022, and Mr SM Phiri was acting as CFO for this period (see below)

Remuneration of the Acting Chief Finance Officer - SM Phiri

Annual Remuneration	616,898	598,449
Car Allowance	131,998	133,292
Phone allowance	1,000	-
Contributions to UIF, Group Risk, Medical and Pension Funds	129,831	135,107
Acting Allowance	173,652	185,886
	1,053,379	1,052,734

Mr SM Phiri was acting in the role for substantially the full 2022 financial year and, therefore, is reflected here as a key decision maker in this year.

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27. Employee related costs (continued)

Remuneration of the Director - Corporate Services - PS Mabuza

Annual Remuneration	800,782	800,223
Car Allowance	180,000	180,000
Phone Allowance	20,000	18,000
Contributions to UIF, Medical and Pension Funds	213,045	203,790
Acting Allowance	-	27,102
	1,213,827	1,229,115

Remuneration of the Director - Community and Social Services - SI Malaza

Annual Remuneration	742,922	742,922
Car Allowance	96,000	96,000
Phone allowance	23,592	23,388
Contributions to UIF, Medical and Pension Funds	146,455	135,539
Acting Allowance	283,076	187,962
	1,292,045	1,185,811

Mr SI Malaza was acting in the role of Municipal Manager/Accounting Officer for the second half of the 2021 year and part of 2022.

Remuneration of the Director - Technical Services - FR Ntekele

Annual Remuneration	913,470	913,470
Car Allowance	180,000	180,000
Phone allowance	20,000	18,000
Contributions to UIF, Medical and Pension Funds	176,645	166,238
	1,290,115	1,277,708

Remuneration of the Director - Planning and Development - D Maake

Annual Remuneration	971,697	833,696
Car Allowance	96,000	108,309
Phone allowance	23,592	7,935
Contributions to UIF, Medical and Pension Funds	201,509	180,253
Acting allowance	-	1,710
	1,292,798	1,131,903

Employee related costs
Key management

Audited	1,292,798	1,131,903
By	247,021,402	241,267,927
	7,050,683	7,979,416
	254,072,085	249,247,343

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28. Remuneration of councillors

Executive Mayor
Speaker
Chief Whip
Mayoral Committee Members
Councillors

616,939	938,251
521,428	759,478
612,354	714,787
2,530,278	2,859,147
11,208,402	10,786,547
15,489,401	16,058,210

Additional information

The details for individual councillors are set out in the related parties note 44.

29. Repairs and Maintenance

Plant, Machinery and Equipment
Motor Vehicles
Buildings
Electrical
Roads
Sanitation
Water Supply

3,775,646	4,684,893
2,901,147	2,767,151
318,712	897,012
9,261,666	9,534,569
3,832,968	3,945,602
695,079	743,726
8,657,276	3,902,057
29,442,494	26,475,010

30. Depreciation and amortisation

Property, plant and equipment

126,751,398

Audited 137,641,766
By
2022 -12- 13
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31. Impairment loss

Impairments

Total: R4 090 039

During the financial year, the municipality impaired various assets within Property, Plant and Equipment. This followed a process of physical verification and conditioning grading, which prompted the municipality to review the remaining useful life of the assets.

These impairments are aligned with the Impairment Methodology adopted by the municipality and contained in its Asset Management Policy. The Asset Management Policy is aligned with the municipality's Accounting Policy and complies with GRAP 21 and 26.

Infrastructure Assets

Community: R122 570

The condition of various buildings, open spaces, sport and recreation facilities, as well as cemeteries deteriorated during the past financial year which prompted the municipality to impair these assets.

Electrical: R527 744

The condition of high and medium voltage electrical assets, as well as public lighting deteriorated to such an extent that the municipality impaired these assets.

Roads and Storm Water: R1 809 438

The condition of various road surfaces, road structures and storm water drainage structures deteriorated to such an extent which prompted the municipality to impair these assets.

Sanitation: R338 821

The condition of certain wastewater treatment areas and sewerage pump stations deteriorated that the municipality impaired these assets.

Water Supply: R1 253 232

The condition of various boreholes and certain wastewater treatment works around the municipality deteriorated to such an extent that the municipality impaired these assets.

Solid Waste: R1 712

The condition of certain steel skip bins deteriorated to such an extent that the municipality impaired them.

Movable Assets

Computer Equipment R5 610

The condition of certain desktop computers and display monitors deteriorated which necessitated the municipality to impair the assets.

Furniture and Office Equipment R11 853

The condition of various office chairs, desks and tables deteriorated which necessitated the municipality to impair the assets.

Machinery and Equipment R8 117

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Msukaligwa Local Municipality

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31. Impairment loss (continued)

The overall condition of various gardening tools and equipment deteriorated which prompted the municipality to impair these assets.

Motor Vehicles

R10 941

The condition of certain trailers deteriorated to such an extent that the municipality decided to impair these assets.

Detailed descriptions, components types and photographs of the assets impaired are available in the Fixed Asset Register of the municipality.

32. Finance costs

Trade and other payables

73,202,079

83,519,008

Finance leases

125,346

13,911,445

Land fill site

6,715,630

5,965,000

Employee benefits

6,957,000

87,000,055

103,395,453

33. Debt impairment

Allowance for impairment - Consumer debtors

116,170,093

45,231,109

Allowance for impairment - Traffic fines

4,950,150

4,643,403

121,120,243

49,874,512

Audited

By

2022-12-13

Director General South African
KwaZulu-Natal Business Unit

UR

Msukaligwa Local Municipality

(Registration number MP302)
Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
34. Bulk purchases		
Electricity	321,543,768	263,315,516
Water	70,021,816	72,293,588
	391,565,584	335,609,104

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Mpumalanga Business Unit

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Msukaligwa Local Municipality

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	2022	2021
35. Contracted services		
Outsourced Services		
Accounting services	4,452,701	4,036,878
Debt Collectors	-	4,428,325
Electrical	3,050,624	4,731,626
Hygiene Services	-	47,090
Land Fill Sites	-	2,647,000
Maintenance of equipment	68,848	62,629
Prepaid electricity - Commission	2,790,473	3,544,525
Professional Staff	(36,217)	385,235
Security services	26,455,426	21,229,019
Consultants and Professional Services		
Infrastructure and Planning	1,674,013	2,731,683
Legal Cost	6,746,375	9,218,505
	45,202,243	53,062,515
36. Loss on disposal of assets		
Heading		
Losses on Property plant and equipment.	(18,048,773)	(8,401,947)
Gains on Investment property	398,736	65,455
	(17,650,037)	(8,336,492)

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Msukaligwa Local Municipality

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	2022	2021
37. General expenses		
Advertising	233,035	196,423
Auditors remuneration	6,375,576	7,555,727
Bank charges	2,340,929	2,176,864
Cleaning	636,716	6,890,264
Communication and stationery	5,134,287	5,033,729
Community support	25,400	9,200
Consulting and professional fees	4,318,757	3,473,059
Consumables	48,640	-
Conferences and seminars	90,264	134,237
Fuel and oil	9,265,468	6,044,876
Hire	-	518,000
Insurance	4,847,105	4,436,879
Internal Billing	(1,901,326)	64,776
IT expenses	-	3,414,212
Materials - Covid-19	431,930	178,771
Protective clothing	1,156,058	1,355,392
Software expenses	7,425,270	3,047,857
Staff welfare	2,324,400	1,110,581
Subscriptions and membership fees	2,683,068	2,398,163
Training	520,910	187,566
Travel - local	2,770,224	2,876,588
	48,726,711	51,103,164

38. Fair value adjustments

Investment property (Fair value model)

66,567,036	-
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Msukaligwa Local Municipality

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39. Cash generated from operations

Surplus (deficit)	49,331,085	(62,682,957)
Adjustments for:		
Depreciation and amortisation	137,641,766	126,751,398
Losses on disposals of assets	17,650,037	8,336,492
Fair value adjustments	(66,567,036)	-
Finance costs - Finance leases	-	183,559
Impairment Loss	4,090,039	11,140,490
Debt impairment	121,120,243	49,874,512
Movements in retirement benefit assets and liabilities	1,575,000	9,614,000
Movements in provisions	8,502,466	13,911,445
Donations (assets)	-	(11,480,722)
Changes in working capital:		
Inventories	13,059,827	(8,846,205)
Receivables from exchange transactions	(104,339,412)	(97,280,373)
Receivables from non-exchange transactions	(56,172,467)	(15,079,427)
Payables from exchange transactions	210,134,681	157,110,255
VAT	(18,090,465)	(12,154,858)
Change in landfill valuation	(1,786,836)	-
Unspent conditional grants and receipts	(403,269)	(15,083,435)
Consumer deposits	677,601	1,159,414
	316,423,260	155,473,588

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Msukaligwa Local Municipality

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Figures in Rand	2022	2021
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40. Risk management

Financial risk management

The municipality's is expose to a variety of financial risks: market risk, fair value interest rate risk, cash flow interest rate risk and price risk, credit risk and liquidity risk, but the exposure is limited to the the municipality's management thereof. Due to largely, "non-trading nature" of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality managing of liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. The tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

	At 30 June 2022		Less than 1 year	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions			1,574,804,067	-	-
• Finance lease obligation			1,219,090	-	-
At 30 June 2021					
• Payables from exchange transactions			1,364,686,687	-	-
• Finance lease obligation			1,462,908	1,219,090	-

Less than 1 year Between 2 and 5 years Between 2 and 5 years

By 2022-12-13

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Msukaligwa Local Municipality

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40. Risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Municipality or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality from customers and investment securities. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Each class of financial instrument is disclosed separately. Maximum exposure to credit risk not covered by collateral is specified. Financial instruments covered by collateral are specified. Credit risk consists mainly of cash deposits, cash equivalents. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposure to any significant credit risk. Consumer debtors and other debtors are individually evaluated annually at statement of financial position date for impairment or discounting. Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. There were material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, and is not concentrated in any particular sector. The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

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

Financial instrument	2022	2021
Receivables from exchange transactions	146,660,286	125,349,964
Receivables from non-exchange transactions	59,810,828	41,729,516
Bank balances and cash	9,661,538	7,833,380

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.



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41. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

Trade and other receivables from exchange transactions
Trade and other receivables from non-exchange transactions
Cash and cash equivalents

At amortised cost
146,660,286
59,810,828
9,661,538
216,132,652

Financial liabilities

Trade and other payables from exchange transactions
Consumer deposits
Employee benefit obligation
Unspent conditional grants and receipts
Finance lease obligation

At amortised cost
(1,574,804,067)
(19,243,836)
(73,802,000)
(1,337,635)
(1,179,875)
(1,670,367,413)

2021

Financial assets

Trade and other receivables from exchange transactions
Trade and other receivables from non-exchange transactions
Cash and cash equivalents

At amortised cost
125,349,964
41,729,516
7,833,380
174,912,860

Financial liabilities

Trade and other payables from exchange transactions
Consumer deposits
Employee benefit obligation
Unconditional grants and receipts
Finance lease obligation

At amortised cost
(1,364,686,687)
(18,566,235)
(72,227,000)
(1,740,904)
(2,517,437)
(1,459,738,263)

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Notes to the Annual Financial Statements

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2021

42. Commitments

Authorised capital expenditure

Already contracted for but not provided for

- Electrical
- Roads
- Sanitation
- Community
- Water supply

4,645,805	986,722
7,475,925	2,623,437
19,329,015	17,767,034
-	2,277,546
10,226,853	34,152,040
41,677,598	57,806,779

Authorised operational expenditure

Already contracted for but not provided for

- Consulting and Professional Fees
- Security (Guarding of municipal property)
- Supply and delivery
- Repairs and maintenance

10,335,294	928,000
70,121,827	7,646,258
18,966,632	24,961,754
-	1,366,090
99,423,753	34,902,102

Total commitments

Total commitments

Authorised capital expenditure
Authorised operational expenditure

41,677,598	57,806,779
99,423,753	35,484,733
141,101,351	93,291,512

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

The commitments above are stated exclusive of VAT. 2021 capital commitments were ~~restated~~ to exclude VAT in order to be consistent with this policy. **BY**

The capital commitment for Water Supply Infrastructure for 2021 was increased from R6,261,280 Incl. of VAT to R34,152,140 Excl. of VAT based on an analysis of the on-going project and payments **2022-12-13**

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43. Contingencies

Contingent liabilities

Issue under consideration

Potential
liability
6,483,579

Status

Attorney

This issue involves land that was earmarked for business and churches but was later disposed of or allocated in a manner which was not in line with the development and the agreement reached in 1995. NEWCHO as the developer is intending to sue the Municipality for damages. The Municipality was served with summons in 2015.

Summons were issued Notice of intention to defend was filed Plea was filed Discovery has been done The matter is at the pre-trial stage The attorneys of NEWCHO have submitted a settlement proposal which has been discussed and the amount was reduced to R 1 Million as per the letter dated 02 July 2020. Then on the 21 of July 2020 the Municipality has further proposed the settlement of R 500 000 and we are still awaiting the response thereto.

TMN Kgomo and Associates

An Employee of the Municipality was electrocuted while on duty on the 27th of May 2011. He is claiming damages alleging that he was injured as a result of the sole negligence of the Municipality.

1,220,500

Summons were issued

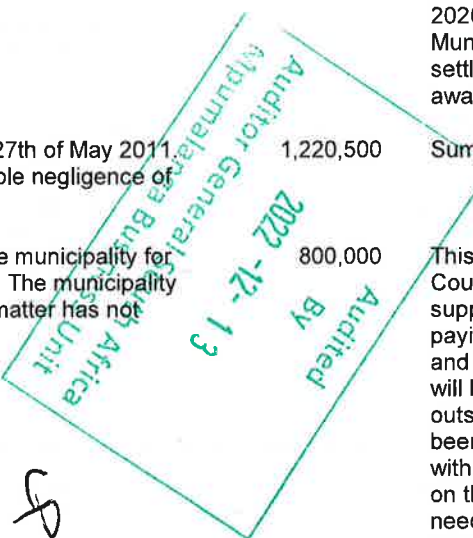
TMN Kgomo and Associates

Action was taken by SAMWU on behalf of Hlophe and others against the municipality for losses due to unlawful variation of the terms of the employment in 2011. The municipality is opposing the claims and pleadings are currently still exchanged, the matter has not been set down for a trial date.

800,000

This matter is still pending in the labour Court. However an information was supplied to our attorneys that we were paying the employees 1.5 prior to 2011 and from 2013. Then further information will be provided on the amount outstanding for that period. A meeting has been held on the 13th of November 2014 with a view to have an amicable solution on this matter. As the Municipality we need to do a calculation. A detailed report will be presented to Council on this matter.

Sefalafala Attorneys



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Msukaligwa Local Municipality

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43. Contingencies (continued)

The Plaintiff is suing the Municipality together with the Minister of Police for pain and suffering as a result of injuries sustained when he was detained in custody as a result of the case of theft of the machine of the Municipality.

6,000,000

Summons were issued

Mhlongo Khumalo Attorneys

This matter comes from the procurement processes on debt collection wherein the Plaintiff submitted a tender for that service. The Plaintiff realised that they were appointed after seeing their name on the website as part of those who were awarded the tender. They are suing the Municipality for future loss of income.

50,000,000

The notice of intention to defend has already been filed and the matter is pending in the High Court.

Julie Mahommed Attorneys

This matter is alleged breach of contract by Altimax in that the Municipality is failing or has failed to pay outstanding payment for services rendered in 2015.

2,739,639

Summons were issued

TMN Kgomo and Associates

A vehicle belonging to the resident was involved in the accident as a result of the negligence of the Municipality not to mark the area where it was working with the red tape in 2014.

162,385

Summons were issued

TMN Kgomo and Associates

The employees of the Municipality went on a protest which turned violent and there was damage to property of the Municipality in 2013. As result there were employees who were arrested for that. Some of the employees were withdrawn from the case and others were acquitted. Then one of the employees is suing the Municipality for unlawful arrest.

65,000

Summons were issued and the matter is defended

TMN Kgomo and Associates

Children were playing in Thusiville and one of them was electrocuted by an electricity line in 2015 and he suffered damages in the form of the pain and suffering and future loss of income.

25,000,000

Summons were issued

Mohlala Attorneys

A resident's motor vehicle was involved in an accident in 2014 and as a result the resident suffered damages.

600,000

Summons were issued

Mohlala Attorneys

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43. Contingencies (continued)

The Municipality was served with summons from the Department of Water and Sanitation suing the Municipality for the payment of R 184 124 516.50 for the outstanding amount in the supply of bulk water since 2002.

184,124,517

Summons were issued

TMN Kgomo and Associates

The Municipality is sued for negligence as a result of not maintaining the electricity infrastructure which resulted in the damage of properties of the residents when the electricity was switched on in 2010.

311,467

Summons were issued

TMN Kgomo and Associates

The Municipality is sued for the damage caused on the Telkom lines when the employees were fixing the damages water pipes.

230,423

Summons were issued

Mohlala Attorneys

The Plaintiff is suing the Municipality for the damages caused on his vehicle as a result of hitting the pothole on a Municipal road.

10,560

Summons were issued against the Municipality and the matter was referred to our insurance which repudiated the claim because it was lodged very late. The matter is defended in person because the claimed amount is low versus the legal costs

None

Damages to vehicle to due to potholes in the road.

83,800

Summons were issued

Mhlono Khumalo Attorneys

The Municipality is being sued for the amount outstanding after the contract on the provision of security services expired.

8,778,153

Summons were issued

Mhlono Khumalo Attorneys

The Municipality is being sued for the amount outstanding after the contract on the provision of security services expired.

4,539,707

Notice of intention to defend was filed

Mhlono Khumalo Attorneys

The Municipality is sued as result of the motorist hitting a pothole on Little street in Ermelo which resulted in the damage to his vehicle

18,941

Summons were issued

None yet appointed

The Municipality is being sued as result of the motorist hitting a pothole on Little street in Ermelo which resulted in the damage to his vehicle

26,400

Summons were issued and the matter is being defended

None yet appointed

The Municipality has been served with summons for the breach of contract on the tender that was withdrawn for the maintenance of the Ermelo Landfill site. The company is claiming for the future loss of income.

20,000,000

The Municipality is defending the matter and the answering affidavit was filed. An application in terms of rule 35 has been served by the Defendant to the Plaintiff.

Mohlala Attorneys

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Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2022

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43. Contingencies (continued)

The Municipality has been served with summons from Vimstire Security Services for the amount outstanding from the services rendered.

17,138,857

The Municipality has entered the notice of intention to defend and the plea has been entered.

Mhlongo Khumalo Attorneys

The Municipality received the notice of motion to comply with the court order to ensure that the employee does not suffer financial loss on the money deducted by SARS and the accrual on the pension fund.

953,473

The Municipality has filed the notice of intention to defend and the parties are exchanging the pleadings.

Sibeko Incorporated

329,287,401

Contingent assets

Issue under consideration

The service providers are considered to have performed substandard work in the construction of a water reservoir which resulted in the reservoir bursting. At that stage the service providers had already been paid a certain sum of money for the job. The Municipality is claiming back the money already paid to the service providers (consultants and the contractor).

Potential Asset
5,687,831

Status
Summons were issued by the Municipality.

Attorney
Gildenhuys Malatjie Attorneys

5,687,831

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44. Related parties

Members of key management (officials)	
Municipal Manager & Accounting Officer at the date of signing -	Mr. M Kunene
Appointed 12 August 2022	
Acting Municipal Manager & Accounting Officer - 28 February - 12	Mr. CJ Lisa
August 2022	
Acting Municipal Manager & Accounting Officer - Appointed 26	Mr. BC Sibeko
November 2021 - 28 February 2022	
Acting Municipal Manager & Accounting Officer - Appointed 26 February	Mr. MI Malaza
2021 - 26 November 2021	
Chief Financial Officer - Resigned 31 March 2021	
Acting CFO - From 1 June 2020	Ms. MM Matsheka
Director - Corporate Services	Mr. SM Phiri
Director - Community and Social Services	Mr. PS Mabuza
Director - Planning and Economic Development	Mr. SI Malaza
Director - Technical Services	Mr. D Maake
Executive Mayor	Mr. FR Ntekele
Speaker	Cllr. BJ Mkhaliphi
Chief Whip	Cllr. MP Nkosi
MMC - Corporate Services	Cllr. PE Mashiane
MMC - Finance	Cllr. JA Bal
MMC - Technical Services	Cllr. BJ Mkhaliphi
MMC - Community and Social Services	Cllr. EC Msezane
MMC - Planning & Economic Development	Cllr. TA Mnisi
Councillors	Cllr. JS Bongwe
	Cllr. JDA Bignaut
	Cllr. MJ Blose
	Cllr. Z Breydenbach
	Cllr. ZK Dhludhu
	Cllr. GS Greyling
	Cllr. BI Jiyane
	Cllr. LNV Kuhnaka
	Cllr. DJ Ltau
	Cllr. FJ Mabasa
	Cllr. D Mabunda
	Cllr. BI Mabuza
	Cllr. ME Madonsela
	Cllr. NH Magagula
	Cllr. LS Mahlangu
	Cllr. LA Maseko
	Cllr. MZM Mashiane
	Cllr. VV Mazibuko
	Cllr. LD Mdebele
	Cllr. TC Motha
	Cllr. TJ Madlala
	Cllr. PF Moloji
	Cllr. BNN Ndlovu
	Cllr. DM Nkambule
	Cllr. T Nkosi
	Cllr. ZJ Nkosi
	Cllr. JJ Nzimande
	Cllr. M Sibeko
	Cllr. PT Sibeko
	Cllr. BJM Sithole
	Cllr. HF Swart
	Cllr. MR Yende

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44. Related parties (continued)

Remuneration of management

Management class: Mayoral Committee Members

2022

Name	Annual Remuneration	Car Allowance	Contributions to Medical Aid and Pension Fund	Cell Phone and Data Allowance	Total
MP Nkosi (Executive Mayor)	169,764	61,109	25,465	24,474	280,812
NS Xaba (Speaker)	142,377	54,578	23,775	28,626	249,356
PT Sibeko (Chief Whip)	216,038	82,815	28,818	28,626	356,297
TJ Madlala	169,720	65,060	27,585	28,626	290,991
BG Motha	139,948	53,647	22,772	28,626	244,993
TC Motsha	161,009	61,720	26,178	28,626	277,533
EC Msezane	194,977	74,742	31,669	28,626	330,014
SE Ngovene	288,051	-	45,838	28,626	362,515
Out-going councillors					
BJ Mkhmaliphi (Executive Mayor)	209,213	79,453	31,687	15,774	336,127
MP Nkosi (Speaker)	167,370	63,563	25,365	15,774	272,072
PE Mashiane (Chief Whip)	156,909	59,590	23,785	15,774	256,058
JA Bai	156,909	59,590	23,785	15,774	256,058
JS Bongwe	156,909	59,590	23,785	15,774	256,058
TA Mnisi	148,886	59,590	31,831	15,774	256,081
EC Msezane	156,909	59,590	23,785	15,774	256,058
	2,634,989	894,637	416,123	335,274	4,281,023

The new council was established and then reconstituted, as a result, several councillors acted in various positions; the names above represent the office bearers at year end.

2021

Name	Annual Remuneration	Car Allowance	Contributions to Medical Aid Fund	Cell Phone and Data Allowance	Total
BJ Mkhathipi (Executive Mayor)	562,952	223,463	87,435	44,400	918,250
MP Nkosi (Speaker)	466,365	178,770	69,953	44,400	759,478
PE Mashiane (Chief Whip)	437,209	167,597	65,581	44,400	714,787
JA Bai	437,209	167,597	65,581	44,400	714,787
JS Bongwe	437,209	167,597	88,797	44,400	714,787
TA Mnisi	413,993	167,597	65,581	44,400	714,787
EC Msezane	437,209	167,597	65,581	44,400	714,787
	3,212,136	1,240,218	508,509	310,800	5,271,663

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44. Related parties (continued)

Management class: Councillors

2022

	Annual Remuneration	Car Allowance	Contributions to Medical Aid and Pension	Cell Phone and Data Allowance	Total
DVF Arnoldi	118,887	45,574	19,366	28,626	212,453
JDA Blignaut	76,878	45,908	72,254	28,626	223,666
Z Breydenbach	118,887	45,574	19,366	28,626	212,453
SSS Buthelezi	206,830	79,285	33,670	28,626	348,411
SS Cindi	185,689	-	29,598	28,626	243,913
AM Estate	81,991	31,430	13,356	19,733	146,510
SP Khalishwa	181,748	-	28,973	28,626	239,347
LNV Kubheka	35,530	-	5,668	6,413	47,611
BI Mabuza	118,887	45,574	19,366	28,626	212,453
SM Mabuza	186,597	-	29,742	28,626	244,965
VCN Madini	291,463	-	46,376	28,626	366,465
TJ Maduna	179,881	-	28,677	28,626	237,184
BA Mahlaele	334,650	-	63,836	28,626	427,112
MS Malaza	158,517	-	25,288	28,626	212,431
VJ Maseko	139,266	53,385	22,661	28,626	243,938
SC Mathebula	158,517	-	25,288	28,626	212,431
MM Mkhaliphi	185,689	-	29,612	28,626	243,927
BL Ndlaazi	179,881	-	28,677	28,626	237,184
MFJ Ndlovu	158,517	-	25,288	28,626	212,431
SF Ngwenya	158,517	-	25,288	28,626	212,431
LL Nhlapho	20,498	-	3,270	3,700	27,468
BJ Nkosi	158,517	-	25,288	28,626	212,431
MZ Nkosi	148,268	11,786	23,756	28,626	212,436
NR Nkosi	139,266	53,385	22,661	28,626	243,938
T Nkosi	118,887	45,574	19,366	28,626	212,453
MA Nzimande	229,951	-	36,619	28,626	295,196
RT Nzimande	158,516	45,574	22,241	28,626	209,383
JJ Schoitz	118,887	-	19,366	28,626	212,453
PH Sibiya	163,163	-	26,025	28,626	217,814
MR Yende	118,887	45,574	19,366	28,626	212,453
TP Zulu	195,185	-	31,104	28,626	254,915
ZE Zulu	231,219	-	36,820	28,626	296,665

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44. Related parties (continued)

Out-going council members

	Annual Remuneration	Car Allowance	Contributions to medical aid and pension fund	Cellphone and data allowance	Total
JDA Bignaut	44,220	25,144	32,133	15,774	117,271
MJ Blose	66,208	25,144	10,082	15,774	117,208
Z Breydenbach	66,208	25,144	10,082	15,774	117,208
ZK Dhludhu	66,208	25,144	10,082	15,774	117,208
GS Greyling	66,208	25,144	10,082	15,774	117,208
BI Jiyane	66,208	25,144	10,082	15,774	117,208
LNK Kubheka	66,208	25,144	10,082	15,774	117,208
DJ Ltrau	61,785	32,268	36,164	15,774	145,991
FJ Mabasa	66,208	25,144	10,082	15,774	117,208
D Mabunda	66,208	25,144	10,082	15,774	117,208
BI Mabuza	66,208	25,144	10,082	15,774	117,208
TJ Madlala	84,967	32,268	12,916	15,774	145,925
ME Madonsela	67,405	32,268	30,528	15,774	145,975
NH Magagula	84,967	32,268	12,916	15,774	145,925
LS Mahlangu	66,208	25,144	10,082	15,774	117,208
LA Maseko	66,208	25,144	10,082	15,774	117,208
MZM Mashiane	66,208	25,144	10,082	15,774	117,208
VV Mazibuko	66,208	25,144	10,082	15,774	117,208
LD Mdebele	84,967	32,268	12,916	15,774	145,925
PF Molozi	66,208	25,144	10,082	15,774	117,208
TC Motta	84,967	32,268	12,916	15,774	145,925
BNN Ndlovu	52,818	25,144	23,510	15,774	117,246
DM Nkambule	66,208	25,144	10,082	15,774	117,208
T Nkosi	66,208	25,144	10,082	15,774	117,208
ZJ Nkosi	84,967	32,268	10,082	15,774	145,925
JJ Nzimande	66,208	25,144	10,082	15,774	117,208
M Sibeko	66,208	25,144	10,082	15,774	117,208
PT Sibeko	84,967	32,268	12,995	15,774	146,004
BJM Sithole	66,208	25,144	10,082	15,774	117,208
HF Swart	66,208	25,144	10,082	15,774	117,208
MR Yende	66,208	25,144	10,082	15,774	117,208
	7,184,464	1,385,079	1,289,864	1,348,994	11,208,401

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44. Related parties (continued) 2021

	Annual Remuneration	Car Allowance	Contributions to Medical Aid and Pension Fund	Cell Phone and Data Allowance	Total
JDA Blignaut	120,091	70,718	92,062	44,400	327,271
MJ Blose	184,480	70,718	27,672	44,400	327,270
Z Breydenbach	184,480	70,718	27,672	44,400	327,270
ZK Dhludhlu	184,480	70,718	27,672	44,400	327,270
GS Greyling	184,480	70,718	27,672	44,400	327,270
BI Jiyane	184,480	70,718	27,672	44,400	327,270
LNK Kubheka	184,480	70,718	27,672	44,400	327,270
DJ Litau	166,186	90,754	106,077	44,400	407,417
FJ Mabasa	184,480	70,718	27,672	44,400	327,270
D Mabunda	184,480	70,718	27,672	44,400	327,270
BI Mabuzza	184,480	70,718	27,672	44,400	327,270
TJ Madala	236,750	90,754	35,513	44,400	407,417
ME Madonsela	185,494	90,754	86,769	44,400	407,417
NH Magagula	236,750	90,754	35,513	44,400	407,417
LS Mahlangu	236,750	90,754	35,513	44,400	407,417
LA Maseko	184,480	70,718	27,672	44,400	327,270
MZM Mashiane	184,480	70,718	27,672	44,400	327,270
VV Mazibuko	236,750	90,754	35,513	44,400	407,417
LD Mndebele	236,750	70,718	27,672	44,400	327,270
PF Moloji	184,480	70,718	27,672	44,400	407,417
TC Motha	236,750	90,754	35,513	44,400	407,417
BNN Ndiyovu	145,087	70,718	67,065	44,400	327,270
DM Nkambule	184,480	70,718	27,672	44,400	327,270
T Nkosi	184,480	70,718	27,672	44,400	327,270
ZJ Nkosi	236,750	90,754	35,513	44,400	407,417
JJ Nzimande	184,480	70,718	27,672	44,400	327,270
M Sibeko	184,480	70,718	27,672	44,400	327,270
PT Sibeko	236,750	90,754	35,513	44,400	407,417
BJM Sithole	184,480	70,718	27,672	44,400	327,270
HF Swart	184,480	70,718	27,672	44,400	327,270
MR Yende	184,480	70,718	27,672	44,400	327,270
	5,911,438	2,352,546	1,146,163	1,376,400	10,786,547

Refer to note Remuneration of councillors 28.

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44. Related parties (continued)

Management class: Key management (officials)

2022

Name	Annual Remuneration	Car Allowance	Telephone Allowance	Contributions to UIF, Medical Aid and Pension	Acting Allowance	Total
CJ Lisa - Acting Municipal Manager	512,933	-	10,000	5,948	-	528,881
BC Sibeke - Acting Municipal manager	174,130	43,999	-	51,281	110,226	379,636
SM Phiri - Acting-Chief Financial Officer	616,898	131,998	1,000	129,831	173,652	1,053,379
PS Mabuza - Director Corporate Services	800,782	180,000	20,000	213,045	-	1,213,827
SI Malaza - Director Community and Social Services / Acting Municipal Manager	742,922	96,000	23,592	146,455	283,076	1,292,045
D Maake - Director Planning and Development	971,697	96,000	23,592	201,509	-	1,292,798
FR Ntekele - Director Technical Services	913,470	180,000	20,000	176,645	-	1,290,115
4,732,832	727,997	98,184	924,714	566,954	7,050,681	

2021

Name	Annual Remuneration	Car Allowance	Telephone Allowance	Contributions to UIF, Medical Aid and Pension	Acting Allowance	Total
GJ Majola - Municipal Manager	943,293	60,000	-	165,996	-	1,169,289
MM Matsheka - Chief Financial Officer	692,220	54,000	-	186,636	-	932,856
SM Phiri - Acting-Chief Financial Officer	598,449	133,292	-	135,107	185,886	1,052,734
PS Mabuza - Director Corporate Services	800,223	180,000	18,000	203,790	27,102	1,229,115
SI Malaza - Director Community and Social Services/ Acting Municipal Manager	742,922	108,368	23,388	135,539	187,962	1,198,179
D Maake - Director Planning and Development	833,696	96,000	7,935	180,253	1,710	1,119,594
FR Ntekele - Director Technical Services	913,470	180,000	18,000	166,238	-	1,277,708
5,524,273	811,660	67,323	1,173,559	402,660	7,979,475	

Refer to note Employee related costs 27.

In 2021, Mr Phiri was acting in the role as indicated for the full year, therefore, he considered to have been a key decision maker and a related party for disclosure purposes.

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45. 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. However, there are indicators of operational and financial distress.

The role of CFO was still vacant at year end (official acting in this role). The municipality also has material contingent liabilities of R329,287,401, which may pose a risk to future operations.

Although, at 30 June 2022, the municipality had an accumulated surplus of R 1,327,315,506 and that the municipality's total assets exceed its liabilities by 1,327,315,506, this is largely due to non-current assets such as Property, plant and equipment, rather than working capital. In terms of current assets and liabilities, the Municipality has net liabilities of R1,240,381,094.

The Municipality reported a surplus of R66,521,774 for the period (2021: deficit R62,682,957).

The ability of the Municipality to continue its operations for the foreseeable future is supported by the following:

Approved budget for the Medium Term Expenditure Revenue Framework ending 2023

Approved Division of Revenue Act with estimated allocation of equitable share and capital the next 3 years

The developed financial recovery plan which is monitored on a monthly basis.

46. Events after the reporting date

Mr M Kunene was appointed as Municipal Manager from 12 August 2022. No other significant events after the reporting date have been identified.

47. Unauthorised expenditure

Opening balance as previously reported

Opening balance as restated

Current year transactions

Add: Expenditure identified - current

Closing balance

276,339,946	192,880,946
276,339,946	192,880,946
-	-
136,915,644	83,459,000
413,255,590	276,339,946

The municipality is currently investigating the unauthorised expenditure, reports have been served before MPAC which will then be assigned to the Disciplinary Board to perform the investigation.

48. Fruitless and wasteful expenditure

Opening balance as previously reported

Correction of prior period error

Opening balance as restated

Current year transactions

Interest and penalties on arrear amount - Eskom
Interest and penalties on arrear amount - DWS
Interest and penalties on arrear amount - DCSSL
Interest and penalties on arrear amount - PRODIBA
Interest and penalties on arrear amount - SARS VAT
Interest and penalties on arrear amount - SARS PAYE

Closing balance

Audited 89,198,792	141,438,243
By 89,198,792	(52,239,451)
89,198,792	89,198,792
37,727,748	-
49,681,248	-
5,792,227	-
150	-
476	-
230	-
162,400,871	89,198,792

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48. Fruitless and wasteful expenditure (continued)

The Municipality is currently investigation the fruitless and wasteful expenditure, reports have served before MPAC which then assigned the Disciplinary board to perform the investigation.

In terms of section 2 of the Government Gazette number 43181, subject to the condition in paragraph 3, municipalities and municipal entities are exempted from a provision of the Act which requires any action to be taken between the date of publication of this notice and the date that the national state of disaster lapses or is terminated in terms of section 27(5) of the Disaster Management Act, 2002. As such, fruitless and wasteful expenditure for 2021 has not been disclosed.

49. Irregular expenditure

Opening balance	285,528,760	254,506,289
Correction of prior period error	-	114,950,742
Opening balance as restated	285,528,760	369,457,031
Current year transactions		
Current year expenditure	43,581,841	59,816,979
Identified in the current year for 2021 year	30,874,041	-
Less: Amount written off with regard to 2014/15	-	(143,745,250)
Closing balance	359,984,642	285,528,760

The Municipality is currently investigation the irregular expenditure, reports have served before MPAC which then assigned the Disciplinary board to perform the investigation.



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49. Irregular expenditure (continued)

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

Entity	Reason for irregular expenditure		
Afrent B & S Electrical Ermsa Electrical JV Melokuhle Management	Non compliance with Reg 32 requirements Non-compliance with SCM regulations A valid CIDB registration with a CRS number is required for both supplier of the JV in order to be able to calculate the joint venture CIDB grading. Supplier not registered with CSD/ No 3 quotation Supplier not registered with CSD/ No 3 quotation Non-compliant with Reg 32 requirements	315,007 407,746 1,334,515	- - -
The Highvelder (CTP Limited) Highveld Tribune MT Mtimandze Projects and Consulting Pty Ltd.	Supplier not registered with CSD/ No 3 quotation Supplier not registered with CSD/ No 3 quotation Non-compliant with Reg 32 requirements	117,884 7,100 752,873	- - -
Innovation Government Software Solutions	Non compliance with Reg 32 requirements	773,077	-
Umpiluzi Fire Protection Truvelo Manufacturing Traffic Signals and Accessories Mkhensani Trading Vintsiire Protection and Security Services	Deviation raised but considered invalid Deviation raised but considered invalid Non-compliance on MBD 4 Form declaration Non-compliance with SCM regulations	86,957 27,850 564,500 66,560 11,449,202	- - - - -
Zamangwane Consultants CC Zip Zep Trading Zonde Trading Kgwebiswano Supplies And Services	Non-compliance with SCM regulations Non-compliance with SCM regulations Non-compliance with SCM regulations Appointed after 90 days validity period has elapsed	4,396,431 1,722,000 763,538 3,207,376	- - - -
Ndiza Solutions Oakantswe Construction And Projects 1 Shwings Construction VDAN Construction CC	Appointed after 90 days validity period has elapsed Appointed after 90 days validity period has elapsed Appointed after 90 days validity period has elapsed Appointed after 90 days validity period has elapsed	5,797,822 3,910,777 4,119,974 3,760,654	- - - -
VDAN Construction CC	Unable to determine whether local content was in terms of tender requirements.	-	30,874,041
		43,581,843	30,874,041

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee
Amount paid - current year

Audit fees

Opening balance
Current year fee
Interest on late payments
Amount paid - current year

	Audited By 2022-12-13	
	2,520,685	2,484,230
	(2,520,685)	(2,484,230)
	-	-
	2,213,865	2,357,725
	(9,417,199)	6,728,607
	-	327
	-	(6,872,794)
	-	2,213,865

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

PAYE and UIF

Opening balance
Current year fee
Amount paid - current year

3,310,458	-
39,956,697	36,842,764
(40,038,860)	(33,532,306)
3,227,295	3,310,458

The unpaid amounts above represent June declarations, which are typically paid in the first week of July as permitted by SARS.

Pension and Medical Aid Deductions

Current year fee
Amount paid - current year

68,207,218	61,541,411
(62,915,735)	(61,541,411)
5,291,483	-

VAT

VAT receivable
VAT payable

538,774,905	463,489,872
(423,312,639)	(366,118,071)
115,462,266	97,371,801

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

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

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
DVF Arnoldi	7,160	-	7,160
JDA Blignaut	1,933	-	1,933
Z Breydenbach	1,619	-	1,619
VCN Madini	1,987	8,280	10,267
BA Mahalele	1,545	-	1,545
AM Mahlangu	1,926	21,740	23,666
VJ Maseko	2,369	86,273	88,642
SC Mathebula	1,584	34,908	36,492
MM Mkhaliplhi	79	554	633
TC Motsha	553	3,175	3,728
EC Msezane	2,777	2,050	4,827
BL Ndilazi	3,526	19,454	22,980
MFJ Ndlovu	66	9,341	9,407
MP Nkosi	3,890	-	3,890
NR Nkosi	1,463	7,638	9,101
JJ Scholtz	10,598	5,909	16,507
NS Xaba	2,077	-	2,077
TP Zulu	158	-	158
	45,310	199,322	244,632

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51. 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.

Supplier name	Deviation date	Reason for deviation	Description	Amount
Chem-Tech	18/01/2022	Emergency	The contract of Zamangwane was terminated and the municipality was still in the process of advertising the tender.	147,177
Van Schaik	07/03/2022	Impractical	It was impractical to source quotations for library books which were selected by the library section from different suppliers as titles was available to single supplier.	80,317
Performance Marketing	06/04/2022	Emergency	The municipality was replacing the uninterruptable power supply (UPS) inverter in the server room as system availability was beginning to affect the payment of suppliers for critical municipal operations.	261,708
Asonke Engineering	13/04/2022	Emergency	Fixing of water pipe that distribute water to CBD, Thusi, and Wesselton was disturbed by the ongoing Eskom's load shedding, thus the plant become nonfunctional under load shedding, consequently the water levels becomes insufficient to supply the above mentioned areas.	185,725
IFA Lethu Technology	28/04/2022	Emergency	Emergency purposes, the company is a sole provider chlorine, cylinders and chemical for water	534,750
IFA Lethu Technology	28/04/2022	Emergency	Emergency purposes, the company is a sole provider chlorine, cylinders and chemical for water	997,913
Performance Marketing	28/04/2022	Emergency	The municipality was replacing the uninterruptable power supply (UPS) inverter in the server room as system availability was beginning to affect the payment of suppliers for critical municipal operations	169,242
Imisebe Engineering	09/05/2022	Emergency	Additional work on damaged Chicadee MV structures and underground cable at Wesselton Extension 7	193,159
Conlog Abatazi Healthcare Service	09/05/2022 24/05/2022	Emergency Emergency	Purchasing electricity meters. <i>By</i> Purchasing the blood kits ante mortem that are used by the Msukaliqwa traffic officers.	657,495 5,506
Truvelo Manufacture	30/05/2022	Emergency	Emergency calibration machine for the traffic officers, need to be serviced after six months.	5,263
Bindza Trading	01/06/2022	Emergency	Emergency, a transformer which was damaged due to an oil leak, the contracted service provider failed to submit the quotation as requested.	287,500
Chem-Tech	09/06/2022	Emergency	The contract of Zamangwane was terminated and the municipality was still in the process of advertising the tender.	1,271,526
IFA Lethu Technology	15/06/2022	Emergency	The contract of Zamangwane was terminated and the municipality was still in the process of advertising the tender.	290,028

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51. Deviation from supply chain management regulations (continued)

5,087,309

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52. Budget differences

Statement of Financial Performance

The following variances are generally on balances or amounts over R1m where the variance is over 10%. The variance on Accumulated surplus is the sum of all other variances, therefore this is not discussed.

1.01 - Other income and licensing fees

Increase in connection and reconnection fees, Increase in compliance certificate in fire drill.
License fees of R3.6m are also included here, being R1m over budget, but budgeted for separately. These are inherently difficult to predict as it depends on the level of demand from the community. See 1.04.

1.02 - Interest received

Increase in service tariffs and non payment of consumers as well as investments in Call Account

1.03 - Gains on disposal of assets

These are inherently difficult to estimate and were not planned for in the budget.

1.04 - License fees of R3.6m are included as other income in the financial statements, see 1.01 above. These were R1m over budget. These are inherently difficult to predict as it depends on the level of demand from the community.

1.05 - Government grants and subsidies

Increase in RBIG Grant from R86 million to R201 million. An additional amount of R115 million was received in March 2022

1.06 - Employee related costs

Under Spending due to non-filling of funded vacant posts

1.07 - Remuneration of councillors

All Section 79& 80 committees were not fully appointed during the political transition.

1.08 - Impairment loss/Reversal of impairments

These were not budgeted for and inherently difficult to estimate or predict.

1.09 - Finance Costs

This is as a result of late payment to Eskom & DWS invoices due to financial constraints

1.10 - Debt impairment

The impairment was higher than anticipated due to the debt growing/ageing significantly (due to on-going non-payment).

1.11 - Bulk Purchases

This is as a result of late receipt of DWS invoices and Eskom tariff changes during March 2022

1.12 - Contracted services

This is due to cost containment measures implemented using internal staff for repairs and maintenance

1.13 - General expenses

Cost cutting exercises helped reduce the general expenditure.

1.14 - Losses on disposal of assets and liabilities

These are inherently difficult to estimate and were not planned for in the budget.

1.15 Fair Value gains

This is due to the implementation of the new valuation role, where the value of the property increased far beyond expectations and extremely difficult to budget for.

1.16 - Actuarial Gains

This is due to the improvement on the performance of the investment in relation to medical aid and long service award provision. This is inherently too complex to budget for.

1.17 - Inventory Losses

This is due to the theft of municipal transformers during the first and second quarter of 2021/2022 financial year.

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52. Budget differences (continued)

Statement of financial position

1.16 - Inventories

This is due to the theft of municipal transformers during the first and second quarter of 2021/2022 financial year

1.19 - Receivables from non-exchange & Consumer debtors

This is due to the increase in municipal tariffs and non-payment of services as well as higher impairment due to growing and ageing debt.

1.20 - Call investment deposits and Cash and cash equivalents

This is due to increase in savings on the Call Account at year end 30 June 2022 and cost cutting exercises.

1.21 - VAT receivable

No change in VAT is estimated as this is inherently complex, however, the year-on-year movement was due to a large exercise was performed to reconcile the VAT balance to debtors and creditors (see the prior period error note 55).

1.22 - Investment property

The increase was due to the new valuation roll being implemented and growth in property values in the area.

1.23 - Finance lease obligation

The budget was not appropriately updated to reflect that the lease term has decreased and is now less than 12 months.

1.24 - Payables from Exchange transactions

This is due to non-payments of Department of Community Safety Security and Liaison. Dispute with Department of Water and Sanitation and Eskom arrears debt. The municipality also performed a significant exercise to correct the historical balances of these major creditors, which could not be anticipated in the budget. See prior period errors note 56.

1.25 - Consumer deposits

The budget was based on anticipated movements in the deposits, rather than the deposits at year end.

1.26 - Unspent conditional grants

The budget anticipated that all grants would be spent in full, but some have long standing balances and others were impacted by the timing of operational requirements

1.27 - Provisions

This includes the employee benefits obligation and the landfill rehabilitation provision. The budget did not incorporate these correctly.

Statement of Cashflows

1.28 - Net cash flows from operating activities

This is due to inadequate revenue collection as it dropped from 70% to 64%, an increase in savings on the call account as well as non-payment of Eskom, DWS and DCSSL.

1.29 - Net cash flows from investing activities

Additional allocations on conditional grants, especially the RBIG, were spent during the year

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53. Distribution losses

Values - Rand

Electricity	192,981,942	144,559,574
Water	53,302,821	13,595,946
	246,284,763	158,155,520

Values - Units

Electricity	133,240,410	117,885,318
Water	6,286,564	5,595,274
	139,526,974	123,480,592

Electricity

The municipality purchased 222,003,278 (2021: 214,728,312) units during the financial year and sold 88,762,868 (2021: 96,842,944) units during the financial year. This represents a loss of 60% (2021: 55%). Reasons for incurring electricity losses relates to the dissipation when electricity flows through the conductors, illegal connections, meter tampering and unmetered properties.

Water

The municipality purchased 8,275,789 (2021: 8,242,635) units during the financial year, of which a total of 1,989,225 (2021: 2,647,361) units were sold. This represents a loss of 76% (2020: 68%). Reasons for incurring water losses relates to old infrastructure, resulting in the section experiencing water leaks and continuous pipe breakages. The availability of working material in time is an issue, resulting in prolonged reaction times for the sections with breakages. Furthermore insufficient staff, components and working vehicles which affect the reaction time.

54. Change in estimate

Property, plant and equipment

During the financial year, management made changes in estimate on certain assets within Property Plant and Equipment. Changes emanating from these reviews were accounted for as a change in accounting estimates in terms of GRAP 3. These were due to the change in useful life whereby economic value could be derived from the assets after final physical verification of these assets were performed.

The impact on depreciation is shown below:

Infrastructure	1,938,025	5,765,494
Community (buildings)	42,284	269,702
Movable assets	663,953	870,517

Detailed descriptions, component types of the assets in question are available in the Fixed Asset Register of the municipality.

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55. Prior-year adjustments

The following issues were addressed which impacted on various notes:

- Commitments (Note 42): The Capital commitments were adjusted to correct an understatement of commitments relating to Water Supply, and the figures were restated to exclude VAT to be consistent with the operational commitments. This resulted in a net increase in capital commitments of R17 904 349 from R39 902 431 to R51 806 780.
- Irregular expenditure (Note 49): Irregular Expenditure relating to VDAN Construction of R 30 874 041 was identified which related to the 2020/21 financial year.

Presented below are those items contained in the statement of financial position, and statement of financial performance that have been affected by prior-year adjustments (note debit balances or transaction totals are reflected as positive and credits as negative so that the adjustments correspond with the related journal entries):

Statement of financial position

2021

	Note	As previously reported	Correction of error	Reclassification	Restated
Current Assets					
Inventories		26 063,539	-	-	26 063,539
Receivables from exchange transactions		132,017,097	(6,667,133)	-	125,349,964
Receivables from non-exchange transactions		41,729,516	-	-	41,729,516
VAT receivable		239,562,203	(142,190,402)	-	97,371,801
Cash and cash equivalents		7,861,421	(28,041)	-	7,833,380
Non-current assets					
Investment property		114,321,362	-	-	114,321,362
Property, plant and equipment		2,362,971,642	18,020,618	-	2,380,992,260
Intangible assets		108,045	-	-	108,045
Heritage assets		192,195	-	-	192,195
Finance lease obligation		(1,337,562)	-	-	(1,337,562)
Payables from exchange transactions		(1,573,437,718)	208,750,886	145	(1,364,686,887)
Consumer deposits		(18,092,991)	(473,244)	-	(18,566,235)
Employee benefit obligation		(3,504,000)	-	-	(3,504,000)
Unspent conditional grants and receipts		(1,740,904)	-	-	(1,740,904)
Finance lease obligation		(1,179,875)	-	-	(1,179,875)
Employee benefit obligation		(68,723,000)	-	-	(68,723,000)
Provision		(73,430,066)	-	-	(73,430,066)
Accumulated surplus		(1,183,380,904)	(77,412,684)	-	(1,260,793,733)
		-	-	-	-

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55. Prior-year adjustments (continued)

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Reclassification	Restated
Service charges		(373,677,168)		-	(375,616,655)
Rental of facilities and equipment		(2,501,084)	(1,939,487)	-	(2,501,084)
Agency services		(9,276,278)	-	-	(9,276,278)
Other income		(12,183,998)	-	-	(12,183,998)
Interest earned		(42,394,579)	-	(145)	(42,394,724)
Property rates		(127,003,868)	-	-	(127,003,868)
Government grants & subsidies		(386,175,885)	-	-	(386,175,885)
Fines		(5,970,890)	-	-	(5,970,890)
Donations received		(11,480,722)	-	-	(11,480,722)
Employee related costs		249,247,402	-	-	249,247,402
Remuneration of councillors		16,058,210	-	-	16,058,210
Repairs and Maintenance		26,475,010	-	-	26,475,010
Depreciation and amortisation		125,858,114	893,284	-	126,751,398
Impairment loss		11,189,463	(48,973)	-	11,140,490
Finance costs		103,371,534	23,919	-	103,395,453
Debt impairment		49,874,512	-	-	49,874,512
Bulk purchases		335,913,422	(304,318)	-	335,609,104
Contracted services		53,040,615	21,900	-	53,062,515
Losses on disposal of assets		7,346,670	989,822	-	8,336,492
General Expenses		52,470,977	(1,367,813)	-	51,103,164
Actuarial gain		4,104,602	-	-	4,104,602
Inventories (losses)/gains		128,709	-	-	128,709
(Surplus)/Deficit for the year		64,414,768	(1,731,666)	(145)	62,682,957

Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1

An account relating to Trade and other payables was incorrectly classified as Investment income. As a result, Trade and other payables was overstated by R145, and Investment income was understated by R145

Statement of Financial Position
Payables from exchange transactions
Statement of Financial Performance
Interest earned

145
(145)

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56. Prior period errors

Error 1

Assets which were not verified during the audit had not been derecognised. As a result Property, plant and equipment was overstated and Accumulated surplus, Depreciation and Losses on disposal of assets or liabilities were misstated.

Statement of Financial Position

Decrease Property, plant and equipment

Increase Accumulated surplus

Statement of Financial Performance

Decrease Depreciation

Increase Losses on disposal of assets or liabilities

(1,026,414)

9,384

(38,247)

1,055,277

Error 2

An investment property was shown as disposed of in 2021, but had been disposed of in 2020. As a result, there is no impact on the closing balance of Investment property, however, in the note, the disposals were reduced and the opening balance reduced. The Loss on disposal of assets or liabilities was reversed and allocated to accumulated surplus.

Statement of Financial Position

Investment property

Accumulated surplus

Statement of Financial Performance

Losses on disposal of assets or liabilities

65,455

(65,455)

Error 3

An infrastructure asset had not been unbundled / reduced to its significant components in terms of GRAP 17; this was adjusted and the useful lives per component were reassessed and, as a result, the Depreciation and accumulated depreciation on Property, plant and equipment were adjusted.

Statement of Financial Position

Property, plant and equipment

Accumulated surplus

Statement of Financial Performance

Depreciation

(1,056,286)

1,115,638

(59,352)

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(473,244)

473,244

-

Statement of Financial Position

Consumer deposits

Accumulated surplus

Error 5

During the previous years audit, it was identified that Service charges revenue, specifically the sale of pre-paid electricity was understated.

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56. Prior period errors (continued)

Statement of Financial Position

Receivables from exchange transactions

VAT Receivable

Statement of Financial Performance

Service charges

2,230,410
(290,923)
(1,939,487)
-

Error 6

A payment relating to pre-paid electricity was incorrectly allocated to Unallocated deposits, and, therefore, the related Receivable from Exchange Transactions was overstated.

Statement of Financial Position

Receivables from exchange transactions

Payables from exchange transactions

(321,600)
321,600
-

Error 7

The municipality undertook a significant investigation in to creditors and the adjustments processed in the 2020-21 financial year to creditors were reversed, and recaptured from statements, it was also found that an account from the Department of Water and Sanitation had not been recognised, and this was added, and the difference between the creditors control account and the confirmed balances was cleared.

Statement of Financial Position

VAT receivable

Payables from exchange transactions

Accumulated surplus

Statement of Financial Performance

Finance costs

Bulk purchases

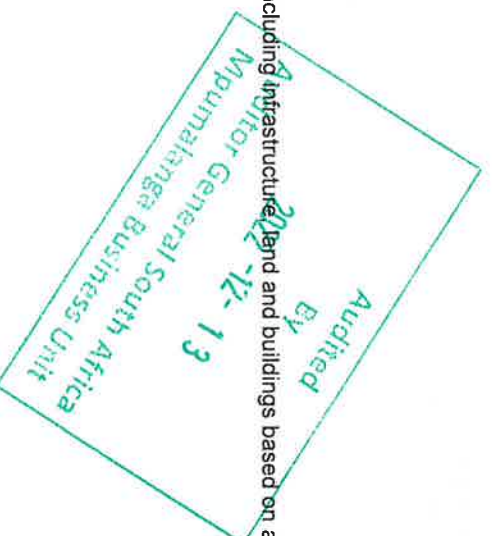
Contracted services

General expenses

(67,878,337)
208,210,104
(138,705,456)
23,918
(304,317)
21,900
(1,367,812)
-

Error 8

Changes were made to various items of PPE, including infrastructure, land and buildings based on a review of new information and verification of the assets.



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56. Prior period errors (continued)

Statement of Financial Position

VAT receivable

Payables from exchange transactions

Accumulated surplus

20,103,321
219,181
(21,264,410)

Statement of Financial Performance

Depreciation and amortisation

Impairment losses

990,881
(48,973)

Error 9

Following the correction of trade payables, it was possible to determine the value of VAT receivable in the municipality.

Statement of Financial Position

VAT receivable

Accumulated surplus

(74,021,142)
74,021,142

Error 10

A transaction with GSDM was duplicated in error in 2020, and reversed.

Statement of Financial Position

Receivables from exchange transactions

Accumulated surplus

(4,170,329)
4,170,329

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56. Prior period errors (continued) Error 11

The petty cash was found to have been overstated.

Statement of Financial Position Cash and cash equivalents Accumulated surplus

(28,041)
28,041
-

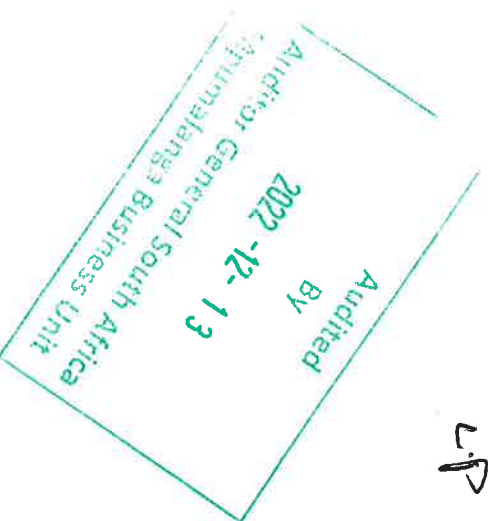
Error 12

A receivable for prepaid electricity had been carried forward for several years and was not considered to be valid. Therefore Receivables from Exchange Transactions and Accumulated Surplus were overstated by R4 405 615.

Statement of Financial Position Receivables from exchange transactions Accumulated surplus

(4,405,615)
4,405,615
-

LF



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57. Segment information

General information

Identification of segments

The municipality has five major segments linked to the primary services offered.

Electricity is a key service department, and, through significant infrastructure holdings, generates economic benefits and service potential to the community.

Water is a key service department, and, through significant infrastructure holdings, generates economic benefits and service potential to the community.

Sewerage is a key service department, and, through significant infrastructure holdings, generates economic benefits and service potential to the community.

The Community and Health department concerned with and generates economic gains and service potential through refuse removal as well as the management of community assets and areas, including libraries, parks and landfill sites. Incidental to its activities, it generates fine revenue.

The Finance vote is administrative, however it generates economic benefits in the form of interest on invested funds, and sundry income from the sale of tender documents, etc. Further, the administration of property rates is co-ordinated by the finance department. The Finance department is responsible for most of the asymmetrical allocations in the segments; expenses and assets are allocated to the segments, but the related payables, VAT and interest expenses are allocated to the Finance department. Inventory is held under the Finance department.

The other segments are administrative in nature and any revenue generated by these is incidental to their operations. Vehicles, road infrastructure assets, and office furniture and equipment make up the majority of Property, plant and equipment not allocated to reportable segments.

The table below is exclusive of interdepartmental billings (which are offset under Expenses in the Statement of Financial performance)..

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57. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Electricity	Water Supply	Waste Water	Community and Health	Finance	Reconciling items / Unallocated	Total
Revenue							
Service Revenue	(236,684,562)	(64,285,929)	(48,773,955)	(40,181,691)	-	-	(389,926,137)
Rental Of Facilities And Equipment	-	-	-	(159,924)	-	(2,561,255)	(2,721,179)
Agency Services	-	-	-	(8,000,655)	-	-	(8,000,655)
Other Income	(4,353,978)	(39,902)	-	(6,287,381)	(857,094)	(2,421,170)	(13,959,525)
Interest Income	(5,317,290)	(7,673,551)	(4,983,619)	(4,751,238)	(8,080,612)	2,635	(30,803,675)
Rates	-	-	-	-	(183,825,669)	-	(183,825,669)
Grants	(10,000,000)	(253,434,678)	-	(7,500)	(3,000,000)	(244,661,439)	(511,103,617)
Fines	-	-	-	(4,588,784)	-	(174,408)	(4,763,192)
Total segment revenue	(256,355,830)	(325,434,061)	(53,757,574)	(63,977,173)	(195,763,375)	(249,815,637)	(1,145,103,649)

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	Electricity	Water Supply	Waste Water	Community and Health	Finance	Reconciling items / Unallocated	Total
57. Segment information (continued)							
Expenditure							
Employee Related Costs	23,510,309	18,129,014	16,024,052	74,648,182	36,790,692	84,969,833	254,072,081
Remuneration Of Councillors	-	-	-	-	-	15,489,401	15,489,401
Repairs And Maintenance	9,397,298	13,184,710	728,939	2,424,012	13,427	3,654,506	29,402,893
Depreciation	17,794,104	26,534,306	21,834,776	9,525,428	809,594	61,143,557	137,641,765
Finance Costs	-	-	-	-	73,202,079	13,797,976	87,000,055
Debt Impairment	15,525,770	25,612,688	20,174,732	23,817,897	33,141,005	2,848,150	121,120,242
Bulk Purchases	321,543,768	70,021,816	-	-	-	-	391,565,585
Contracted Services	5,841,098	-	-	26,524,274	6,126,713	6,639,643	45,131,728
Expenses	(5,704,551)	2,122,246	391,498	7,047,986	17,432,052	27,547,598	48,836,828
Gains/Losses On Disposal of Assets	460,277	5,862,180	2,062,587	8,836,391	-	428,602	17,650,037
Gains/Losses On Inventory	-	-	-	16,195,456	-	-	16,195,456
Impairment	527,744	-	351,475	122,570	-	3,088,251	4,090,039
Actuarial Gain	-	-	-	(5,856,510)	-	-	(5,856,510)
Fair Value Gains	-	-	-	-	(66,567,036)	-	(66,567,036)
Total segment expenditure	388,895,816	161,466,960	61,568,057	163,285,686	100,948,527	219,607,518	1,095,772,564
Total segmental surplus/(deficit)							(49,331,085)
Assets							
Inventory	-	-	-	-	13,003,713	-	13,003,713
Cash And Cash Equivalents	-	-	-	-	9,660,169	-	9,660,169
Receivables From Exchange	47,020,906	45,022,024	21,213,618	19,696,933	13,706,808	-	146,660,289
Receivables From Non-Exchange	-	-	-	1,055,677	58,755,151	-	59,810,828
Vat Receivable	(15,327,611)	(16,940,077)	(12,918,221)	(10,598,452)	171,115,397	131,231	115,462,266
Investment Property	-	-	-	-	180,113,008	-	180,113,008
Property plant and equipment	316,839,635	789,059,615	477,825,119	145,006,871	34,064,241	774,680,833	2,537,476,314
Intangible Assets	-	-	-	-	-	61,915	61,915
Heritage Assets	-	-	-	-	-	174,895	174,895
Total segment assets	348,532,929	817,141,562	486,120,516	155,161,029	480,418,486	775,048,874	3,062,423,397

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57. Segment information (continued)

Liabilities

	Electricity	Water Supply	Waste Water	Community and Health	Finance	Reconciling items / Unallocated	Total
Finance Lease	-	-	-	-	(1,179,875)	-	(1,179,875)
Payables From Exchange	-	-	-	8,865,549	(1,578,715,791)	(4,952,457)	(1,574,802,700)
Consumer Deposits	(19,133,784)	-	-	-	(110,052)	-	(19,243,837)
Employee Benefit Obligation	-	-	-	-	(13,858,000)	(59,944,000)	(73,802,000)
Unspent Grants	(2,951,203)	200,578,578	0	-	2,114,680	(201,079,690)	(1,337,635)
Provisions	-	-	-	(73,430,066)	-	(8,502,466)	(81,932,532)
Total segment liabilities	(22,084,987)	200,578,578	-	(64,564,517)	(1,591,749,039)	(274,478,614)	(1,752,298,579)

2021

Revenue

	Electricity	Water Supply	Waste Water	Community and Health	Finance	Reconciling items / Unallocated	Total
Service Revenue	(216,115,343)	(73,573,499)	(46,956,651)	(38,971,162)	-	-	(375,616,655)
Rental Of Facilities And Equipment	-	-	-	(141,391)	-	(2,359,692)	(2,501,083)
Agency Services	-	-	-	(9,276,278)	-	-	(9,276,278)
Other Income	(3,277,375)	(41,305)	(728)	(5,161,525)	(859,262)	(2,843,802)	(12,183,997)
Interest Income	(7,504,477)	(10,956,678)	(6,801,125)	(6,408,366)	(10,724,079)	-	(42,394,724)
Rates	-	-	-	-	(127,003,868)	-	(127,003,868)
Grants	-	(134,575,029)	-	-	(3,000,000)	(248,600,856)	(386,175,885)
Fines	-	-	-	(5,768,630)	-	(202,260)	(5,970,890)
Donations	-	(10,000,722)	-	(1,480,000)	-	-	(11,480,722)
Total segment revenue	(226,897,195)	(229,147,233)	(53,758,503)	(67,207,352)	(141,587,209)	(254,006,610)	(972,604,102)

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57. Segment information (continued)

Expenditure

Employee Related Costs	19,821,512	19,218,492	14,940,326	75,436,644	35,935,038	83,895,390	249,247,401
Remuneration Of Councillors	-	-	-	-	-	16,058,209	16,058,209
Repairs And Maintenance	9,577,333	10,284,148	774,207	2,533,032	2,261	3,304,029	26,475,009
Depreciation	17,924,165	25,901,885	15,948,488	10,863,875	541,906	55,571,079	126,751,398
Finance Costs	-	-	-	-	97,246,893	6,148,559	103,395,453
Debt Impairment	10,038,120	14,015,940	12,893,251	17,884,261	(2,129,641)	(2,827,418)	49,874,513
Bulk Purchases	263,315,516	72,293,588	-	-	-	-	335,609,104
Contracted Services	8,276,151	-	-	23,938,648	11,066,887	9,780,831	53,062,516
Expenses	(1,955,218)	1,742,565	293,624	6,301,404	12,676,888	32,043,900	51,103,163
Gains/Losses On Disposal of Assets	27,701	3,220,185	2,683,632	94,065	-	2,310,909	8,336,492
Gains/Losses On Inventory	-	-	-	128,709	-	-	128,709
Impairment	3,102,929	-	1,207,612	1,545,488	-	5,284,463	11,140,491
Actuarial Gain	-	-	-	4,104,602	-	-	4,104,602
Total segment expenditure	330,128,209	146,676,804	48,741,140	142,830,726	155,340,232	211,569,950	1,035,287,060
Total segmental (surplus) /deficit							62,682,956

Assets

Inventory	-	-	-	-	26,063,539	-	26,063,539
Cash And Cash Equivalents	-	-	-	-	7,833,525	-	7,833,525
Receivables From Exchange	38,368,557	39,534,070	17,889,204	17,035,035	12,523,097	-	125,349,963
Receivables From Non-Exchange	-	-	-	1,676,277	40,053,239	-	41,729,516
Vat Receivable	(14,830,596)	(16,207,928)	(12,183,456)	(10,259,039)	150,733,040	119,780	97,371,802
Investment Property	-	-	-	-	114,321,362	-	114,321,362
Property plant and equipment	313,999,221	595,631,673	458,128,129	163,693,069	36,525,941	813,014,225	2,380,992,259
Intangible Assets	-	-	-	-	-	108,044	108,044
Heritage Assets	-	-	-	-	-	192,195	192,195
Total segment assets	337,537,183	618,957,815	463,833,878	172,145,342	388,053,742	813,434,245	2,793,962,205

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