



Msukaligwa Local Municipality  
Annual Financial Statements  
for the year ended 30 June 2023

# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

## General Information

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Grading of local authority	4
Accounting Officer	Mr. M. Kunene (Appointed 12 August 2022)
Chief Financial Officer (CFO)	Mr P.J.Nhlabathi (Appointed 01 December 2022)
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
Auditors	Auditor-General of South Africa Registered Auditors
Attorneys	Julie Mahommed Attorneys Maphanga Attorneys Mhlongo Khumalo Attorneys Mohlala Attorneys Motimele Attorneys Sefalafala Attorneys Sibeko Incorporated TMN Kgomo and Associates
Rounding	All amounts have been rounded to the nearest R1
Website	<a href="http://www.msukaligwa.gov.za">www.msukaligwa.gov.za</a>
Contact number	Tel: 017 8611 Msuka (086 116 7852) Fax: 017 801 3851



# Msukaligwa Local Municipality

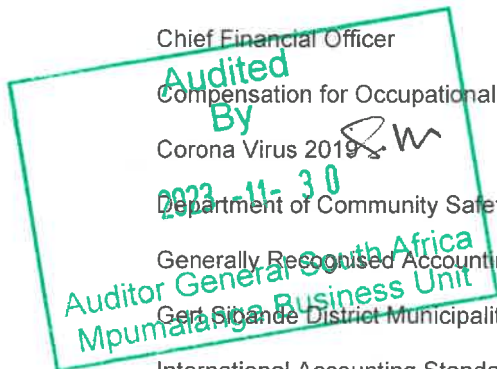
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Annual Financial Statements for the year ended 30 June 2023

## Abbreviations

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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



# Msukaligwa Local Municipality

(Registration number MP302)

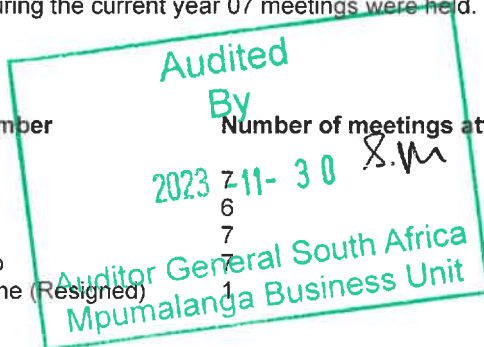
Annual Financial Statements for the year ended 30 June 2023

## 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.

Name of member	Number of meetings attended
F. Mudau	7
N. Maseko	6
P. Mangoma	7
M. Mmaphele	7
P.B Mosomane (Resigned)	1



### 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, and further provides recommendations where deficiencies are identified. 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 audit, the Audit report on the annual financial statements and the implementation of the action plan in addressing issues raised in the AG report, it was noted there were matters reported that indicate material deficiencies in the system of internal control or any deviation therefrom. Accordingly, the Audit Committee has made recommendations to these deficiencies and we can report that the system of internal controls over financial reporting for the period under review was fairly 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 fairly 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.

# Msukaligwa Local Municipality

(Registration number MP302)

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## Accounting Office's Report

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### 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 / etc 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 - 132, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023.

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**Mr. M. Kunene**  
Accounting Officer

# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	7	23,589,169	13,003,712
Receivables from exchange transactions	8&10	167,834,179	145,467,135
Receivables from non-exchange transactions	9&10	65,189,392	59,846,831
VAT receivable	11	131,424,790	105,428,352
Cash and cash equivalents	12	78,704,967	9,673,827
		<b>466,742,497</b>	<b>333,419,857</b>
<b>Non-Current Assets</b>			
Investment property	3	181,143,053	178,381,508
Property, plant and equipment	4	2,651,634,315	2,555,795,186
Intangible assets	5	15,786	61,916
Heritage assets	6	174,895	174,895
		<b>2,832,968,049</b>	<b>2,734,413,505</b>
<b>Total Assets</b>		<b>3,299,710,546</b>	<b>3,067,833,362</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	13	-	1,179,875
Payables from exchange transactions	14	1,572,148,720	1,439,945,514
Consumer deposits	15	20,450,245	19,243,836
Employee benefit obligation	16	3,864,000	5,605,000
Unspent conditional grants and receipts	17	44,723,686	1,593,484
		<b>1,641,186,651</b>	<b>1,467,567,709</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	16	68,931,001	68,197,000
Provisions	19	95,319,376	81,932,532
		<b>164,250,377</b>	<b>150,129,532</b>
<b>Total Liabilities</b>		<b>1,805,437,028</b>	<b>1,617,697,241</b>
<b>Net Assets</b>		<b>1,494,273,518</b>	<b>1,450,136,121</b>
Accumulated surplus		1,494,273,518	1,450,136,121
<b>Total Net Assets</b>		<b>1,494,273,518</b>	<b>1,450,136,121</b>

\* See Note 57

# Isukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Restated Opening Balance	1,260,260,189	1,260,260,189
Adjustments		
Prior year adjustments	173,513,684	173,513,684
<b>Balance at 01 July 2021 as restated*</b>	<b>1,433,773,873</b>	<b>1,433,773,873</b>
Changes in net assets		
Surplus/(Deficit) for the year	16,362,248	16,362,248
Total changes	16,362,248	16,362,248
Opening balance as previously reported	1,309,756,908	1,309,756,908
Adjustments		
Prior year adjustments	140,379,215	140,379,215
<b>Restated* Balance at 01 July 2022 as restated*</b>	<b>1,450,136,123</b>	<b>1,450,136,123</b>
Changes in net assets		
Surplus / (Deficit) for the year	44,137,395	44,137,395
Total changes	44,137,395	44,137,395
<b>Balance at 30 June 2023</b>	<b>1,494,273,518</b>	<b>1,494,273,518</b>

Audited  
By  
2023 -11- 30 P.M  
Auditor General South Africa  
Mpumalanga Business Unit

\* See Note 57

# .sukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## 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						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	411,350,000	26,915,000	438,265,000	404,842,972	(33,422,028)	
Rental of facilities and equipment	2,700,000	51,000	2,851,000	2,921,300	70,300	
Agency services	-	-	-	6,885,735	6,885,735	
Other income	20,759,000	3,366,000	24,125,000	12,891,526	(11,233,474)	
Interest received	31,933,000	6,260,000	38,193,000	41,965,472	3,772,472	
<b>Total revenue from exchange transactions</b>	<b>466,742,000</b>	<b>36,692,000</b>	<b>503,434,000</b>	<b>469,507,005</b>	<b>(33,926,995)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	207,037,000	23,097,000	230,134,000	205,140,723	(24,993,277)	
<b>Transfer revenue</b>						
Government grants & subsidies	523,741,000	16,006,000	539,747,000	498,252,576	(41,494,424)	
Fines, Penalties and Forfeits	5,177,000	(3,000)	5,174,000	5,703,614	529,614	
Debt forgiven	-	-	-	110,686,413	110,686,413	
Donations	-	-	-	2,451,356	2,451,356	
<b>Total revenue from non-exchange transactions</b>	<b>735,955,000</b>	<b>39,100,000</b>	<b>775,055,000</b>	<b>822,234,682</b>	<b>47,179,682</b>	
<b>Total revenue</b>	<b>1,202,697,000</b>	<b>75,792,000</b>	<b>1,278,489,000</b>	<b>1,291,741,687</b>	<b>13,252,687</b>	
<b>Expenditure</b>						
Employee related costs	(276,107,000)	(1,431,000)	(277,538,000)	(272,716,728)	4,821,272	
Remuneration of councillors	(18,513,000)	-	(18,513,000)	(17,362,089)	1,150,911	
Repairs and maintenance	-	-	-	(50,243,216)	(50,243,216)	
Depreciation and amortisation	(140,616,000)	9,002,000	(131,614,000)	(135,027,979)	(3,413,979)	
Expenses from service concession arrangements	-	-	-	(4,256,257)	(4,256,257)	
Finance costs	-	(28,000,000)	(28,000,000)	(99,031,688)	(71,031,688)	
Debt Impairment	(156,536,000)	48,232,000	(108,304,000)	(148,433,213)	(40,129,213)	
Collection costs	-	-	-	(71,482,037)	(71,482,037)	
Bulk purchases	(319,126,000)	-	(319,126,000)	(317,779,412)	1,346,588	
Contracted Services	(75,718,000)	(10,990,000)	(86,708,000)	(61,884,869)	24,823,131	
Cost of housing sold	-	-	-	(14,061,750)	(14,061,750)	
General Expenses	(138,748,000)	(2,532,000)	(141,280,000)	(69,712,670)	71,567,330	
<b>Total expenditure</b>	<b>(1,125,364,000)</b>	<b>14,281,000</b>	<b>(1,111,083,000)</b>	<b>(1,261,991,908)</b>	<b>(150,908,908)</b>	
<b>Operating surplus</b>	<b>77,333,000</b>	<b>90,073,000</b>	<b>167,406,000</b>	<b>29,749,779</b>	<b>(137,656,221)</b>	
Fair value adjustments	-	-	-	3,377,545	3,377,545	
Actuarial gains/losses	-	-	-	7,440,524	7,440,524	
Inventories losses	-	-	-	3,569,547	3,569,547	
	-	-	-	14,387,616	14,387,616	
<b>Surplus / (Deficit)</b>	<b>77,333,000</b>	<b>90,073,000</b>	<b>167,406,000</b>	<b>44,137,395</b>	<b>(123,268,605)</b>	



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## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<div style="border: 2px solid green; padding: 10px; display: inline-block; transform: rotate(-2deg);"> <p><b>Audited By</b></p> <p><b>2023 -11- 30</b></p> <p><b>Auditor General South Africa</b></p> <p><b>Mpumalanga Business Unit</b></p> </div>						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Property rates	133,248,000	17,323,000	150,571,000	132,423,893	(18,147,107)	
Services	385,213,000	20,998,000	406,211,000	322,561,210	(83,649,790)	
Grants	523,741,000	16,006,000	539,747,000	510,692,848	(29,054,152)	
Interest income	932,000	2,201,000	3,133,000	-	(3,133,000)	
Other receipts	95,675,000	(28,465,000)	67,210,000	-	(67,210,000)	
	<b>1,138,809,000</b>	<b>28,063,000</b>	<b>1,166,872,000</b>	<b>965,677,951</b>	<b>(201,194,049)</b>	
<b>Payments</b>						
Suppliers and Employee costs	(838,995,000)	35,585,000	(803,410,000)	(652,655,582)	150,754,418	
<b>Net cash flows from operating activities</b>	<b>299,814,000</b>	<b>63,648,000</b>	<b>363,462,000</b>	<b>313,022,369</b>	<b>(50,439,631)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(297,835,000)	-	(297,835,000)	-	297,835,000	
Proceeds from sale of property, plant and equipment	-	1,441,000	1,441,000	-	(1,441,000)	
<b>Net cash flows from investing activities</b>	<b>(297,835,000)</b>	<b>1,441,000</b>	<b>(296,394,000)</b>	<b>-</b>	<b>296,394,000</b>	
<b>Cash flows from financing activities</b>						
Net increase/(decrease) in cash and cash equivalents	1,979,000	65,089,000	67,068,000	313,022,369	245,954,369	
Cash and cash equivalents at the beginning of the year	1,020,000	7,642,000	8,662,000	-	(8,662,000)	
<b>Cash and cash equivalents at the end of the year</b>	<b>2,999,000</b>	<b>72,731,000</b>	<b>75,730,000</b>	<b>313,022,369</b>	<b>237,292,369</b>	

For reasons, please refer to note 60. 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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Other expenditure (214,466,163) (38,210,318) (252,676,481)

<b>Total expenditure</b>	<b>(1,125,363,971)</b>	<b>8,106,500</b>	<b>(1,117,257,471)</b>	<b>(1,261,991,908)</b>	<b>-</b>	<b>(252,676,481)</b>	<b>(271,640,799)</b>	<b>-</b>	<b>(18,964,318)</b>	<b>108 %</b>	<b>127 %</b>
<b>Surplus/(Deficit)</b>	<b>(214,719,046)</b>	<b>79,897,699</b>	<b>(134,821,347)</b>	<b>(214,731,914)</b>	<b>-</b>	<b>(134,821,347)</b>	<b>(214,731,914)</b>	<b>-</b>	<b>(144,734,437)</b>	<b>113 %</b>	<b>112 %</b>
Transfers recognised - capital	292,052,250	4,000,000	296,052,250	258,869,309	-	296,052,250	258,869,309	-	(37,182,941)	159 %	100 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>77,333,204</b>	<b>83,897,699</b>	<b>161,230,903</b>	<b>44,137,395</b>	<b>-</b>	<b>161,230,903</b>	<b>44,137,395</b>	<b>-</b>	<b>(117,093,508)</b>	<b>27 %</b>	<b>57 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>77,333,204</b>	<b>83,897,699</b>	<b>161,230,903</b>	<b>44,137,395</b>	<b>-</b>	<b>161,230,903</b>	<b>44,137,395</b>	<b>-</b>	<b>(117,093,508)</b>	<b>27 %</b>	<b>57 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	297,835,249	129,344,795	427,180,044	603,251,733	-	427,180,044	603,251,733	-	176,071,689	141 %	203 %
<b>Cash flows</b>											
Net cash from (used) operating	299,814,785	498,756,309	798,571,094	311,109,047	-	798,571,094	311,109,047	-	(487,462,047)	39 %	104 %
Net cash from (used) investing	(297,835,249)	(129,344,795)	(427,180,044)	(240,898,032)	-	(427,180,044)	(240,898,032)	-	186,282,012	56 %	81 %
Net cash from (used) financing	-	-	-	(1,179,875)	-	-	(1,179,875)	-	(1,179,875)	DIV/0 %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,979,536</b>	<b>369,411,514</b>	<b>371,391,050</b>	<b>69,031,140</b>	<b>-</b>	<b>371,391,050</b>	<b>69,031,140</b>	<b>-</b>	<b>(302,359,910)</b>	<b>19 %</b>	<b>3,487 %</b>
Cash and cash equivalents at the beginning of the year	1,020,000	8,642,000	9,662,000	9,673,827	-	9,662,000	9,673,827	-	11,827	100 %	948 %
<b>Cash and cash equivalents at year end</b>	<b>2,999,536</b>	<b>378,053,514</b>	<b>381,053,050</b>	<b>78,704,967</b>	<b>-</b>	<b>381,053,050</b>	<b>78,704,967</b>	<b>-</b>	<b>302,348,083</b>	<b>21 %</b>	<b>2,624 %</b>

Audited By  
2023 -11- 30  
Auditor General South Africa  
Mamanga Business Unit

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## Accounting Policies

### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

The recoverable amounts of non-cash-generating 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 assumptions relating to residual values or useful lives may change which may then impact our estimations and may then require a material adjustment to the carrying value of 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. The fair value less costs to sell are significantly affected by a number of factors including demand, together with economic factors such as inflation rates. The value in use is generally reflected in the remaining service potential of the asset, which is estimated using the depreciated replacement cost, i.e. 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. Impairment then typically results in a reduced useful life.

#### 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 19 - 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.

#### 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

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## 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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### 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 alter 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 that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

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

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

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

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## Accounting Policies

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

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

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

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

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

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

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

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

A financial asset is:

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

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## Accounting Policies

### 1.9 Financial instruments (continued)

- 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

Trade receivables from exchange transactions  
Trade receivables from non exchange transactions  
Investments  
Cash and cash equivalents

#### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
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

Payables from exchange transactions  
Consumer deposits  
Vat Payable  
Unspent conditional grants  
Employee benefit provisions

#### Category

Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
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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## Accounting Policies

### 1.9 Financial instruments (continued)

#### Derecognition

#### Financial assets

Audited  
By  
2023-11-30  
Auditor General South Africa  
Mpumalanga Business Unit

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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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## 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, a 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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## Accounting Policies

### 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; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

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## Accounting Policies

### 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 prior to estimation of the recoverable amount of the cash-generating unit.

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## Accounting Policies

### 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:

Assets that are used for administrative purposes and are otherwise interchangeable are classified as non-cash-generating assets.

Infrastructure and community assets are to provide services and are classified as non-cash generating assets.

Investment properties rented at market related rates are classified as cash-generating assets.

#### Identification

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

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

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

#### 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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## 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)

#### 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 municipality 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 municipality accounts 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 municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality'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 municipality 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 municipality 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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Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

### 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 45.

# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

### 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.



# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 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.

# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.20 Investment income

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

### 1.21 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

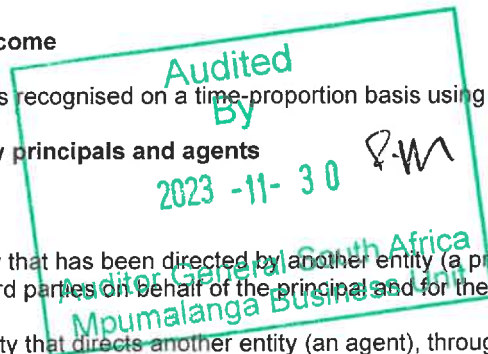
When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

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.



# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

### 1.25 Irregular expenditure (continued)

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).

### 1.26 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 59.

### 1.27 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 01/07/2022 to 30/06/2023.

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.

### 1.28 Related parties

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

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

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

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

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

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

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

# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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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 Minimum Requirement and Interaction	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.

# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

2023

2022

### 3. Investment property (continued)

The outcome of the fair value adjustment is indicated below:

Fair Value Adjustment: Gains

2023

3,377,544

2022

66 567 036

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.

# Msukaligwa Local Municipality

(Registration number MP302)  
Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Work in Progress	Disposals	Depreciation	Impairment loss	Total
Land	146,021,836	-	-	-	-	-	146,021,836
Buildings	76,566,251	1,208,860	-	(37,015)	(4,744,676)	(31,348)	72,962,072
Community Assets	124,419,920	-	-	(340,143)	(7,913,442)	(122,981)	116,043,354
Electrical infrastructure	318,518,504	11,918,744	(3,804,542)	(3,545,936)	(18,242,597)	(86,709)	304,763,464
Roads and storm water	554,683,289	32,832,929	(2,983,735)	(3,209,117)	(46,547,030)	(1,258,435)	533,517,901
Sanitation	478,090,432	6,586,817	52,598,762	(3,730,273)	(19,192,989)	449,112	514,801,861
Solid waste	5,837,533	5,173,597	-	(12,208)	(4216,372)	-	6,782,550
Water supply	795,984,180	32,465,170	105,234,311	(2,632,094)	(26,867,013)	2,199,530	901,485,024
Furniture, fixtures and Office equipment	3,139,232	237,689	-	(8,563)	(535,600)	(5,676)	2,827,082
Computer equipment	3,038,023	1,969,006	-	(6,563)	(999,898)	(2,854)	3,997,714
Leased assets	1,112,320	-	-	-	(1,112,320)	-	-
Library books	6,584,134	-	-	-	(1,018,685)	-	5,565,449
Motor vehicles	38,870,075	5,833,101	-	(821,556)	(3,480,200)	(1,153)	40,400,267
Plant and machinery	2,929,455	150,000	-	-	(611,033)	(2,683)	2,465,739
	<b>2,555,795,184</b>	<b>98,375,913</b>	<b>151,044,796</b>	<b>(14,343,468)</b>	<b>(134,981,855)</b>	<b>(4,256,257)</b>	<b>2,651,634,313</b>

# Msukaligwa Local Municipality

(Registration number MP302)  
Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of work in progress

2023	Opening	Additions	Impairment	Expense	Completion	Total
Community Assets	1,961,265	-	-	-	-	1,961,265
Buildings	-	1,063,860	-	-	(1,063,860)	-
Electrical	16,215,293	7,709,604	-	-	(11,514,146)	12,410,751
Roads	17,050,099	29,844,735	(519,630)	-	(32,828,470)	13,546,734
Sanitation	36,824,998	59,185,579	-	-	(6,586,817)	89,423,760
Water supply	284,260,265	138,253,538	(2,888,916)	-	(33,019,227)	386,605,660
	<b>356,311,920</b>	<b>236,057,316</b>	<b>(3,408,546)</b>	<b>-</b>	<b>(85,012,520)</b>	<b>503,948,170</b>
2022	Opening	Additions	Impairment	Expense	Completion	Total
Community Assets	1,961,265	43,000	-	(13,000)	(30,000)	1,961,265
Electrical	136,819	21,851,531	-	-	(5,773,056)	16,215,294
Roads	5,104,422	19,613,539	-	-	(7,667,862)	17,050,099
Sanitation	32,817,561	42,083,648	-	-	(38,076,211)	36,824,998
Water supply	95,774,176	225,967,658	-	-	(37,481,569)	284,260,265
	<b>135,794,243</b>	<b>309,559,376</b>	<b>-</b>	<b>(13,000)</b>	<b>(89,028,698)</b>	<b>356,311,921</b>

Auditor General South Africa  
Mpumalanga Business Unit  
2023 -11- 30  
Audited By

#### Project impaired

Management impaired two WIP Projects at yearend. Four submersible waterpumps were stolen at an incompleted Water Supply borehole project and a storm water drainage project was impaired due to mutual agreement on cancellation 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.



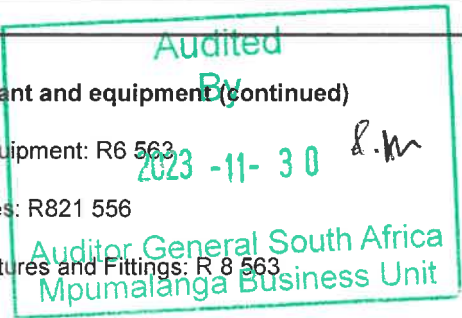
# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>4. Property, plant and equipment (continued)</b>		
• Computer Equipment: R6 563		
• Motor Vehicles: R821 556		
• Furniture, Fixtures and Fittings: R 8 563		



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.



(Registration number MP302)  
Annual Financial Statements for the year ended 30 June 2023

### Figures in Rand

Art Collections, antiquities and exhibits

# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>9. Receivables from non-exchange transactions</b>		
Fines	578,105	1,055,677
Consumer debtors - Rates	64,611,287	58,791,154
	<b>65,189,392</b>	<b>59,846,831</b>

# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

2023

2022

### 10. Consumer debtors disclosure (continued)

#### Water

Current (0 -30 days)	6,514,568	4,500,339
31 - 180 days	7,136,770	8,510,516
181 - 360 days	6,327,001	5,084,834
361 - 720 days	7,251,506	7,165,805
720+ days	24,651,733	19,771,789
	<b>51,881,578</b>	<b>45,033,283</b>

#### Sewerage

Current (0 -30 days)	2,748,395	2,802,223
31 - 180 days	5,179,635	4,824,797
181 - 360 days	4,605,127	3,264,932
361 - 720 days	4,091,327	4,080,063
720+ days	8,489,247	6,243,261
	<b>25,113,731</b>	<b>21,215,276</b>

#### Refuse

Current (0 -30 days)	2,390,798	2,282,420
31 - 180 days	5,096,587	3,933,075
181 - 360 days	4,594,106	2,929,079
361 - 720 days	3,850,229	4,006,446
720+ days	9,105,163	6,545,913
	<b>25,036,883</b>	<b>19,696,933</b>

#### Service Debtors

Current (0 -30 days)	346,255	359,565
31 - 180 days	729,169	623,752
181 - 360 days	808,687	1,137,000
361 - 720 days	1,086,091	779,898
121 - 365 days	7,986,165	6,964,445
	<b>10,956,367</b>	<b>9,864,660</b>

#### Rental Debtors

Current (0 -30 days)	99,803	106,211
31 - 180 days	314,968	328,265
181 - 360 days	231,214	292,242
361 - 720 days	311,324	300,699
720+ days	903,948	896,949
	<b>1,861,257</b>	<b>1,924,366</b>

#### Land sales

Current (0 -30 days)	18	18
31 - 180 days	90	90
181 - 360 days	108	109
361 - 720 days	217	348
720+ days	6,552	5,933
	<b>6,985</b>	<b>6,498</b>

### 11. VAT receivable

VAT	131,424,790	105,428,352
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# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 15. Consumer deposits

Consumer deposits  
Sundry deposits

Audited  
By  
2023 -11- 30 E.M.  
Auditor General South Africa  
Mpumalanga Business Unit

2023

2022

20,330,726

19,133,784

119,519

110,052

**20,450,245**

**19,243,836**

### 16. Employee benefit obligations

The municipality provides a post-employment medical aid plan to some employees - this is a defined contribution 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

73,802,000

72,227,000

Contributions paid

(5,579,476)

(3,302,490)

Net expense recognised in the statement of financial performance

4,572,476

4,877,490

**72,795,000**

**73,802,000**

Net expense recognised in the statement of financial performance

Current service cost

3,729,000

3,777,000

Interest cost

8,284,000

6,957,000

Actuarial (gains) losses

(7,440,524)

(5,856,510)

**4,572,476**

**4,877,490**

# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

2023

2022

### 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	10.85%	10.87%
Consumer Price Index	5.93%	6.33%
General earnings inflation rate (long-term)	6.93%	7.33%
Net effective discount rate	3.67%	3.30%
Average retirement age	62	62

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

	2023	2022	2021	2020	2019
History of the liability	13,618,000	13,858,000	13,097,000	11,759,000	11,138,000

### 17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Local Government Sector Education and Training Authority grant	1,237,255	392,062
Municipal disaster relief grant	1,500,000	-
Provincial Treasury Support Grant	1,213,240	-
Regional bulk infrastructure grant	40,073,191	501,422
Sport and recreation grant - National Lottery	700,000	700,000
	<b>44,723,686</b>	<b>1,593,484</b>

#### Movement during the year

Balance at the beginning of the year	1,593,484	-
Additions during the year	540,994,701	185,372,431
Income recognition during the year	(497,864,499)	(183,778,947)
	<b>44,723,686</b>	<b>1,593,484</b>

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.



# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>18.</b>		
<b>Revenue from operating grants</b>		
Equitable share	227,520,000	199,442,000
Expanded public works programme grant	1,766,000	1,985,690
Financial management grant	3,000,000	3,000,000
Local government sector education and training authority grant	310,507	196,000
Provincial Treasury Support Grant	6,786,760	-
	<b>239,383,267</b>	<b>204,623,690</b>
<b>Revenue from capital grants</b>		
Energy Efficiency Demand-Side Management Grant	4,000,000	-
Integrated national electrification programme	-	10,000,000
Municipal infrastructure grant	57,052,250	52,856,100
Municipal infrastructure grant - PMU	3,002,750	2,781,900
Regional bulk infrastructure grant	134,814,309	200,578,578
Water services infrastructure grant	60,000,000	40,000,000
	<b>258,869,309</b>	<b>306,216,578</b>
	<b>498,252,576</b>	<b>510,840,268</b>
<b>Conditional and unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	271,806,624	311,654,117
Unconditional grants received	227,520,000	199,442,000
	<b>499,326,624</b>	<b>511,096,117</b>
<b>Equitable share</b>		
Current-year receipts	227,019,000	198,537,000
Conditions met - transferred to revenue	(227,520,000)	(199,442,000)
Roll over not approved - EPWP	-	588,000
Rollover not approved - RBIG	501,000	317,000
	<b>-</b>	<b>-</b>
This grant funds the basic services for registered indigents as well as municipals operations.		
<b>Energy Efficiency Demand-Side Management Grant</b>		
Current-year receipts	4,000,000	-
Conditions met - transferred to revenue	(4,000,000)	-
	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 17).		
This grant is intended to provide subsidies to municipalities to implement energy efficiency and demand-side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.		
<b>Expanded Public Works Programme</b>		
Balance unspent at beginning of year	-	587,691
Current-year receipts	1,766,000	1,986,000
Conditions met - transferred to revenue	(1,766,000)	(1,985,691)
Withheld from Equitable Share	-	(588,000)

# Msukaligwa Local Municipality

(Registration number MP302)

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>18. (continued)</b>		
<b>Local Government Sector Education and Training Authority grant</b>		
Balance unspent at beginning of year	392,062	136,213
Current-year receipts	1,155,700	451,849
Conditions met - transferred to revenue	(310,507)	(196,000)
	<b>1,237,255</b>	<b>392,062</b>

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 Grant

Balance unspent at beginning of year	-	1,980
Current-year receipts	1,500,000	-
Withheld from Equitable Share	-	(1,980)
	<b>1,500,000</b>	<b>-</b>

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

Current-year receipts	-	10,000,000
Conditions met - transferred to revenue	-	(10,000,000)
	<b>-</b>	<b>-</b>

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	57,052,250	52,856,100
Conditions met - transferred to revenue	(57,052,250)	(52,856,100)
	<b>-</b>	<b>-</b>

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

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## Notes to the Annual Financial Statements

Figures in Rand	Audited By 2023 -11- 30 S.M. Auditor General South Africa Mpumalanga Business Unit	2023	2022
19. Provisions			
Reconciliation of provisions - 2023			
Landfill site		Opening Balance 81,932,532	Change in discount factor 13,386,844 Total 95,319,376

### Reconciliation of provisions - 2022

Landfill site	Opening Balance 73,430,066	Change in discount factor 8,502,466	Total 81,932,532
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### 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, Davel, Lothair and Chrissiesmeer to comply with the permit requirements.

The provision was determined by an independent expert as at 30 June 2023 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 18 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: 179 595 square metres (2021: 179 596 square metres)

Average rate per square metre: R563 excl. VAT (2021: R432 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
Davel	: 8 051 square metres
Lothair	: 20 081 square metres
Chrissiesmeer	: 4 052 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.

# Msukaligwa Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>25. Property rates</b>		
<b>Rates levied</b>		
Agricultural	20,102,007	19,146,475
Business and commercial	78,055,924	70,042,341
Public benefit organisations	167,592	164,147
Public service purposes	25,409,352	23,571,833
Public service infrastructure	57,434	54,351
Residential	74,520,216	63,192,944
Vacant stands	6,828,197	7,653,577
	<b>205,140,722</b>	<b>183,825,668</b>

### Valuations

Agriculture	8,959,876,000	8,960,056,000
Business and commercial	3,224,526,800	2,949,225,700
Municipal	938,803,300	911,614,800
Public benefit organisation	299,644,500	300,444,500
Public service infrastructure	51,685,700	50,873,200
Public service purposes	991,023,300	992,523,300
Residential	8,805,281,100	8,801,538,100
Vacant stands	304,534,000	322,264,000
	<b>23,575,374,700</b>	<b>23,288,539,600</b>

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 0.9975 (2022: 0.9500) is applied to property valuations to determine assessment rates. Rebates of 10% (2022: 15%) plus R15000 impermissible rates, section 17(1)(h) of the MPRA, are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being 30 June 2023 (30 June 2022). Interest at 0.542% per month (2022: 0.833%) is levied on rates outstanding.

The current general valuation was valid until 30 June 2023, however this has been extended by another two years to 30 June 2025.

# Msukaligwa Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Employee related costs</b>		
Acting allowances	1,338,533	1,508,828
Basic	142,062,624	134,839,534
Bonus	11,846,699	10,879,705
Car allowance	10,620,794	10,833,596
Cell and data allowances	871,685	155,270
COVID levy	1,997,432	1,188,888
Group Insurance	2,589,441	2,370,931
Housing benefits and allowances	486,380	659,602
Leave expense	2,305,594	480,642
Long service awards	2,284,962	1,167,000
Medical aid company contributions	13,698,976	13,031,943
Bargaining council	78,667	69,631
Overtime payment	23,546,734	22,859,457
Pension Fund	28,275,768	25,752,560
Post-retirement medical aid	2,547,937	2,610,000
SDL	2,229,744	2,084,285
Shift and standby allowance	13,869,554	13,539,413
UIF	1,298,339	1,238,724
Ward committees	3,067,500	1,830,000
	<b>265,017,363</b>	<b>247,100,009</b>

### Municipal Manager - M Kunene

Annual Remuneration	853,527	-
Car Allowance	151,575	-
Phone Allowance	26,371	-
Contributions to UIF, Medical and Pension Funds	172,728	-
	<b>1,204,201</b>	<b>-</b>

Mr M Kunene was appointed to the position of municipal manager on 12 August 2022.

Prior to this, 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 2022 (See below). Mr CJ Lisa was appointed on 28 February 2022 to be acting municipal manager (See below).

### Acting Municipal Manager - CJ Lisa

Annual Remuneration	253,847	512,933
Phone Allowance	5,000	10,000
Contributions to UIF, Medical and Pension Funds	2,943	5,948
	<b>261,790</b>	<b>528,881</b>

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 2022 (see below). Mr CJ Lisa was appointed on 28 February 2022 to be acting municipal manager. Mr Lisa was appointed by COGTA and, therefore, does not hold another post within the municipality.

### Acting Municipal Manager - BC Sibeko

Annual Remuneration	-	174,130
Car Allowance	-	43,999
Contributions to UIF, Medical and Pension Funds	-	51,281
Acting Allowance	-	110,226
	<b>-</b>	<b>379,636</b>



# Msukaligwa Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

2023

2022

### 29. Employee related costs (continued)

#### Director - Corporate Services - PS Mabuza

Annual Remuneration	853,250	800,782
Car Allowance	181,575	180,000
Phone Allowance	24,000	20,000
Contributions to UIF, Medical and Pension Funds	214,570	213,045
	<b>1,273,395</b>	<b>1,213,827</b>

#### Director - Community and Social Services - MS Lukhele

Annual Remuneration	418,113	-
Car Allowance	135,000	-
Phone Allowance	14,000	-
Contributions to UIF, Medical and Pension Funds	110,828	-
	<b>677,941</b>	<b>-</b>

Mr Lukhele was appointed as Director - Community and Social Services on 1 December 2022.

#### Acting Director - Community and Social Services - FS Maseko

Annual Remuneration	196,558	-
Car Allowance	43,717	-
Phone Allowance	7,000	-
Standby and Housing Allowance	65,936	-
Contributions to UIF, Medical and Pension Funds	54,904	-
Acting Allowance	37,283	-
	<b>405,398</b>	<b>-</b>

Mr Maseko was appointed to act in the position of Director - Community and Social Services for the period  
Mr Maseko does not otherwise hold an executive position in the municipality and, therefore, his remuneration above is for the period in which he was acting as Director - Community and Social Services only.

#### Director - Community and Social Services - SI Malaza

Annual Remuneration	226,076	742,922
Car Allowance	8,000	96,000
Phone Allowance	2,000	23,592
Contributions to UIF, Medical and Pension Funds	13,610	146,455
Acting Allowance	-	283,076
	<b>249,686</b>	<b>1,292,045</b>

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.

Mr Malaza left the municipality on 31 July 2022.

#### Director - Technical Services - ZP Duma

Annual Remuneration	39,359	-
Car Allowance	20,000	-
Contributions to UIF, Medical and Pension Funds	731	-
	<b>60,090</b>	<b>-</b>

Ms Duma was appointed to the post of Director - Technical Services on 12 June 2023.

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>30. Remuneration of councillors</b>		
Executive Mayor	983,048	616,939
Speaker	795,508	521,428
Chief Whip	755,239	612,354
Mayoral Committee Members	3,752,747	2,530,278
Councillors	11,075,547	11,211,685
	<b>17,362,089</b>	<b>15,492,684</b>
<b>Additional information</b>		
The details for individual councillors are set out in the related parties note 46.		
<b>31. Debt impairment</b>		
Allowance for impairment - Consumer debtors	142,361,895	116,170,093
Allowance for impairment - Traffic fines	5,876,033	4,950,150
Bad debts written off	195,285	-
	<b>148,433,213</b>	<b>121,120,243</b>
<b>32. Depreciation and amortisation</b>		
Property, plant and equipment	134,981,850	138,258,281
Intangible assets	46,129	46,129
	<b>135,027,979</b>	<b>138,304,410</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>33. Impairment loss (continued)</b>		
The condition of a trailer deteriorated to such an extent that the municipality decided to impair this asset.		
Detailed descriptions, components types and photographs of the assets impaired are available in the Fixed Asset Register of the municipality.		
<b>34. Loss on disposal of assets</b>		
Losses on Property plant and equipment	(13,888,871)	(26,545,998)
Loss on Heritage Assets	-	(17,300)
Gains / (loss) on Investment property	(172,878)	(1,606,764)
	<b>(14,061,749)</b>	<b>(28,170,062)</b>
<b>35. Repairs and Maintenance</b>		
Plant, Machinery and Equipment	8,106,294	4,073,991
Motor Vehicles	5,063,437	2,903,215
Buildings	212,611	318,712
Electrical	19,757,659	9,261,666
Roads	1,869,390	3,832,968
Sanitation	626,742	695,079
Water Supply	14,607,083	8,869,806
	<b>50,243,216</b>	<b>29,955,437</b>
<b>36. Finance costs</b>		
Trade and other payables	82,495,226	82,617,469
Finance leases	39,215	125,346
Land fill site	8,213,247	6,715,630
Employee benefits	8,284,000	6,957,000
	<b>99,031,688</b>	<b>96,415,445</b>
<b>37. Inventory Consumed</b>		
Water consumed	71,482,037	77,947,143
Other consumables are generally utilised for repairs and maintenance.		
The following is the value of water sold versus the value lost; for more information, please refer to the note on distribution losses 55.		
Water sold	17,461,404	24,644,322
Water losses	54,020,633	53,302,821
	<b>71,482,037</b>	<b>77,947,143</b>

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Figures in Rand	2023	2022
<b>39. General expenses</b>		
Advertising	442,108	233,035
Auditors remuneration	6,663,173	6,375,576
Bank charges	2,606,037	2,358,284
Cleaning	2,276,571	636,716
Communication and stationery	7,232,276	5,134,287
Community support	101,000	25,400
Consulting and professional fees	1,385,353	4,890,001
Consumables	12,004	48,640
Conferences and seminars	108,637	90,264
Fuel and oil	18,317,531	9,265,468
Insurance	5,459,914	4,847,105
Internal Billing	-	(1,901,326)
Materials - Covid-19	32,060	431,930
Protective clothing	1,999,555	1,156,058
Software expenses	6,777,164	7,943,022
Staff welfare	2,310,201	2,324,400
Subscriptions and membership fees	3,253,074	2,683,068
Training	496,452	520,910
Travel - local	3,635,793	2,810,625
VIP toilets	6,603,767	-
	<b>69,712,670</b>	<b>49,873,463</b>

The VIP toilets were built for use by the community, but are on privately owned land, therefore the municipality does not have control of these, therefore these were raised as an expense.

### 40. Fair value adjustments

Investment property (Fair value model)	3,377,545	66,567,036
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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 42. Risk management

#### Financial risk management

The municipality is exposed 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. Generally, financial instruments play a much more limited role in creating or changing risks in entities that apply GRAP. 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 2023	Less than 1 year	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	1,572,148,720	-	-
At 30 June 2022	Less than 1 year	Between 2 and 5 years	Between 2 and 5 years
• Payables from exchange transactions	1,439,945,514	-	-
• Finance lease obligation	1,219,090	-	-



# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 43. Financial instruments disclosure

#### Categories of financial instruments

#### 2023

##### Financial assets

Trade and other receivables from exchange transactions	At amortised cost
Cash and cash equivalents	167,834,179
	78,704,967
	<b>311,728,538</b>

##### Financial liabilities

Trade and other payables from exchange transactions	At amortised cost
Consumer deposits	(1,572,148,720)
	(20,450,245)
	<b>(1,592,598,965)</b>

#### 2022

##### Financial assets

Trade and other receivables from exchange transactions	At amortised cost
Cash and cash equivalents	145,467,135
	9,673,827
	<b>155,140,962</b>

##### Financial liabilities

Trade and other payables from exchange transactions	At amortised cost
Consumer deposits	(1,439,945,514)
Finance lease obligation	(19,243,836)
	(1,179,875)
	<b>(1,460,369,225)</b>

# Msukaligwa Local Municipality

(Registration number MP302)  
Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 45. Contingencies

#### Contingent liabilities

##### Issue under consideration

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.

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.

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.

Potential liability  
6,483,579

Status

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.

1,220,500

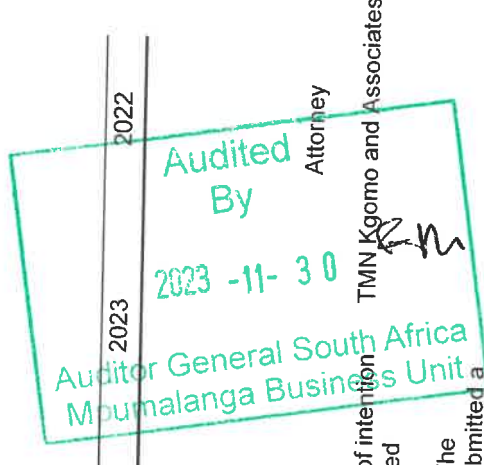
Summons were issued

TMN Kgomo and Associates

586,707

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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## Figures in Rand

Mohala  
Audited By  
None (C)  
Mhlomo

2023 - 2024

Auditor General of South Africa  
Mpumalanga Business Unit

d against the matter was referred to the very late. The person because the repudiated the claim versus the legal

S.M

# Msukaligwa Local Municipality

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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

2023

2022

### 46. Related parties

Members of key management

Municipal Manager & Accounting Officer at the date of signing -  
Appointed 12 August 2022.

Mr. M Kunene

Acting Municipal Manager & Accounting Officer - 28 February - 11  
August 2022

Mr. CJ Lisa

Acting Municipal Manager & Accounting Officer - 26 February 2021 - 26  
November 2021

Mr. SI Malaza

Chief Financial Officer

Mr. PJ Nhlathathi

Acting Chief Financial Officer - 1 June 2020 -

Mr. SM Phiri

Director - Corporate Services

Mr. PS Mabuza

Director - Community and Social Services

Mr. MS Lukhele

Director - Planning and Economic Development

Ms. H Maganya

Director - Technical Services

Ms. ZP Duma

Executive Mayor

Cllr. MP Nkosi

Speaker

Cllr. NS Xaba

Chief Whip

Cllr. PT Sibeko

Mayoral Committee

Cllr. TJ Madlala

Cllr. BG Motha

Cllr. TC Motha

Cllr. EC Msezane

Cllr. SE Ngovene

Cllr. D.V.F Arnoldi

Cllr. J.D.A Blignaut

Cllr. Z Breydenbach

Cllr. S.S.S Buthelezi

Cllr. S.S Cindi

Cllr. S.P Khalishwayo

Cllr. B.I Mabuza

Cllr. S.M Mabuza

Cllr. V.C.N Madini

Cllr. T.J Maduna

Cllr. B.A Mahlatela

Cllr. M.S Malaza

Cllr. V.J Maseko

Cllr. S.C Mathebula

Cllr. M.M Mkhaliphi

Cllr. B.L Ndlazi

Cllr. M.F.J Ndlovu

Cllr. S.F Ngwenya

Cllr. L.L Nhlapho

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.H Sibiya

Cllr. M.R Yende

Cllr. T.P Zulu

Cllr. Z.E Zulu

Councillors

# Msukaligwa Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand

2023

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### 46. Related parties (continued)

Management class: Councillors

2023

	Annual Remuneration	Car Allowance	Contributions to Medical Aid and Pension	Cellphone and Data Allowance	Total
DVF Arnoldi	193,581	74,206	31,522	44,400	343,709
JDA Blignaut	178,723	94,838	112,322	44,400	430,283
Z Breydenbach	195,319	74,206	31,798	44,400	345,723
SSS Buthelezi	196,220	75,218	31,954	44,400	347,792
SS Cindi	330,708	-	52,681	44,400	427,789
SP Khalishwako	330,184	-	52,598	44,400	427,182
BI Mabuza	193,582	74,206	31,522	44,400	343,710
SM Mabuza	265,194	-	42,288	44,400	351,882
VCN Madini	262,097	-	41,797	44,400	348,294
TJ Maduna	258,749	-	41,266	44,400	344,415
BA Mahlalela	228,760	-	77,362	44,400	350,522
MS Malaza	258,108	-	41,164	44,400	343,672
VJ Maseko	248,031	95,078	40,331	44,400	427,840
SC Mathebula	258,109	-	41,164	44,400	343,673
MM Mkhaliphi	330,708	-	52,681	44,400	427,789
BL Ndlazi	258,749	-	41,266	44,400	344,415
MFJ Ndlovu	215,883	48,559	34,861	44,400	343,703
SF Ngwenya	215,883	48,559	34,869	44,400	343,711
LL Nhlapho	211,742	48,559	34,198	43,800	338,299
BJ Nkosi	258,109	-	41,164	44,400	343,673
MZ Nkosi	194,463	73,193	31,659	44,400	343,715
NR Nkosi	248,031	95,078	40,335	44,400	427,844
T Nkosi	193,581	74,206	31,532	44,400	343,719
MA Nzimande	256,493	77,898	41,747	44,400	420,538
RT Nzimande	257,494	-	41,067	44,400	342,961
JJ Scholtz	193,581	74,206	31,522	44,400	343,709
PH Sibiya	321,351	-	51,196	44,400	416,947
MR Yende	193,581	74,206	31,532	44,400	343,719
TP Zulu	330,993	-	52,726	44,400	428,119
ZE Zulu	260,290	-	41,510	44,400	346,200
	<b>7,338,297</b>	<b>1,102,216</b>	<b>1,303,634</b>	<b>1,331,400</b>	<b>11,075,547</b>



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### 46. Related parties (continued)

#### Out-going council members

	Annual Remuneration	Car Allowance	Contributions to medical aid and pension fund	Cellphone and data allowance	Total
JDA Blignaut	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 Dhludhlu	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
LVN Kubheka	66,208	25,144	10,082	15,774	117,208
DJ Litau	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 Molyi	66,208	25,144	10,082	15,774	117,208
TC Motha	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	12,916	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
	<b>7,184,464</b>	<b>1,385,079</b>	<b>1,289,864</b>	<b>1,348,994</b>	<b>11,208,401</b>

Refer to note Remuneration of councillors 30.

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### 46. Related parties (continued)

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Name	Annual remuneration	Car Allowance	Phone 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 Sibeko - Acting Municipal manager	174,130	43,999	-	51,281	-	379,636
SM Phiri - Acting-Chief Financial Officer	616,898	131,998	1,000	129,831	-110,226	1,053,379
PS Mabuza - Director Corporate Services	800,782	180,000	20,000	213,045	173,652	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
	<b>4,732,832</b>	<b>727,997</b>	<b>98,184</b>	<b>924,714</b>	<b>566,954</b>	<b>7,050,681</b>

Refer to note Employee related costs 29.

In 2022, 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.

### 47. Accounting by principals and agents

The entity was a party to a principal-agent arrangement as an agent, and was a party to a principal-agent arrangement as a principal during the year.

Details of the arrangements are as follows:

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### 48. Going concern

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

The senior management echelon of the municipality is fully constituted as all vacant director posts were filled by year end. However, there are indicators of operational and financial distress.

The municipality has material contingent liabilities of R126,036,192, as well as trade and other payables of R1,572,148,720 against receivables of R233,023,571, which may pose a risk to future operations.

Although, at 30 June 2023, the municipality had an accumulated surplus of R 1,494,273,518 and that the municipality's total assets exceed its liabilities by R 1,494,273,518, 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 R1,174,444,154(2022: R1,134,147,852).

The Municipality reported a surplus of R 44,137,39566,521,774 for the period (2022: surplus R 16,362,248); however, this includes debt forgiven by DCSSL of R109,226,728, which was an extraordinary transaction.

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 (2023/24FY R 252 878 000, 2024/25FY R 265, 269, 000, 2025/26FY R277,737,000)

The municipality has approved a funding plan which is intended to restore the financial viability of the municipality.

### 49. Events after the reporting date

Management was not aware of any circumstance or event that would be deemed relevant for reporting after reporting date.

### 50. Unauthorised expenditure

Opening balance as previously reported	413,255,590	276,339,946
Opening balance as restated	<b>413,255,590</b>	<b>276,339,946</b>
	-	-
<b>Current year transactions</b>		
Add: Expenditure identified - current	235,125,294	136,915,644
<b>Closing balance</b>	<b>648,380,884</b>	<b>413,255,590</b>

Management submitted the unauthorised expenditure to MPAC for investigation, the investigation at the reporting date was still in progress.

# Msukaligwa Local Municipality

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

#### Payroll taxes and levies

Opening balance	3,227,295	3,310,458
Current year fee	41,929,271	39,955,697
Amount paid - current year	(41,738,940)	(40,038,860)
	<u>3,417,626</u>	<u>3,227,295</u>

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

Opening balance	5,291,483	-
Current year fee	72,990,983	68,207,218
Amount paid - current year	(72,990,983)	(62,915,735)
Amount paid - previous years	(5,291,483)	-
	<u>-</u>	<u>5,291,483</u>

#### VAT

VAT receivable	644,248,832	528,621,478
VAT payable	(512,824,042)	(423,193,126)
	<u>131,424,790</u>	<u>105,428,352</u>

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

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### 54. Deviation from supply chain management regulations

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

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

Supplier name	Deviation date	Reason for deviation	Description	Amount
MMN Engineering	08/07/2022	Impractical	Repair and maintenance of Waste collection Truck, Front loader , Bomang roller and TLB	215,757
Gilbert Mining	14/07/2022	Impractical	Repair and maintenance of transformers	574,115
MMN Engineering	03/08/2022	Impractical	Emergency purposes, the company is a sole provider chlorine, cylinders and chemical for water	31,992
TG And KZ Ncongwen	09/09/2022	Impractical	Repair and maintenance of the blockages of sewer line due to line being silted.	337,280
Gilbert Mining	22/11/2022	Impractical	Supplies of materials for repairs	877,017
Gilbert Mining	30/11/2022	Impractical	Supplies for materials for repairs of 300m x150mm x4 core PVC WTP	485,001
Gilbert Mining	30/11/2022	Impractical	Supplies of materials for repairs	574,115
Gilbert Mining	15/07/2022	Impractical	Supplies of materials for repairs	18,354
Gilbert Mining	15/07/2022	Impractical	Supplies of materials for repairs	17,002
Kgwebisano Supplies And Service	28/11/2022	Impractical	Repair of low voltage (LV) power line at Industrial Street	376,798
CPT Limited TA Highvelder	21/07/2022	Impractical	Advert for the position of call/contact centre agent	4,617
CPT Limited TA Highvelder	10/08/2022	Impractical	Public notice for the amendments to the 2022/23 IDP	2,052
CPT Limited TA Highvelder	02/09/2022	Impractical	Newspaper public notice for the IDP/BUDGET/PMS process plan for 2023/24	2,564
CPT Limited TA Highvelder	05/09/2022	Impractical	Newspaper public notice for the IDP community consultative programme	5,129
CPT Limited TA Highvelder	04/08/2022	Impractical	Notice for small medium and micro enterprise workshop	2,564
CPT Limited TA Highvelder	13/07/2022	Impractical	Advert for rates determination	3,078
Truvelo Manufacturers Pty Ltd	13/02/2023	Impractical	Procurement of prolaser machine	5,363
Truvelo Manufacturers Pty Ltd	28/11/2022	Impractical	Prolaser machine training	16,000
CPT Limited TA Highvelder	20/06/2023	Impractical	Advertisement of various items by the municipality	32,628
CPT Limited TA Highvelder	05/06/2023	Impractical	Advert of promulgation of resolution of levying rates	4,540
CPT Limited TA Highvelder	09/03/2023	Impractical	Advertisement of various items by the municipality	6,525
				<b>3,592,491</b>

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## Notes to the Annual Financial Statements

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### 57. Prior-year adjustments

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

2022

	Note	As previously reported	Correction of error	DIFFERENCE	Restated
<b>Current Assets</b>					
Inventories		13,003,712	-	-	13,003,712
Receivables from exchange transactions		146,660,286	(1,193,151)	-	145,467,135
Receivables from non-exchange transactions		59,810,828	36,003	-	59,846,831
VAT receivable		115,462,266	(10,033,914)	-	105,428,352
Cash and cash equivalents		9,661,537	12,290	-	9,673,827
<b>Non-current assets</b>					
Investment property		180,113,008	(1,731,500)	-	178,381,508
Property, plant and equipment		2,537,476,313	18,318,872	(1)	2,555,795,186
Intangible assets		61,916	-	-	61,916
Heritage assets		174,895	-	-	174,895
Finance lease obligation		(1,179,875)	-	-	(1,179,875)
Payables from exchange transactions		(1,574,804,067)	134,858,554	1	(1,439,945,514)
Consumer deposits		(19,243,836)	-	-	(19,243,836)
Employee benefit obligation		(5,605,000)	-	-	(5,605,000)
Unspent conditional grants and receipts		(1,337,635)	(255,849)	-	(1,593,484)
Employee benefit obligation		(68,197,000)	-	-	(68,197,000)
Provisions		(81,932,532)	-	-	(81,932,532)
Accumulated surplus		(1,310,124,816)	(140,011,305)	-	(1,450,136,121)
		-	-	-	-



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Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 57. Prior-year adjustments (continued)

#### Reclassifications

The following reclassifications adjustment occurred:

#### Reclassification 1

The balance of the Fleet Card was allocated to Trade and other payables under Payables from Exchange Transactions, however, this card tends to have a debit balance at any given time, therefore, this was reallocated to Receivables from Exchange.

#### Statement of Financial Position

Receivables from Exchange transactions  
Payables from Exchange Transactions

401,015  
(401,015)

-

#### Reclassification 2

Water inventory consumed was shown as Bulk Purchases; although this has been the standard disclosure, this is not fully compliant with GRAP and, therefore, this was reallocated. As a result, Inventory consumed was understated by R77,947,143 and Bulk purchases was overstated by this amount.

#### Statement of Financial Performance

Inventory Consumed  
Bulk Purchases

77,947,143  
(77,947,143)

-

#### Reclassification 3

Part of connection fees for electricity were incorrectly mapped to service revenue; as such, Other income (connection fees) was understated by R660,257, and Services Charges was overstated by this amount.

#### Statement of Financial Performance

Service Charges  
Other income (Connection fees)

660,257  
(660,257)

-

# Msukaligwa Local Municipality

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## Notes to the Annual Financial Statements

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<b>58. Prior period errors (continued)</b>		
<b>Statement of Financial Position</b>		
Payables from Exchange Transactions		(1,899,813)
Property, plant and equipment		228,993
<b>Statement of Financial Performance</b>		
Repairs and Maintenance		512,942
Contracted Services		1,114,387
General Expenses		26,620
		<b>(16,871)</b>

### Error 5

Employee related costs for a number of new employees were not set up correctly in the Payroll system, resulting in them being posted to Payables from Exchange - Employee related payables and accruals. As a result, Employee Related Costs, Remuneration of Councillors, General Expenses and Payables from Exchange were understated.

<b>Statement of Financial Position</b>		
Payables from Exchange Transactions		(247,663)
<b>Statement of Financial Performance</b>		
Employee Related Costs		244,242
Remuneration of Councillors		3,283
General Expenses		138
		-

### Error 6

A number of Eskom invoices were not raised correctly, particularly in terms of VAT treatment. As a result, VAT receivable was overstated by R4,568,523; Payables from Exchange transactions was overstated by R5,239,576, and Bulk Purchases was overstated with R671,053.

<b>Statement of Financial Position</b>		
VAT Receivable		(4,568,523)
		5,239,576
<b>Statement of Financial Performance</b>		
Bulk Purchases		(671,053)
		-

### Error 7

All receipts relating to the LG SETA were recognised as income, however only R196,000 was spent in relation to this grant; therefore, Unspent conditional grant and receipts was understated by R255,849, and Government grants and subsidies was overstated by the same amount.

<b>Statement of Financial Position</b>		
Unspent conditional grants and receipts		(255,849)
<b>Statement of Financial Performance</b>		
Government grants and subsidies		255,849
		-

### Error 8

During the 2023 asset verification, a number of errors were identified, particularly relating to the timing of disposals and land not recognised. As a result, Property, plant and equipment was understated by R18,089,878, Investment property was overstated by R1,731,500, Accumulated surplus understated by R27,328,221, Payables from Exchange understated by R298,913, Loss on disposal of assets understated by R10,520,025, Depreciation and amortisation understated by R662,644, Impairment understated by R86,087, Loss on Disposal of Assets understated by R10,520,025.

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## Notes to the Annual Financial Statements

Figures in Rand	Audited By 2023 -11- 30 S.M	2023	2022
<b>58. Prior period errors (continued)</b>			
<b>Statement of Financial Position</b>			
Receivables from Exchange Transactions			(1,921,436)
Payables from Exchange			602,247
Cash and cash equivalents			12,289
Accumulated surplus			1,306,900
			-

### Error 10

Invoices were identified in 2023 which related to the 2022 financial year; therefore Payables from exchange was understated by R916,264, VAT Receivable was understated by R119,513, Contracted Services was understated by R279,000, and General Expenses understated by R517,751.

<b>Statement of Financial Position</b>			
VAT Receivable		119,513	
Payables from Exchange Transactions		(916,264)	
<b>Statement of Financial Performance</b>			
Contracted Services		279,000	
General Expenses		517,751	
		-	

### Error 11

Long standing differences between Receivables and Payables from Exchange Transactions (Receivables paid in advance) and the debtors age analysis were cleared against accumulated surplus.

<b>Statement of Financial Position</b>			
Receivables from Exchange Transactions		327,268	
Receivables from Non-Exchange Transactions		36,003	
Payables from Exchange Transactions		(741,472)	
Accumulated surplus		378,201	
		-	

### Error 12

The decision was taken to clear unallocated receipts annually to the Statement of Financial Performance, and to clear the historical backlog (R3,623,859 in 2023 and R7,586,862 in 2022 and earlier) and cumbersome account number structure, so that this balance can be managed more efficiently in future.

<b>Statement of Financial Position</b>			
Payables from Exchange Transactions		11,210,721	
Accumulated Surplus		(7,586,862)	
<b>Statement of Financial Performance</b>			
Other Income		(3,623,859)	

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### 59. Segment information

#### General information

#### Identification of segments

The municipality has five major segments linked to the primary services offered as this forms the basis for recording and reporting information within the municipality and with external stakeholders.

Electricity is a key service department and, through significant infrastructure holdings, links electricity generation to consumers, and, therefore, generates economic benefits and service potential to the community.

Water is a key service department, and, through significant infrastructure holdings, reticulates water to the community, and, therefore, generates economic benefits and service potential to the community.

Sewerage is a key service department, and, through significant infrastructure holdings, removes and treats waste water, and, therefore, generates economic benefits and service potential to the community.

The Community and Health department, which 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; these have been aggregated. 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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### 59. Segment information (continued)

	Electricity	Water Supply	Waste Water	Community and Health	Finance	Reconciling items / Unallocated	Total
<b>Expenditure</b>							
Employee Related Costs	25,304,111	19,173,573	15,029,679	77,621,142	40,311,981	95,276,243	272,716,727
Remuneration Of Councillors	-	-	-	-	-	17,362,091	17,362,091
Depreciation	18,242,597	26,367,010	23,409,357	8,932,127	2,611,034	57,465,855	135,027,979
Impairment	80,709	-	7,265,966	154,329	(3,305,378)	1,060,633	4,256,258
Debt Impairment	22,257,690	30,577,985	26,287,597	33,164,979	35,465,212	679,749	148,433,213
Finance Costs	-	-	-	-	82,495,226	16,536,461	99,031,687
Bulk Purchases	317,779,412	71,482,037	-	-	-	-	389,261,449
Contracted Services	6,767,296	-	-	33,087,211	9,232,755	12,797,606	61,884,869
Repairs and Maintenance	19,873,289	23,056,209	1,029,969	3,851,603	17,509	2,414,638	50,243,216
Expenses	(3,888,181)	12,307,349	734,438	9,184,512	14,398,682	36,975,869	69,712,669
Actuarial Gain	-	-	-	(7,440,524)	-	-	(7,440,524)
Fair Value Gains	-	-	-	-	(3,377,545)	-	(3,377,545)
Gains/Losses On Disposal of Assets	3,545,936	2,632,094	4,564,038	377,159	-	2,942,523	14,061,750
Gains/Losses On Inventory	-	-	-	(3,569,547)	-	-	(3,569,547)
<b>Total segment expenditure</b>	<b>409,962,858</b>	<b>185,596,256</b>	<b>78,321,045</b>	<b>155,362,990</b>	<b>174,849,475</b>	<b>243,511,668</b>	<b>1,247,604,292</b>
<b>Total segmental surplus/(deficit)</b>							<b>(44,137,395)</b>
<b>Assets</b>							
Inventory	-	-	-	-	23,589,170	-	23,589,170
Receivables From Exchange	52,461,989	51,887,936	25,117,839	5,479,320	19,096,216	13,782,545	167,825,847
Receivables From Non-Exchange	-	-	-	578,105	64,619,619	-	65,197,724
Vat Receivable	(15,500,792)	(18,555,321)	(13,330,654)	(11,222,055)	189,824,275	209,338	131,424,790
Cash And Cash Equivalents	-	-	-	-	78,704,966	-	78,704,966
Property plant and equipment	304,763,463	904,777,174	507,087,938	142,243,838	29,487,662	763,274,239	2,651,634,314
Investment Property	-	-	-	-	181,143,053	-	181,143,053
Intangible Assets	-	-	-	-	-	15,786	15,786
Heritage Assets	-	-	-	-	-	174,895	174,895
<b>Total segment assets</b>	<b>341,724,661</b>	<b>938,109,789</b>	<b>518,875,122</b>	<b>137,079,208</b>	<b>586,464,961</b>	<b>777,456,803</b>	<b>3,299,710,545</b>

(Registration number MP302)  
Annual Financial Statements for the year ended 30 June 2023

## Figures in Rand

2023-11-30

36,869,954	809,594	33,141,005	826,174,69	64,405,713	13,427	17,995,126
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General South Africa  
Balance Business Unit



# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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60. Budget differences

Statement of Financial Performance

Audited

By

2023-11-30 

Auditor General South Africa  
Mpumalanga Business Unit

# Msukaligwa Local Municipality

(Registration number MP302)

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

2023

2022

### 60. Budget differences (continued)

#### Statement of financial position

##### 1.16 - Inventories

The stock on hand at year end was higher than anticipated; this is linked to the gain on inventory resulting from the stock count.

##### 1.19 - Consumer debtors

These increased due to non-payment by debtors.

##### 1.20 - Call investment deposits and Cash and cash equivalents

This is a result of grant funds received and not yet spent, particularly on the Regional Bulk Water Infrastructure grant.

##### 1.21 - VAT receivable

This is a result of higher costs such as bulk purchases.

##### 1.24 - Property plant and equipment

This is a result of the procurement of new fleet vehicles as well as on-going projects which were further along than anticipated.

##### 1.25 - Payables from exchange transactions

This relates to the higher cost of items such as bulk purchases, and lower repayments than anticipated due to non-payment by debtors.

##### 1.26 - Consumer deposits

There was an error in the amount budgeted, and this did not reflect the prior year balance correctly.

##### 1.26 - Unspent conditional grants

This relates primarily to the Regional Bulk Water Infrastructure Grant which was unspent at year end.

##### 1.27 - Provisions

This includes the employee benefits obligation and the landfill rehabilitation provision; these are inherently difficult to predict due to the complexity of the calculations, and the increase in the landfill provision was far higher than the decrease in the employee benefits obligations.

#### Statement of Cashflows

##### 1.28 - Net cash flows from operating activities

Cash for property rates and consumer debtors was lower than anticipated in the budget.

Payments to suppliers were significantly lower due to cost curtailment as well as pressure created by lower receipts from debtors.

##### 1.29 - Net cash flows from investing activities

Spending on PPE was higher than anticipated due to projects being further along than anticipated, and the purchase of new fleet vehicles.

##### 1.30 - Net cash flows from financing activities

The budget did not reflect lease payments during the year.