

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



Mkhondo Local Municipality
Annual Financial Statements
for the period ended 30 June, 2022

Mkhondo Local Municipality

Annual Financial Statements for the year ended 30 June, 2022

General Information

Legal form of entity

Municipality

Mayoral committee

Executive Mayor

Cllr. M.A. Simelane

Speaker of Council

Cllr. M. Dlamini

Chief Whip

Cllr. S.P. Mkwanzani

MMC Technical

Cllr.M.L.Yende

MMC Community services

Cllr.S.P. Sibiya

MMC Corporate Services , Planning and Development

Cllr.N.N.Zulu

MMC Finance

Cllr.G.T. Gama

Councillors

Cllr.P.G.Sikhasana

Cllr.E.Shabangu

Cllr.B.J. Mchunu

Cllr.J.M. Nkosi

Cllr.M.S.Ngwenya

Cllr.J.L.I.Brussow

Cllr.M.Z. Ngwenya

Cllr.T.W.Manana

Cllr.M.Z.Thomo

Cllr.N.G.Gwebu

Cllr.S.B.P.Ntshangase

Cllr F.C. Mthethwa

Cllr K.D.Masondo

Cllr T.S.M.Zulu

Cllr M.L.Yende

Cllr D.S.Nkosi

Cllr B.A.Dlamini

Cllr D.M. Thwala

Cllr J.R.Sibiya

Cllr M. Manyathi

Cllr M.P. Mavuso

Cllr V.M. Motha

Cllr S.J. Methula

Cllr T.E.Khumalo

Cllr T.W.Shandu

Cllr W.H.Weber

Cllr T.H. Mtshali

Cllr D.W. Nkosi

Cllr E.F. Nkosi

Cllr L.L.Ngubeni

Cllr V.S. Hlophe

Grading of local authority

Grade 4

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2022 -11- 30

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Mpumalanga Business Unit

Mkhondo Local Municipality

Annual Financial Statements for the year ended 30 June, 2022

General Information

Accounting Officer

Mr. B. Maseko

Chief Finance Officer (CFO)

Mr F.C.Munzhelele

Auditors

Auditor General South Africa

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Mkhondo Local Municipality

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Mkhondo Local Municipality

Annual Financial Statements for the year ended 30 June, 2022

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2022 and were signed on its behalf by:

Mr. B. Maseko
Acting Municipal Manager

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Mkhondo Local Municipality

Annual Financial Statements for the year ended 30 June, 2022

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in operating as a local municipality and operates principally in South Africa.

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

2. Going concern

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 ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Accounting Officer's interest in contracts

The accounting officer has no interests in the contracts awarded during the period under review.

4. Accounting policies

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

5. Accounting Officer

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

Name	Changes
Mr. C. Masango	Appointed 1 December, 2021, resigned 1 March, 2022
Mr. M. Thabethe	Appointed 1 March, 2022, resigned 31 May, 2022
Mr. B. Maseko	Appointed 1 June, 2022

6. Corporate governance

General

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

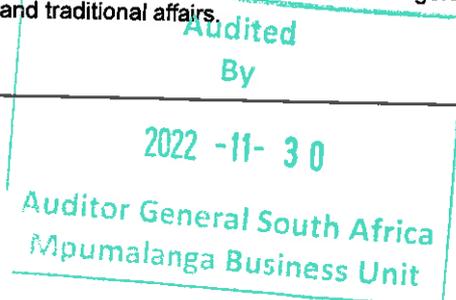
The salient features of the municipality's adoption of the Code is outlined below:

Chairperson and chief executive

The roles of Executive Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The upper limits of the remuneration of the Executive mayor, councillors and other section 56 and section 57 managers of the municipality, are determined by the Department of co-operative governance and traditional affairs.



Mkhondo Local Municipality

Annual Financial Statements for the year ended 30 June, 2022

Accounting Officer's Report

Corporate governance (continued)

Audit committee

Name	Position	Date of appointment
Mr A. Singh	Chairperson	25 August 2018
Advocate J.C Weapond	Member	1 May 2019
Mr M.A. Ngcobo	Member	24 January 2020 (Resigned 1 March 2022)
Mrs N.T. Maseko	Member	1 January 2021

In terms of Section 166 of the Municipal Finance Management Act, (56 2003), the municipality, must appoint members of the Audit Committee who are not directors of the of the municipal.

Internal audit

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

7. Bankers

The municipality's banker is First National Bank, a division of First Rand Limited.

8. Auditors

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

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2022 and were signed on its behalf by:

Mr. B. Maseko
Acting Municipal Manager

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Mkhondo Local Municipality

Annual Financial Statements for the year ended 30 June, 2022

Statement of Financial Position as at 30 June, 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Current Assets			
Inventories	2	15,734,999	27,699,722
Other financial assets	3	48,047	46,465
Receivables from exchange transactions	4	979,390	915,359
Receivables from non-exchange transactions	5	820,060	1,701,683
VAT receivable	6	6,616,405	-
Consumer debtors	7	75,873,499	25,567,596
Cash and cash equivalents	8	4,186,141	7,738,001
		104,258,541	63,668,826
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	66,854,927	60,597,062
Investment property	10	14,105,404	14,612,990
Property, plant and equipment	11	1,752,965,194	1,687,886,643
Heritage assets	12	2,916,300	-
Other financial assets	3	495,360	481,952
		1,837,337,185	1,763,578,647
Total Assets		1,941,595,726	1,827,247,473
Liabilities			
Current Liabilities			
Finance lease obligation	13	-	2,305,630
Payables from exchange transactions	14	691,139,728	521,043,497
VAT payable	15	-	611,985
Consumer deposits	16	4,134,066	4,020,609
Employee benefit obligation	17	877,000	892,000
Unspent conditional grants and receipts	18	7,053,987	23,261,953
Provisions	19	1,214,000	2,790,000
		704,418,781	554,925,674
Non-Current Liabilities			
Employee benefit obligation	17	9,975,000	10,585,000
Provisions	19	40,321,782	43,227,547
		50,296,782	53,812,547
Total Liabilities		754,715,563	608,738,221
Net Assets		1,186,880,163	1,218,509,252
Accumulated surplus		1,186,880,157	1,218,509,247
Total Net Assets		1,186,880,157	1,218,509,247

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Mkhondo Local Municipality

Annual Financial Statements for the year ended 30 June, 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
Revenue			
Revenue from exchange transactions			
Service charges	21	213,931,496	195,511,763
Rental of facilities and equipment	22	1,158,264	803,034
Licences and permits	25	152,109	187,839
Other income	23	2,380,004	3,408,396
Interest received	24	32,364,877	26,799,814
Fair value adjustments	42	6,271,273	11,587,894
Actuarial gains		4,855,000	-
Inventories reversal		671,092	-
Total revenue from exchange transactions		261,784,115	238,298,740
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	74,503,637	71,236,638
Transfer revenue			
Government grants & subsidies	31	464,452,868	450,858,840
Public contributions and donations	32	5,963,500	8,469,370
Fines, Penalties and Forfeits	26	6,093,863	15,463,163
Total revenue from non-exchange transactions		551,013,868	546,028,011
Total revenue	20	812,797,983	784,326,751
Expenditure			
Employee related costs	33	(233,047,562)	(217,410,272)
Remuneration of councillors	34	(15,452,977)	(16,153,616)
Depreciation and amortisation	35	(87,986,214)	(84,179,435)
Impairment loss	36	(10,058,782)	(10,901,580)
Finance costs	37	(33,775,415)	(19,756,938)
Lease rentals on operating lease	27	(798,395)	(2,832,393)
Debt Impairment	38	(59,037,631)	(126,664,523)
Bad debts written off		(357,142)	(3,269,735)
Bulk purchases	39	(161,505,763)	(188,275,785)
Contracted services	40	(90,715,162)	(95,589,625)
Transfers and Subsidies	30	(7,217,305)	(6,212,060)
Loss on disposal of assets and liabilities		(19,894,998)	(25,312,416)
Inventories losses/write-downs		-	(1,431,083)
General Expenses	41	(124,579,731)	(102,979,316)
Total expenditure		(844,427,077)	(900,968,777)
(Deficit)/surplus for the year		(31,629,094)	(116,642,026)

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Annual Financial Statements for the year ended 30 June, 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,329,629,842	1,329,629,842
Adjustments		
Prior year adjustments	5,521,431	5,521,431
Balance at 1 July, 2020 as restated*	1,335,151,273	1,335,151,273
Changes in net assets		
Deficit for the year	(116,642,026)	(116,642,026)
Total changes	(116,642,026)	(116,642,026)
Opening balance as previously reported	1,238,850,049	1,238,850,049
Adjustments		
Prior year adjustments	(20,340,798)	(20,340,798)
Balance at 1 July, 2021 as restated*	1,218,509,251	1,218,509,251
Changes in net assets		
Surplus for the year	(31,629,094)	(31,629,094)
Total changes	(31,629,094)	(31,629,094)
Balance at 30 June, 2022	1,186,880,157	1,186,880,157

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Annual Financial Statements for the year ended 30 June, 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Taxation		50,810,420	51,599,405
Sale of goods and services		170,991,727	163,160,321
Grants		448,247,900	474,209,293
Interest income		256,161	194,587
		670,306,208	689,163,606
Payments			
Employee costs		(248,500,540)	(233,563,888)
Suppliers		(202,651,592)	(297,088,290)
Finance costs		(33,775,415)	(19,756,938)
		(484,927,547)	(550,409,116)
Net cash flows from operating activities	45	185,378,661	138,754,490
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(187,397,098)	(135,181,780)
Proceeds from sale of property, plant and equipment	11	830,085	2,357,102
Purchase of heritage assets	12	(56,300)	-
Proceeds from sale of financial assets		(1,582)	(1,585)
Net cash flows from Investing activities		(186,624,895)	(132,826,263)
Cash flows from financing activities			
Finance lease payments		(2,305,630)	(2,693,544)
Net increase/(decrease) in cash and cash equivalents		(3,551,864)	3,234,683
Cash and cash equivalents at the beginning of the year		7,738,001	4,503,262
Cash and cash equivalents at the end of the year	8	4,186,137	7,737,945

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Annual Financial Statements for the year ended 30 June, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	177,133,085	-	177,133,085	213,931,496	36,798,411	1
Rental of facilities and equipment	903,258	(57,381)	845,877	1,158,264	312,387	2
Licences and permits	30,995	50,596	81,591	152,109	70,518	3
Other income - (rollup)	4,887,364	(2,141,127)	2,746,237	2,380,004	(366,233)	4
Interest received - investment	24,392,347	(1,256,513)	23,135,834	32,364,877	9,229,043	5
Total revenue from exchange transactions	207,347,049	(3,404,425)	203,942,624	249,986,750	46,044,126	

Revenue from non-exchange transactions

Taxation revenue

Property rates	81,391,456	(4,683,542)	76,707,914	74,503,637	(2,204,277)	
Interest, Dividends and Rent on Land	7,205,210	-	7,205,210	-	(7,205,210)	

Transfer revenue

Government grants & subsidies	464,356,000	(18,100,000)	446,256,000	464,452,868	18,196,868	
Public contributions and donations	-	-	-	5,963,500	5,963,500	6
Fines, Penalties and Forfeits	1,613,404	8,978,907	10,592,311	6,093,863	(4,498,448)	7

Total revenue from non-exchange transactions	554,566,070	(13,804,635)	540,761,435	551,013,868	10,252,433	
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Total revenue	761,913,119	(17,209,060)	744,704,059	801,000,618	56,296,559	
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Expenditure

Personnel	(226,905,127)	2,546,341	(224,358,786)	(233,047,562)	(8,688,776)	
Remuneration of councillors	(22,241,774)	6,620,068	(15,621,706)	(15,452,977)	168,729	
Depreciation and amortisation	(146,647,272)	72,545,627	(74,101,645)	(87,986,214)	(13,884,569)	8
Impairment loss/ Reversal of impairments	(1,467,908)	-	(1,467,908)	(10,058,782)	(8,590,874)	9
Finance costs	(7,600,293)	(7,074,208)	(14,674,501)	(33,775,415)	(19,100,914)	10
Lease rentals on operating lease	(3,400,136)	2,664,244	(735,892)	(798,395)	(62,503)	
Debt Impairment	(85,808,105)	-	(85,808,105)	(59,037,631)	26,770,474	11
Bad debts written off	-	(528,431)	(528,431)	(357,142)	171,289	12
Bulk purchases	(116,000,000)	(38,569,336)	(154,569,336)	(161,505,763)	(6,936,427)	
Contracted Services	(63,939,545)	(11,530,944)	(75,470,489)	(90,715,162)	(15,244,673)	13
Transfers and Subsidies	(2,550,618)	(2,146,676)	(4,697,294)	(7,217,305)	(2,520,011)	14
General Expenses	(77,110,222)	(13,035,685)	(90,145,907)	(124,579,731)	(34,433,824)	15
Total expenditure	(753,671,000)	11,491,000	(742,180,000)	(824,532,079)	(82,352,079)	

Operating deficit	8,242,119	(5,718,060)	2,524,059	(23,531,461)	(26,055,520)	
Loss on disposal of assets and liabilities	228,101	(190,251)	37,850	(19,894,998)	(19,932,848)	16

Fair value adjustments	-	-	-	6,271,273	6,271,273	17
Actuarial gains/losses	-	-	-	4,855,000	4,855,000	18
Inventories losses/write-downs	-	-	-	671,092	671,092	19

Mkhondo Local Municipality

Annual Financial Statements for the year ended 30 June, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	228,101	(190,251)	37,850	(8,097,633)	(8,135,483)	
Deficit before taxation	8,470,220	(5,908,311)	2,561,909	(31,629,094)	(34,191,003)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	8,470,220	(5,908,311)	2,561,909	(31,629,094)	(34,191,003)	

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Mkhondo Local Municipality

Annual Financial Statements for the year ended 30 June, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	36,148,914	22,097,918	58,246,832	15,734,999	(42,511,833)	1
Other financial assets	80,347	46,465	126,812	48,047	(78,765)	
Receivables from exchange transactions	(19,630)	3,632,193	3,612,563	979,390	(2,633,173)	
Receivables from non-exchange transactions	51,393,036	(4,765,249)	46,627,787	820,060	(45,807,727)	
VAT receivable	40,423,201	181,040,682	221,463,883	6,616,405	(214,847,478)	2
Consumer debtors	89,312,192	129,463,527	218,775,719	75,873,499	(142,902,220)	3
Cash and cash equivalents	7,907,062	(14,267,770)	(6,360,708)	4,186,141	10,546,849	4
	225,245,122	317,247,766	542,492,888	104,258,541	(438,234,347)	
Non-Current Assets						
Biological assets that form part of an agricultural activity	49,050,842	12,357,496	61,408,338	66,854,927	5,446,589	
Investment property	15,934,456	12,474,485	28,408,941	14,105,404	(14,303,537)	
Property, plant and equipment	1,824,956,020	1,422,471,329	3,247,427,349	1,752,965,194	(1,494,462,155)	
Intangible assets	25,087	-	25,087	-	(25,087)	5
Heritage assets	-	-	-	2,916,300	2,916,300	6
Other financial assets	440,278	481,952	922,230	495,360	(426,870)	
	1,890,406,683	1,447,785,262	3,338,191,945	1,837,337,185	(1,500,854,760)	
Total Assets	2,115,651,805	1,765,033,028	3,880,684,833	1,941,595,726	(1,939,089,107)	
Liabilities						
Current Liabilities						
Finance lease obligation	4,999,174	-	4,999,174	-	(4,999,174)	7
Payables from exchange transactions	131,756,275	114,568,016	246,324,291	691,139,728	444,815,437	8
VAT payable	-	74,451,076	74,451,076	-	(74,451,076)	9
Consumer deposits	4,051,821	4,080,568	8,132,389	4,134,066	(3,998,323)	10
Employee benefit obligation	906,000	3,682,000	4,588,000	877,000	(3,711,000)	11
Unspent conditional grants and receipts	-	23,261,953	23,261,953	7,053,987	(16,207,966)	12
Provisions	684,000	-	684,000	1,214,000	530,000	
	142,397,270	220,043,613	362,440,883	704,418,781	341,977,898	
Non-Current Liabilities						
Other financial liabilities	8,182	-	8,182	-	(8,182)	
Employee benefit obligation	23,204,321	10,585,000	33,789,321	9,975,000	(23,814,321)	11
Provisions	24,218,836	43,227,547	67,446,383	40,321,782	(27,124,601)	
	47,431,339	53,812,547	101,243,886	50,296,782	(50,947,104)	
Total Liabilities	189,828,609	273,856,160	463,684,769	754,715,563	291,030,794	
Net Assets	1,925,823,196	1,491,176,868	3,417,000,064	1,186,880,163	(2,230,119,901)	

Mkhondo Local Municipality

Annual Financial Statements for the year ended 30 June, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,925,823,196	1,491,176,868	3,417,000,064	1,186,880,163	(2,230,119,901)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Notes to the Statement of Comparison of Budget and Actual Performance

Statement of Financial Performance

- Service charges:** The variance is 21% above budget. The Municipality replaced and repaired dysfunction meters for both electricity and water.
- Rental of facilities and equipment :**The variance is mainly due to the fact that the customers demand for the properties increased slightly in the current period.
- Licenses and permits:** The variance is mainly due to the fact that the municipality had a door to door campaign to verify validity of business and hawkers licenses as a result more business paid their licenses in the current year
- Other income - (rollup) :** The variance was as a result of the fact that the municipality budgeted for sales of timber however there was no sale of timber in the current year
- Interest received – investment:** The variance is due to the fact that there was less receipts for settlement of consumer accounts in the current year.
- Public contributions and donations**
The variance is due to the fact that the municipality did not budget for any contribution and donations however received heritage assets from department of arts and culture.
- Fines, Penalties and Forfeits:** The variance is due to fact that the municipality budgeted based on the capacity and resources they used to receive from the previous service provider however the service provider's contract have since expired during the first quarter of the financial year..
- Depreciation and amortization:** The variance is due to the fact that useful lives of some infrastructure assets have been revised
- Impairment loss/ Reversal of impairments:** The variance is due to the fact that useful lives of some infrastructure assets have been revised while some are impaired due to loss of future benefits.
- Finance costs:** The variance is due to the fact that municipality often delay to settle accounts when due
- Debt Impairment:** The variance is due to the fact that the municipality budgeted for less receipts for settlement of consumer accounts in the current year and therefore received more than budgeted.
- Bad debts written off:** The variance is due to the fact that municipality budgeted for fewer debtors to be written off however there were more debtors who were assessed and therefore be written off.
- Contracted Services:** The variance is due to the fact that security service costs increased due to more service rendered in an attempt to protect municipal properties against vandalism and theft.
- Transfers and Subsidies:**The variance is due to the fact that the municipality subsidies more indigent customers sides
- General Expenses:** The variance is due to the fact that municipality encouraged and implemented cost containment measures where possible
- Loss on disposal of assets and liabilities:** The municipality budget for less write off of assets however more assets were written off as a result of revision of useful life's assessment performed
- Fair value adjustments:** The municipality did not budget for any fair value gain
- Actuarial gains/losses:** The municipality did not budget for any gains/losses

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

19. Inventories losses/write-downs: The municipality did not budget for any gains/losses

Statement of Financial Position

- 1. Inventories:** The variance is due to fact that the municipality encouraged and implemented cost containment measures which let to less consumables being purchased in the current year
- 2. VAT receivable:** The variance is mainly as a result of purchases of goods and services on credit and alternatively VAT inputs however not as planned.
- 3. Consumer debtors:** The variance is mainly as a result of replacement of pre-paid electricity meters as well as repairs and maintenance of previously dysfunctional meters for both water and electricity which let to increase in sales and alternatively consumer debtors however not as the municipality expected
- 4. Cash and Cash Equivalents:** The variance is due to the fact that there was less receipts for settlement of consumer accounts in the current year.
- 5. Intangible assets:** There were no new intangible assets acquired in the current year
- 6 Heritage assets :** There were no new intangible assets acquired in the current year
- 7 Finance lease obligation:** There were no new finance lease contracts entered into in the current year
- 8 Payables from exchange transactions:** The variance is due to the fact that as a result of cash flow constrains the municipality purchased more goods and service on credit.
- 9 VAT payable:** The variance is mainly as a result of replacement of pre-paid electricity meters as well as repairs and maintenance of previously dysfunctional meters for both water and electricity which let to increase in sales and alternatively VAT output.
- 10 Consumer deposits:** The variance is due to the fact that the municipality was anticipating more sale of land and therefore sold less than expected.
- 11 Employee benefit obligation:** The variance is due to the fact that the budget included Long service award estimated cost which is currently disclosed under provisions
- 12 Unspent conditional grants and receipts:** The municipality managed the risks and expenditures better in the current year compared to the budge

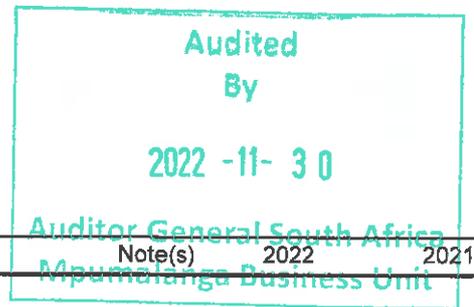
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Annual Financial Statements for the year ended 30 June, 2022

Accounting Policies

Figures in Rand



1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

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Accounting Policies

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1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 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 post employment medical aid benefits obligations are based on current market conditions. Additional information is disclosed in Note 17.

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1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured 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, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

An impairment loss recognised in prior periods for a statutory receivable are 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.

1.5 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of the plantations is based on the combined fair value of the land and the trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the trees.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

1.6 Investment property

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

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

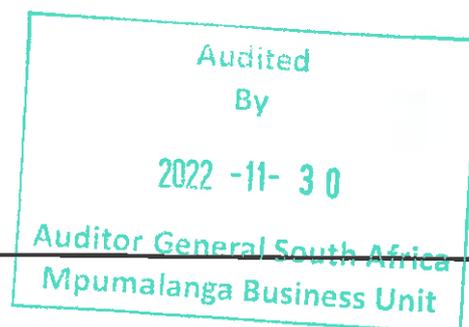
Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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Accounting Policies



1.6 Investment property (continued)

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

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

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

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	50 years

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

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

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

1.7 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.

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1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Land and buildings - Community Facilities	Straight-line	15-100 years
Land and buildings - Servitudes	Straight-line	0
Land and Buildings - Fire/Ambulance stations	Straight-line	5-100 years
Land and buildings - Municipal offices	Straight-line	5-100 years
Land and buildings - Workshops/depots/yards	Straight-line	5 -100 years
Land and buildings - Outdoor sport facilities	Straight-line	15 -50 years
Land and buildings - Staff housing	Straight-line	15 - 100 years
Water Supply network - Storm water network	Straight-line	20-50 years
Water Supply network- Bulk mains	Straight-line	40- 80 years
Water Supply network - Dams and Weirs	Straight-line	15 - 50 years
Water supply network - DistributionCommunity	Straight-line	80 years
Water supply network - Distribution points	Straight-line	15-20 years
Water Supply network - Pumpstations	Straight-line	5-100 years
Water Supply network - Reservoirs and towers	Straight-line	7-100 years
Water supply networks- Water Treatment works	Straight-line	5-100 years
Electricity Networks- LV Network (<1000V)	Straight-line	20 years
Electricity networks- MV Network (<=33 kv)	Straight-line	45 years
Work in progress	Straight-line	not depreciated
Road networks - Roads	Straight-line	5 - 100 years
Road Networks - Roadside assets	Straight-line	10-50 years
Sanitation Networks - Boreholes	Straight-line	15-50 years
Sanitation networks - Outfall sewers	Straight-line	80 years
Sanitation network - Reservoirs & towers	Straight-line	15 - 50 years
Sanitation network - Reticulation	Straight-line	80 years
Sanitation network - Sewer Pump stations	Straight-line	10- 100 years
Sanitation network - Waste Water Treatment Works (WWTW)	Straight-line	5 - 100 years
Road bridges	Straight-line	50 years
Plant and machinery	Straight-line	2-15 years
Furniture and fixtures	Straight-line	2-15 years
Office equipment	Straight-line	2-15 years
Transport assets	Straight-line	3-15 years
Computer equipment	Straight-line	3 years
Landfill site Assets	Straight-line	7 years

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

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1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

1.8 Heritage assets

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

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

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

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

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

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

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

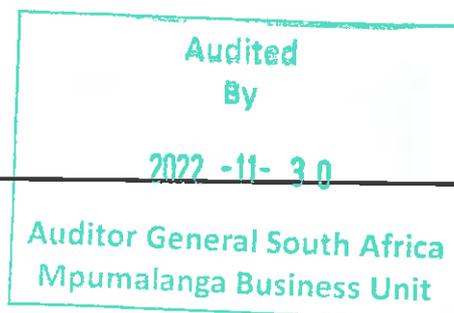
Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Mkhondo Local Municipality

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Accounting Policies



1.8 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

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.

Accounting Policies

1.9 Financial Instruments (continued)

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

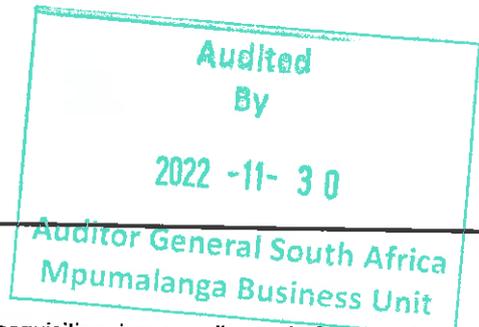
A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

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

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1.9 Financial instruments (continued)

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

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

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

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

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

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

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

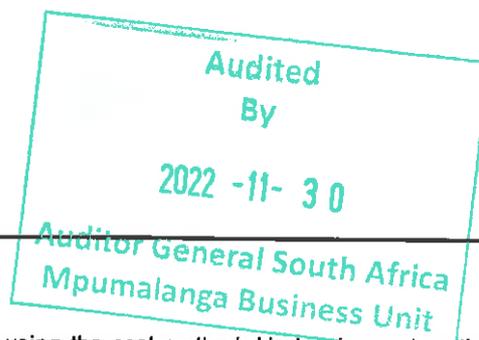
The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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1.10 Statutory receivables (continued)

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

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

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

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

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

Derecognition

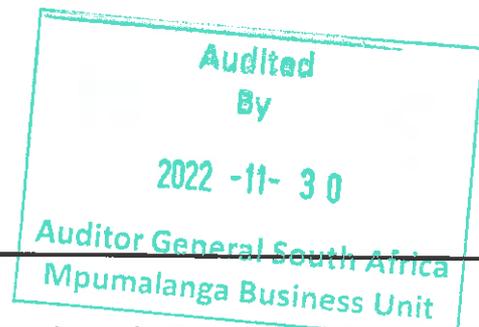
The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

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1.10 Statutory receivables (continued)

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

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

1.11 Inventories

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

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the 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.

1.12 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.

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1.12 Impairment of cash-generating assets (continued)

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.

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

[Specify judgements made]

1.13 Employee benefits

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

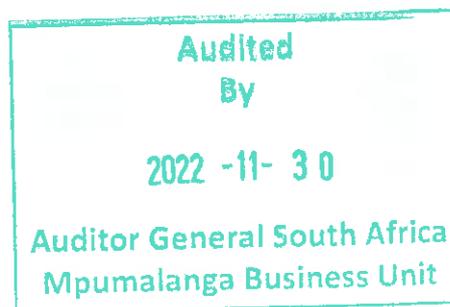
Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

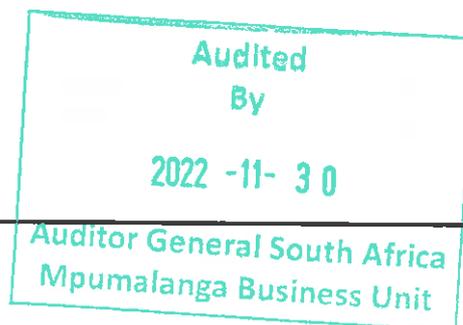
A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the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



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1.13 Employee benefits (continued)

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.

Post-employment benefits: Defined contribution plans

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

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

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

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

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1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

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

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

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

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

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1.13 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

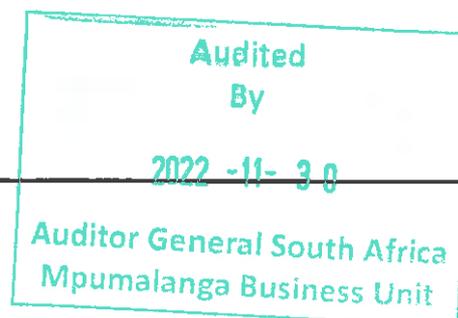
The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus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

**Audited
By
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Auditor General South Africa
Mpumalanga Business Unit**

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1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

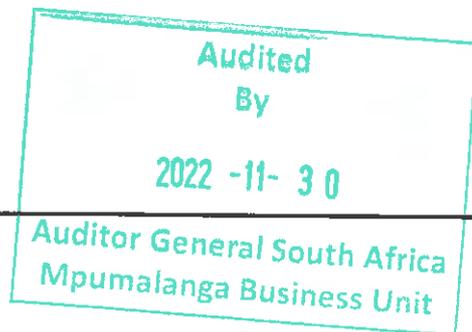
Provisions are not recognised for future operating surplus (deficit).

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

Mkhondo Local Municipality

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1.14 Provisions and contingencies (continued)

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 47.

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

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

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

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

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

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

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

1.15 Commitments

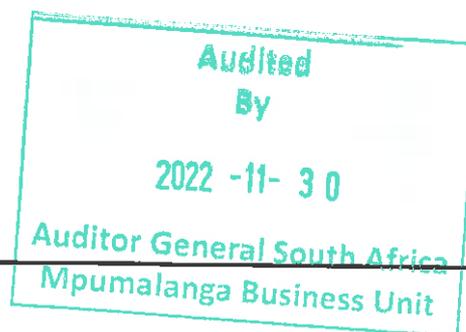
Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

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1.15 Commitments (continued)

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

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

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

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1.16 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

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

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

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

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.

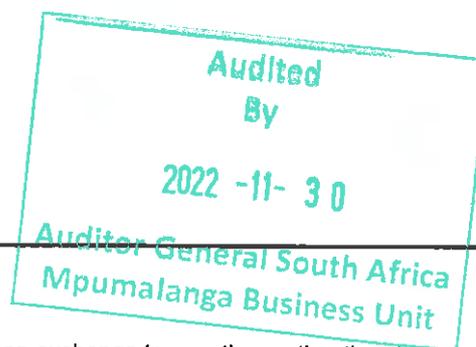
The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

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.

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1.17 Revenue from non-exchange transactions (continued)

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.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

Taxes

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

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

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

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

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

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

Transfers

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

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

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

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1.17 Revenue from non-exchange transactions (continued)

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.18 Borrowing costs

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

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

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

Unauthorised 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).

1.20 Fruitless and wasteful expenditure

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

Fruitless and wasteful 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).

1.21 Irregular expenditure

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

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).

1.22 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 accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01-Jul-21 to 30-Jun-22.

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

Mkhondo Local Municipality

Annual Financial Statements for the year ended 30 June, 2022

Accounting Policies



1.22 Budget information (continued)

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.

1.23 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.

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

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

1.24 Events after reporting date

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

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

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

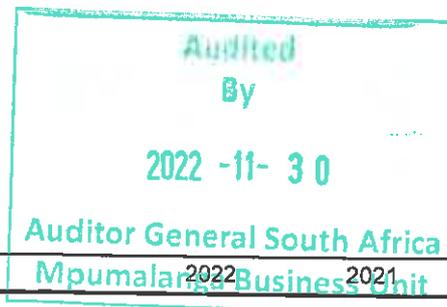
The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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2. Inventories

Consumable stores	15,050,939	27,660,013
Water for distribution	684,060	39,709
	15,734,999	27,699,722

Carrying value of inventories carried at fair value less costs to sell 15,734,999 27,699,722

Inventories recognised as a gain/ an (expense) during the year 671,092 (1,431,083)

Inventory pledged as security

No inventory has been pledged as security.

3. Other financial assets

Designated at fair value

Listed Shares - Old Mutual: 13093141 495,360 481,952
This is an Old Mutual Wealth wrapped investment. The account was opened on 25 June 2002 with an initial investment amount of R3 539 868.

At amortised cost

ABSA Fixed Term deposit 48,047 46,465
This is a fixed term deposit with interest capitalised every three months

Total other financial assets 543,407 528,417

Non-current assets

Designated at fair value 495,360 481,952

Current assets

At amortised cost 48,047 46,465

4. Receivables from exchange transactions

Trade debtors	776,531	712,500
Deposits	93,298	93,298
Bank overs/unders	109,561	109,561
	979,390	915,359

5. Receivables from non-exchange transactions

Fines 820,060 1,701,683

Statutory receivables included in receivables from non-exchange transactions above are as follows:

Fines 820,060 1,701,683

Total receivables from non-exchange transactions 820,060 1,701,683

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5. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

The following statutory receivables are classified and measured in accordance with GRAP 108, and have been classified and measured under an accounting policy that is consistent with the requirements of GRAP 108;

-Traffic fines

Traffic fines receivables are statutory receivables and arise from traffic infringements committed and fines issued as a result, in terms of the Criminal Procedure Act, No 501 of 1977.

Determination of transaction amount

For Traffic Fines Receivables, the transaction amount is levied based on the rates as prescribed by the Road Traffic Offences Ac.

Interest or other charges levied/charged

No interest is charged on Traffic Fines outstanding.

Basis used to assess and test whether a statutory receivable is impaired

On Traffic Fines, impairment is considered on collection rate of the balance as a whole, thereafter discounting is considered in terms of materiality.

Discount rate applied to the estimated future cash flows

Interest is calculated using the nominal interest rate as stipulated in the municipal by-laws (Prime plus 1.25%). This rate is also considered an appropriate discount rate.

Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June, 2022, 820,060 (2021: 1,701,683) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Over 4 months past due	820,060	1,701,683
------------------------	---------	-----------

Factors the entity considered in assessing statutory receivables past due but not impaired

Receivables are assessed in terms of their respective overall payment percentages. Some debtors are therefore past due, but the balances are still expected to be recoverable based on the payment percentages.

Statutory receivables impaired

As of 30 June, 2022, Statutory receivables of 44,593,032 (2021: 38,530,778) were impaired and provided for.

The amount of the provision was 6,062,254 as of 30 June, 2022 (2021: 12,798,301).

Reconciliation of provision for impairment for statutory receivables

Opening balance	(38,530,778)	(25,732,477)
Provision for impairment	(6,062,254)	(12,798,301)
	(44,593,032)	(38,530,778)

Receivables from non-exchange transactions pledged as security

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5. Receivables from non-exchange transactions (continued)

There are no securities pledged as security.

The carrying amount of other receivables from non-exchange transactions are denominated in the following currencies:

Rand	820,060	1,701,683
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6. VAT receivable

VAT	6,616,405	-
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7. Consumer debtors

Gross balances

Rates	144,593,287	120,900,070
Electricity	209,612,340	170,729,621
Water	143,034,080	123,824,185
Sewerage	60,709,495	53,217,322
Refuse	105,146,609	91,322,562
Other (specify)	21,437,898	21,258,669
	684,533,709	581,252,429

Less: Allowance for impairment

Rates	(125,595,357)	(113,885,573)
Electricity	(177,490,688)	(158,906,621)
Water	(131,344,664)	(121,024,414)
Sewerage	(55,585,391)	(51,784,687)
Refuse	(98,628,182)	(90,065,780)
Other (specify)	(20,015,928)	(20,017,758)
	(608,660,210)	(555,684,833)

Net balance

Rates	18,997,930	7,014,497
Electricity	32,121,652	11,823,000
Water	11,689,416	2,799,771
Sewerage	5,124,104	1,432,635
Refuse	6,518,427	1,256,782
Other (specify)	1,421,970	1,240,911
	75,873,499	25,567,596

Statutory receivables included in consumer debtors above are as follows:

Property Rates	18,977,930	7,014,497
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Financial asset receivables included in consumer debtors above

	56,895,569	18,553,099
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Total consumer debtors

	75,873,499	25,567,596
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included in above is receivables from exchange transactions

Electricity	32,121,652	11,823,000
Water	11,689,416	2,799,771
Sewerage	5,124,104	1,432,635
Refuse	6,518,427	1,256,782
Other	1,421,970	1,240,911
	56,875,569	18,553,099



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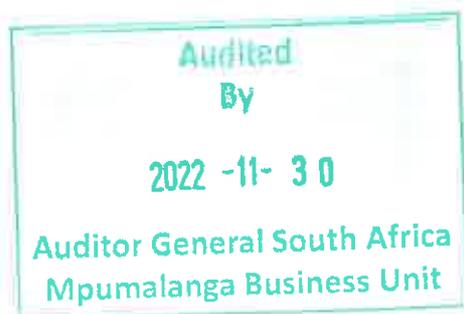
7. Consumer debtors (continued)		
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	18,997,930	7,014,497
Net balance	75,873,499	25,567,596
Rates		
Current (0 -30 days)	3,151,047	3,823,114
31 - 60 days	2,305,236	795,362
61 - 90 days	709,454	364,968
91 - 120 days	631,911	2,031,053
121 - 365 days	3,228,011	-
> 365 days	8,972,271	-
	18,997,930	7,014,497
Electricity		
Current (0 -30 days)	6,693,930	6,197,569
31 - 60 days	4,694,712	746,383
61 - 90 days	1,214,032	683,662
91 - 120 days	1,086,083	4,195,386
121 - 365 days	6,004,210	-
> 365 days	12,428,685	-
	32,121,652	11,823,000
Water		
Current (0 -30 days)	891,960	886,931
31 - 60 days	785,573	167,221
61 - 90 days	331,823	112,416
91 - 120 days	265,994	1,633,203
121 - 365 days	1,762,270	-
> 365 days	7,651,796	-
	11,689,416	2,799,771
Sewerage		
Current (0 -30 days)	510,720	610,709
31 - 60 days	466,409	117,016
61 - 90 days	157,488	59,277
91 - 120 days	140,148	645,633
121 - 365 days	740,054	-
> 365 days	3,109,285	-
	5,124,104	1,432,635
Refuse		
Current (0 -30 days)	358,867	325,039
31 - 60 days	393,417	70,289
61 - 90 days	163,244	57,852
91 - 120 days	153,446	803,602
121 - 365 days	934,044	-
> 365 days	4,515,409	-
	6,518,427	1,256,782

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7. Consumer debtors (continued)		
Other (specify)		
Current (0 -30 days)	176,369	73,731
31 - 60 days	80,448	5,253
61 - 90 days	32,491	4,563
91 - 120 days	34,150	1,157,364
121 - 365 days	150,117	-
> 365 days	948,395	-
	1,421,970	1,240,911

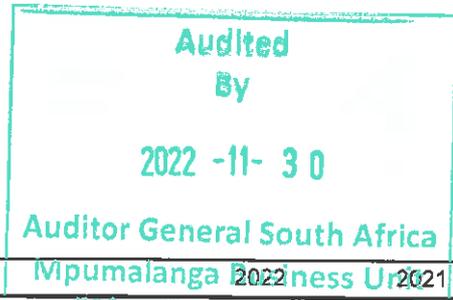


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7. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	26,462,318	10,772,093
31 - 60 days	11,057,742	8,651,732
61 - 90 days	10,804,218	8,437,666
91 - 120 days	10,467,789	8,061,384
121 - 365 days	70,291,541	7,875,930
> 365 days	499,689,084	399,610,351
	628,772,692	443,409,156
Less: Allowance for impairment	(574,280,631)	(431,138,078)
	54,492,061	12,271,078

Industrial/ commercial

Current (0 -30 days)	8,893,893	5,514,601
31 - 60 days	1,407,149	2,008,591
61 - 90 days	1,357,494	1,458,015
91 - 120 days	1,229,155	1,456,706
121 - 365 days	7,352,510	1,298,388
> 365 days	25,880,709	27,249,140
	46,120,910	38,985,441
Less: Allowance for impairment	(30,472,659)	(30,121,263)
	15,648,251	8,864,178

National and provincial government

Current (0 -30 days)	2,764,643	4,358,190
31 - 60 days	154,409	2,816,900
61 - 90 days	204,144	2,812,236
91 - 120 days	154,409	2,080,604
121 - 365 days	1,046,407	1,967,612
> 365 days	4,997,598	84,703,321
	9,321,610	98,738,863
Less: Allowance for impairment	(3,906,868)	(94,439,357)
	5,414,742	4,299,506

Total

Current (0 -30 days)	38,229,445	20,644,884
31 - 60 days	12,733,990	13,477,224
61 - 90 days	12,497,842	12,707,916
91 - 120 days	11,851,353	11,598,693
121 - 365 days	78,690,458	11,141,930
> 365 days	530,530,620	511,681,782
	684,533,708	581,252,429
Less: Allowance for impairment	(608,660,209)	(555,664,833)
	75,873,499	25,567,596

Less: Allowance for impairment

Current (0 -30 days)	(20,733,752)	(11,570,487)
31 - 60 days	(9,721,003)	(10,634,916)
61 - 90 days	(9,889,311)	(10,806,581)
91 - 120 days	(9,539,622)	(10,316,148)
121 - 365 days	(65,871,752)	(10,048,170)
> 365 days	(492,904,770)	(502,308,531)

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7. Consumer debtors (continued)		
	(608,660,210)	(555,684,833)
Total debtor past due but not impaired		
Current (0 -30 days)	17,495,693	9,074,396
31 - 60 days	3,012,987	2,842,307
61 - 90 days	2,608,531	1,901,335
91 - 120 days	2,311,731	1,282,545
121 - 365 days	12,818,706	1,093,760
> 365 days	37,625,851	9,373,251
	75,873,499	25,567,594
Reconciliation of allowance for impairment		
Balance at beginning of the year	(555,684,833)	(441,818,612)
Contributions to allowance	(52,975,377)	(113,866,221)
	(608,660,210)	(555,684,833)

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7. Consumer debtors (continued)

Statutory receivables general information

Transaction(s) arising from statute

The following statutory receivables are classified and measured in accordance with GRAP 108, and have been classified and measured under an accounting policy that is consistent with the requirements of GRAP 108;

-property rates

Property rates receivables are statutory receivables and arise from property taxes levied on property owners based on the valuation of properties per the valuation roll in accordance with the Municipal Property Rates Act, No 6 of 2004 and the Mkhondo Municipality's Property Rates Policy. A general valuation is performed every four years, with supplementary valuations in between. The municipality has begun the process of drafting and updating the accounting policies that are consistent with the requirements of GRAP 108. The municipality is planning to implement these accounting policies on 1 July 2021.

Determination of transaction amount

Tariffs are reviewed annually as part of the MTREF process and applied as per the Property rates policy which is guided by the Local Government Property Rates Act No 6 of 2004.

Interest or other charges levied/charged

According to the Credit and Debt Control Policy interest is levied on on arrear municipal debt in excess of 59 days. Interest is levied monthly at the prime lending rate plus 1.25%.

Basis used to assess and test whether a statutory receivable is impaired

Impairment on Property rates is based on Individual collection rates. GRAP 104 Financial instruments sets out the requirements and guidelines for the impairment of financial assets subsequently carried at amortised cost.

Discount rate applied to the estimated future cash flows

The Municipality applies prime lending rate plus 1.25%.

Reconciliation of provision for impairment

Relating specifically to Statutory Receivables

Opening balance	(113,885,573)	(90,146,385)
Provision for impairment	(11,709,784)	(23,739,188)
	(125,595,357)	(113,885,573)

Receivables past due but not impaired

Relating specifically to Statutory Receivables

Statutory receivables which are less than 3 months past due are not considered to be impaired. At 30 June, 2022, 18,997,930 (2021: 7,014,497) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	3,151,047	3,823,114
2 months past due	2,305,236	795,362
3 months past due	709,454	364,968
Over 3 months past due	12,812,193	2,031,053

Factors the entity considered in assessing statutory receivables past due but not impaired

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7. Consumer debtors (continued)

Receivables are assessed in terms of their respective overall payment percentages. Some debtors are therefore past due, but the balances are still expected to be recoverable based on the payment percentages.

Receivables impaired

Relating specifically to Statutory Receivables

As of 30 June, 2022, statutory receivables of 125,595,357 (2021: 113,885,573) were impaired and provided for.

The amount of the provision was 11,709,784 30 June, 2022 (2021: 23,739,188).

Consumer debtors pledged as security

There were no consumer debtors pledged as security.

Fair value of consumer debtors

Consumer debtors	75,873,499	25,567,594
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Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June, 2022, 75,873,499 (2021: 25,567,594) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	17,495,693	9,074,396
2 months past due	3,012,987	2,842,307
3 months past due	2,608,531	1,901,335
Over 4 months past due	52,756,288	11,749,556

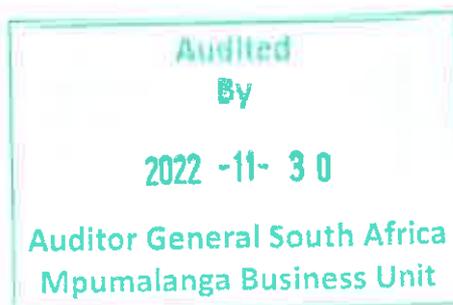
Consumer debtors impaired

As of 30 June, 2022, consumer debtors of 608,660,210 (2021: 555,684,833) were impaired and provided for.

The amount of the provision was 52,975,377 as of 30 June, 2022 (2021: 113,866,221).

The carrying amount of consumer debtors are denominated in the following currencies:

Rand	75,873,499	25,567,594
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8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand		
Bank balances	6,342	6,342
Short-term deposits	2,826,533	7,168,767
Bank overdraft	1,353,266	562,892
	4,186,141	7,738,001

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June, 2022	30 June, 2021	30 June, 2020	30 June, 2022	30 June, 2021	30 June, 2020
First National Bank Account 620131263656	664,431	5,487,826	2,699,580	2,826,535	7,168,767	4,256,568
First National Bank Fixed Deposit account 62254274732	333,357	220,209	88,483	394,127	220,209	88,483
First National Bank Call account 62016967351	2,617	10,728	10,503	2,843	10,728	10,503
First National Bank EPWP account 62706895911	17,216	16,727	16,312	17,216	16,727	16,312
First National Bank WSIG Account 62706897214	19,071	76,168	6,120	19,071	76,168	6,120
First National Bank FMG Account 62706892280	2,925	2,842	2,772	2,925	2,842	2,772
First National Bank INEP 62706893890	92,373	29,259	28,533	92,373	29,259	28,533
First National Bank EQS Account 6270688617	823,434	45,248	50,978	823,434	45,248	50,976
First National Bank MIG	1,278	161,484	43,360	1,278	161,484	43,360
Total	1,956,702	6,050,491	2,946,641	4,179,802	7,731,432	4,503,627

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9. Biological assets that form part of an agricultural activity

	2022		2021	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Trees in timber plantation - Consumable	66,854,927	-	60,597,062	-
		66,854,927		60,597,062

Reconciliation of biological assets that form part of an agricultural activity - 2022

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	60,597,062	6,257,865	66,854,927

Reconciliation of biological assets that form part of an agricultural activity - 2021

	Opening balance	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	49,050,842	11,546,220	60,597,062

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9. Biological assets that form part of an agricultural activity (continued)

Non-financial information

Quantities of each biological asset

Trees in timber plantation - Consumable	66,854,920	60,597,062
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Afforestation Permits

Commercial afforestation is regulated in South Africa. Water Use Permits are required for legal afforestation. The catchment under which the Mkhondo Municipality license is issued is the Assegai River Catchment drainage region W52C. The license is issued in the name of Portion 0 Farm 149 Piet Retief Town and Townlands. The start date is 1/01/1972. The extent of the afforestable land is recorded as:

Gum: 1038.1 ha

Pine: 863.5 ha

Wattle: 555.4 ha

Other: 8.1 ha

The total afforestable area is: 2632 ha.

The currently recorded forest area (including TU) for the Piet Retief Townlands is 2465.1 ha which is within the allowable permit area. There is a decrease in the reported forest area (previously 2484 ha) which can be attributed to adjustments relating to the exclusion of further Settlement areas.

Next fair valuation on the plantation will be due on 30 June 2023.

Valuation method and key assumptions

Valuation of forested land requires knowledge of the location and current volume of timber resources. Forests are dynamic, biological systems, and estimates of growth for various management strategies were applied. Mean annual increment (MAI) was used on a given index age for a specified silviculture regime (Gum 10 years, Pine 25 years and Wattle 10 years), to determine volume production potential. A MAI (gum: 15.4 tons/ha/year, pine: 13.8 tons/ha/year,

wattle: 8 tons/ha/year) was used in the evaluation. The standing timber value per hectare is determined by valuing the yield at rotation age and deducting from that the harvesting and delivery cost. The profitability of the crop is then determined by the Faust Mann Formula and incorporates all the costs. Timber prices used were provided by NCT, TWK, and Mondi.

Harvesting and transport costs were supplied by local contractors in 2022. The Municipality used an expert to calculate the fair value of biological assets as at 30 June 2022.

Financial Risk Strategy

The entity is exposed to financial risks arising from the changes in market prices of timber. The entity does not anticipate that timber prices will decline significantly in the foreseeable future and therefore has not entered into derivative or other contracts to manage the risk of a decline in timber prices. The entity reviews its outlook for timber prices regularly in considering the need for active financial risk management.

Pledged as security

There are no biological assets pledged as security.

Restrictions imposed by regulations

There are no biological assets which are subject to to restrictions imposed by regulations:

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10. Investment property

	2022		2021	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Investment property	29,104,010	(14,998,606)	29,144,010	(14,531,020)
		14,105,404		14,612,990

Reconciliation of investment property - 2022

Investment property	Opening balance	Disposals	Depreciation	Total
	14,612,990	(12,822)	(494,764)	14,105,404

Reconciliation of investment property - 2021

Investment property	Opening balance	Transfers	Depreciation	Total
	17,150,866	(1,864,784)	(673,092)	14,612,990

Pledged as security

No investment property has been pledged as security.

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

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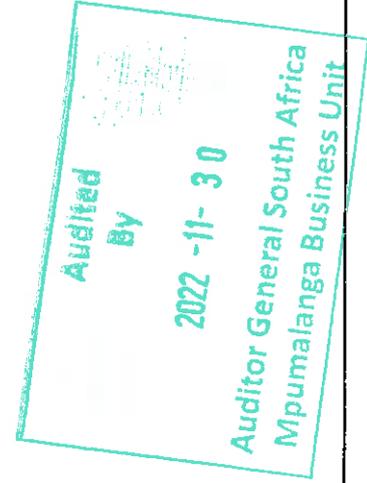
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11. Property, plant and equipment

	2022			2021		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	16,580,132	-	16,580,132	28,991,304	-	28,991,304
Buildings	93,308,869	(35,524,390)	57,784,479	92,793,739	(32,345,745)	60,447,994
Plant and machinery	9,922,909	(4,029,289)	5,893,620	9,733,434	(3,417,047)	6,316,387
Furniture and fixtures	17,780,885	(8,554,885)	9,226,000	16,760,454	(7,324,053)	9,436,401
Motor vehicles	35,651,440	(22,415,319)	13,236,121	35,818,123	(19,641,509)	16,176,614
IT equipment	13,503,694	(5,026,964)	8,476,730	12,838,140	(3,735,248)	9,102,892
Infrastructure	2,732,015,386	(1,362,213,288)	1,369,802,098	2,643,134,263	(1,291,841,031)	1,351,293,232
Community	93,604,455	(28,069,218)	65,535,237	84,484,999	(23,040,019)	61,444,980
Landfill site	21,550,382	(11,442,757)	10,107,625	24,745,804	(8,122,012)	16,623,792
Work in Progress	196,323,152	-	196,323,152	128,053,047	-	128,053,047
Total	3,230,241,304	(1,477,276,110)	1,752,965,194	3,077,353,307	(1,389,466,664)	1,687,886,643



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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	28,991,304	-	(12,411,172)	-	-	-	-	-	16,580,132
Buildings	60,447,994	-	-	515,130	-	-	(3,178,645)	-	57,784,479
Plant and machinery	6,316,387	189,475	-	-	-	-	(605,419)	(6,823)	5,893,620
Furniture and fixtures	9,436,401	1,020,431	-	-	-	-	(1,222,598)	(8,234)	9,226,000
Motor vehicles	16,176,614	-	(55,416)	-	-	-	(2,787,288)	(97,789)	13,236,121
IT equipment	9,102,892	665,554	-	-	-	-	(1,189,688)	(102,027)	8,476,730
Infrastructure	1,351,293,232	2,274,770	(8,243,668)	104,471,116	-	-	(70,277,208)	(9,716,143)	1,369,802,098
Community	61,444,980	-	(2,004)	9,129,676	-	-	(4,909,858)	(127,557)	65,535,237
Landfill Site	16,623,792	-	-	-	-	-	(3,320,745)	-	10,107,625
Work In Progress	128,053,047	183,246,659	-	-	(111,015,420)	(3,195,422)	-	-	196,323,152
	1,687,886,643	187,396,889	(20,712,261)	114,115,922	(111,015,420)	(7,156,566)	(87,491,450)	(10,058,573)	1,752,965,194

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	29,219,153	-	(232,349)	4,500	-	-	-	-	28,991,304
Buildings	58,764,010	-	-	1,860,286	2,584,573	-	(2,401,875)	(359,000)	60,447,994
Plant and machinery	2,442,862	4,293,240	-	-	-	-	(419,715)	-	6,316,387
Furniture and fixtures	10,055,025	514,253	-	-	-	-	(1,132,877)	-	9,436,401
Motor vehicles	14,293,507	5,585,140	(759,851)	-	-	-	(2,942,182)	-	16,176,614
IT equipment	9,250,531	896,325	-	-	-	-	(1,043,964)	-	9,102,892
Infrastructure	1,332,463,794	2,406,446	(26,669,585)	122,657,879	-	-	(69,528,145)	(10,037,157)	1,351,293,232
Community	57,524,911	-	(7,733)	-	-	-	(3,947,685)	(505,383)	61,444,980
Landfill Site	14,453,678	-	-	-	-	-	(2,064,812)	-	16,623,792
Work In Progress	137,888,299	121,486,373	-	-	(125,239,280)	(6,082,345)	-	-	128,053,047
	1,666,355,770	135,181,777	(27,669,518)	1,864,786	3,172	6,533,451	(83,481,255)	(10,901,540)	1,687,886,643

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11. Property, plant and equipment (continued)

Pledged as security

No assets are pledged as security.

Assets subject to finance lease (Net carrying amount)

Motor vehicles	2,328,404	3,635,893
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Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Electrical Infrastructure	47,721,711	27,583,432
Roads Infrastructure	20,170,811	1,652,968
Sanitation Infrastructure	104,894,547	57,483,028
Water Infrastructure	65,121,386	36,592,114
Community	13,432,159	5,782,658
	251,340,614	129,094,200

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

Upgrading of main substation The delay was due to cash flow problems.	39,511,897	39,511,897
	39,511,897	39,511,897

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	123,896,506	3,408,688	1,789,006	129,094,200
Additions/capital expenditure	172,432,575	10,023,471	-	182,456,046
	296,329,081	13,432,159	1,789,006	311,550,246

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	128,306,827	7,595,379	4,373,620	140,275,826
Additions/capital expenditure	121,486,373	-	-	121,486,373
Other movements [specify]	(6,082,345)	-	-	(6,082,345)
Transferred to completed items	(117,426,821)	(4,186,691)	(2,584,614)	(124,198,126)
	126,284,034	3,408,688	1,789,006	131,481,728

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	37,245,444	27,998,845
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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12. Heritage assets

	2022		2021	
	Cost / Valuation	Accumulated impairment losses	Cost / Valuation	Accumulated impairment losses
Art Collections, antiquities and exhibits Mayoral Chain	2,860,000 56,300	- -	2,860,000 56,300	- -
Total	2,916,300	-	2,916,300	-

Reconciliation of heritage assets 2022

	Opening balance	Additions	Transfers received	Total
Art Collections, antiquities and exhibits Mayoral Chain	- -	56,300 56,300	2,860,000 -	2,860,000 56,300
	-	56,300	2,860,000	2,916,300

Pledged as security

No heritage assets pledged as security:

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13. Finance lease obligation		
Minimum lease payments due		
- within one year	-	2,454,600
	-	2,454,600
less: future finance charges	-	(148,970)
Present value of minimum lease payments	-	2,305,630
Present value of minimum lease payments due		
- within one year	-	2,305,630

It is municipality policy to lease certain motor vehicles and equipment under finance leases. The average lease term was 3 years and the average effective borrowing rate was 12% (2020: 12%). Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

14. Payables from exchange transactions

Trade payables	584,013,609	394,731,369
Payments received in advanced - contract in process	6,326,774	8,286,736
Advance payments for sales of land	7,404,828	2,700,000
Retentions	26,777,592	15,699,789
Accrued bonus	5,748,487	5,384,966
Deposits received	35,066	35,066
Accrued Leave	21,667,102	20,571,151
Unallocated deposits	8,150,527	7,339,739
Sundry creditors	518,388	(16,144)
Accrued creditors	5,647,083	51,629,102
Other Creditors #12	(1)	-
Payroll liabilities	24,850,273	14,681,723
	691,139,728	521,043,497

15. VAT payable

Tax refunds payables	-	611,985
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16. Consumer deposits

Electricity	2,570,592	2,548,353
Water	1,563,474	1,472,256
	4,134,066	4,020,609

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17. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme. Contribution rates tables are based only on type and number of dependants, and income. As expected health care costs (or claims) tend to increase with average age, younger (inservice) members generally subsidise older (continuation) members.

Key Financial Assumptions

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

Discount Rate

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

Consequently, a discount rate of 11.21% per annum has been used. The corresponding index-linked yield at this term is 4.07%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2022.

The table below summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year. The next contribution rate increase is assumed to occur at 1 January 2023. The next increase to the maximum subsidy was assumed to occur with effect from 1 July 2023.

Assumption		Value p.a.
Discount rate		11.21%
Health care cost inflation rate		7.88%
Net-of-health-care-cost-inflation discount rate		3.09%
Maximum subsidy inflation rate		5.54%
Net-of-maximum-subsidy-inflation discount rate		5.38%

Key demographic assumptions

Assumption Value	Value
Average retirement age	62

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17. Employee benefit obligations (continued)

Continuation of membership at retirement	75.00%
Proportion with a spouse dependant at retirement	60.00%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy thereafter	15%
Mortality during employment SA 85-90	SA 85-90
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010

SENSITIVITY ANALYSIS

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year age increase and decrease in the assumed rates of post-employment mortality;
- (iv) A one-year decrease in the assumed average retirement age; and
- (v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

Tabled below is the summary of the results of the sensitivity analysis.

Assumption	Change	Eligible employees	Continuation members	Total	%Change
Central assumptions		2.261	8.591	10.852	
Health care inflation rate	1%	2.534	8.670	11.204	3%
	-1%	1.969	8.470	10.439	-4%
Discount rate	1%	1.946	8.015	9.961	-8%
	-1%	2.649	9.247	11.896	10%
Post-employment mortality	+1 year	2.202	8.308	10.510	-3%
	-1 year	2.318	8.872	11.190	3%
Average retirement	-1 year	2.477	8.591	11.068	2%
Continuation of membership at retirement	-10%	1.959	8.591	10.550	-3%

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17. Employee benefit obligations (continued)

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

Carrying value

Present value of the post employment medical benefits-wholly unfunded	(10,852,000)	(11,477,000)
Non-current liabilities	(9,975,000)	(10,585,000)
Current liabilities	(877,000)	(892,000)
	(10,852,000)	(11,477,000)

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

Opening balance	355,000	-
Net expense recognised in the statement of financial performance	(625,000)	355,000
	(270,000)	355,000

Net expense recognised in the statement of financial performance

Current service cost	72,000	74,000
Interest cost	1,018,000	991,000
Actuarial (gains) losses	(823,000)	196,000
Expected employer benefit payments	(892,000)	(906,000)
	(625,000)	355,000

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Water Services Infrastructure Grant	7,053,987	11,140,957
Regional Bulk Infrastructure Grant	-	12,120,996
	7,053,987	23,261,953

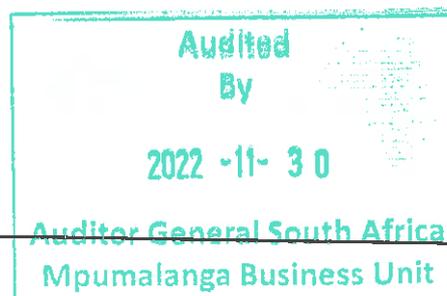
Movement during the year

Balance at the beginning of the year	23,261,953	-
Additions during the year	196,196,000	168,852,000
Income recognition during the year	(189,142,013)	(145,590,047)
Grants repaid during the year	(23,261,953)	-
	7,053,987	23,261,953

The municipality received additional funding for the Water Services Infrastructure Grant during the fourth quarter of 2022 amounting to R15 million. The appointment for the service provider was completed towards year end and this resulted in some of the funding not fully spent as at 30 June 2022. The municipality also received R10 million for the Municipal Infrastructure Grant and this was fully spent during the year.

See note 31 for reconciliation of grants from National/Provincial Government.

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



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19. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Interest charge	Change in discount factor	Total
Environmental rehabilitation	30,403,547	-	2,682,657	(3,195,422)	29,890,782
Long Service Awards- Current Portion	2,790,000	(2,909,000)	1,333,000	-	1,214,000
Long Service Awards- Non current portion	12,824,000	(2,393,000)	-	-	10,431,000
	46,017,547	(5,302,000)	4,015,657	(3,195,422)	41,535,782

Reconciliation of provisions - 2021

	Opening Balance	Additions	Interest charge	Change in discount factor	Total
Environmental rehabilitation	24,218,836	-	1,949,786	4,234,925	30,403,547
Long Service Award - Current Portion	684,000	1,078,000	-	1,028,000	2,790,000
Long Service Award - Non Current Portion	13,022,000	(198,000)	-	-	12,824,000
	37,924,836	880,000	1,949,786	5,262,925	46,017,547

Non-current liabilities	40,321,782	43,227,547
Current liabilities	1,214,000	2,790,000
	41,535,782	46,017,547

Environmental rehabilitation provision

Financial assumptions used

Unit costs

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

Consumer Price Index (CPI)

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date¹⁶. The average of the CPI for the last three months amounted to 6.6085%.

Discount rate

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used¹⁷.

The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used. For this landfill the rate associated with the maximum period of 10 years was used, i.e. 3% above CPI.

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19. Provisions (continued)

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

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

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Long Service Awards

Long service awards

The effective date of the valuation is 30 June 2022 (the "Valuation Date"). The valuation considers all employees eligible for LSA. The LSA liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The previous actuarial valuation of the Municipality's LSA liability was undertaken as at 30 June 2021.

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

Key assumptions

In estimating the unfunded liability for LSA of the Municipality a number of actuarial assumptions are required. The GRAP

25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary. It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA arrangement – this is determined by actual experience and by the benefits provided.

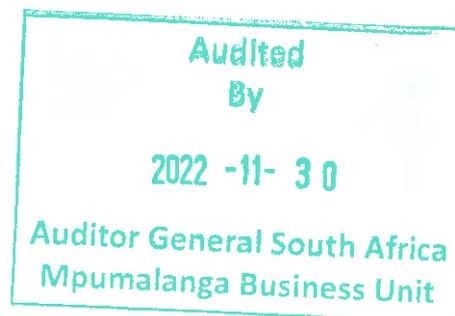
The method and assumptions influence how the past service liability and Current-Service costs are recognised over time.

The key financial and demographic assumptions are summarised below.

Key Financial Assumptions

Key financial assumptions Assumption

Key financial assumptions Assumption	Value p.a.
Discount rate	11.25%
General earnings inflation rate (long-term)	7.42%
Net effective discount rate	3.56%



20. Revenue

Service charges	213,931,496	195,511,763
Rental of facilities and equipment	1,158,264	803,034
Licences and permits	152,108	187,839
Other income - (rollup)	2,380,004	3,408,396
Interest received - investment	32,364,877	26,799,814
Property rates	74,503,637	71,236,638
Government grants & subsidies	464,452,868	450,858,840
Public contributions and donations	5,963,500	8,469,370
Fines, Penalties and Forfeits	6,093,863	15,463,163
	801,000,618	772,738,857

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20. Revenue (continued)

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

Service charges	213,931,496	195,511,763
Rental of facilities and equipment	1,158,264	803,034
Licences and permits	152,109	187,839
Other income - (rollup)	2,380,004	3,408,396
Interest received - investment	32,364,877	26,799,814
	249,986,750	226,710,846

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

Taxation revenue		
Property rates	74,503,637	71,236,638
Transfer revenue		
Government grants & subsidies	464,452,868	450,858,840
Public contributions and donations	5,963,500	8,469,370
Fines, Penalties and Forfeits	6,093,863	15,463,163
	551,013,868	546,028,011

21. Service charges

Sale of electricity	165,426,603	147,212,899
Sale of water	23,685,713	24,546,953
Sewerage and sanitation charges	11,340,303	10,943,189
Refuse removal	13,478,877	12,808,722
	213,931,496	195,511,763

22. Rental of facilities and equipment

Premises		
Premises	1,158,264	803,034

23. Other income

Cemetery fees	260,561	280,563
Photocopying	483,355	414,512
Handling fees	-	134
Building and clearing certificates	1,135,463	778,768
Commission income	1,318	187
Advertising income	6,062	4,851
Escorting fees	12,493	1,336,336
Other revenue	480,752	593,045
	2,380,004	3,408,396

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24. Investment revenue

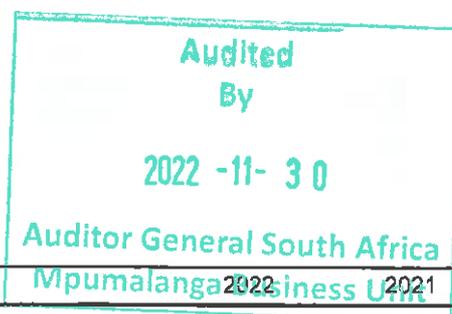
Interest revenue		
Bank	256,161	194,587
Interest charged on trade and other receivables	32,108,716	26,605,227
	32,364,877	26,799,814

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25. Licences and permits (exchange)

Licences and permits 1	152,109	187,839
------------------------	---------	---------

26. Fines, Penalties and Forfeits

Illegal Connections Fines	68,176	233,732
Overdue Books Fines	464	-
Court Traffic Fines	9,451	6,531
Municipal Traffic Fines	6,015,772	15,222,900
	6,093,863	15,463,163

27. Lease rentals on operating lease

Premises		
Contractual amounts	-	1,308,988
Lease rentals on operating lease - Other		
Contractual amounts	798,395	1,523,405
	798,395	2,832,393

28. Other revenue

Other income - (rollup)	2,380,004	3,408,396
-------------------------	-----------	-----------

29. Property rates

Rates received

Residential	36,672,920	34,695,068
Commercial	13,563,364	12,306,136
State	6,324,085	6,378,191
Small holdings and farms	22,518,309	22,258,153
Less: Income forgone	(4,575,041)	(4,400,910)
	74,503,637	71,236,638

Valuations

Residential	3,528,161,250	3,528,161,250
Commercial	1,334,629,800	1,334,629,800
State	908,104,300	908,104,300
Municipal	744,313,900	744,313,900
Small holdings and farms	5,789,005,000	5,789,005,000
Vacant land	154,908,780	154,908,780
Other	101,713,810	101,713,810
	12,560,836,840	12,560,836,840

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2020. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

30. Grants and subsidies paid

Other subsidies

Equitable share	7,217,305	5,678,123
Social Relief donations	-	533,937
	7,217,305	6,212,060

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30. Grants and subsidies paid (continued)



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31. Government grants and subsidies

Operating grants

Equitable share	269,848,953	300,190,000
Finance Management Grant	3,000,000	3,000,000
LGSETA	130,521	80,793
Expanded Public Works Programme	2,211,000	1,998,000
Municipal Infrastructure Grant	4,141,800	-

279,332,274 305,268,793

Capital grants

Municipal Infrastructure Grant	88,814,581	82,852,000
Water Services Infrastructure Grant	77,946,013	44,859,043
Integrated National Electrification Programme	18,360,000	10,000,000
Regional Bulk Infrastructure Grant	-	7,879,004

185,120,594 145,590,047

464,452,868 450,858,840

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	194,603,915	150,668,840
Unconditional grants received	269,848,953	300,190,000

464,452,868 450,858,840

Equitable Share

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

All registered indigents receive a monthly subsidy of 314 (2021: 288), which is funded from the grant.

Municipal Infrastructure Grant

Current-year receipts	92,956,381	82,852,000
Conditions met - transferred to revenue	(92,956,381)	(82,852,000)

Conditions still to be met - remain liabilities (see note 18).

The conditions of the projects are directly in-line with the DORA requirements. The Municipal Infrastructure Grant programme is aimed at providing all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. The MIG programme is a key part of government's overall drive to alleviate poverty in the country and, therefore, infrastructure is to be provided in such a way that employment is maximised and opportunities are created for enterprises to flourish.

Expanded Public Works Programme Grant

Current-year receipts	2,211,000	1,998,000
Conditions met - transferred to revenue	(2,211,000)	(1,998,000)

Conditions still to be met - remain liabilities (see note 18).

Incentive paid to public bodies to incentivise work creation. The incentive is paid per quantum of employment created for the EPWP target group and can be measured in person-days of work or full time equivalent job.

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31. Government grants and subsidies (continued)

Local Government Sector and training authority Grant

Current-year receipts	130,521	80,793
Conditions met - transferred to revenue	(130,521)	(80,793)

Conditions still to be met - remain liabilities (see note 18).

The Local Government, Water and Related Services SETA was established in terms of the Skills Development Act (1998). In terms of the provisions of the Act, the SETA was first established in 2000 and was recertified by the Minister of Labour in March 2005, with a reduced scope of coverage that excluded the Water Sector. It was at this stage renamed the The Local Government Sector Education & Training Authority (LGSETA). In 2011 responsibility for all SETAs was moved from the Department of Labour to the newly established Department of Higher Education and Training. The LGSETA was recertified by the Minister for the National Skills Development Strategy III period (2011-2016). The LGSETA has aligned its contributions to the implementation of National Skills Development Strategy III (NSDS III) primarily to support the achievement of OUTCOME 9 of the Cabinet Programme of Action, which aims to improve the effectiveness and efficiency of skills development system within the local government sector. The strategic outcome of the SETA will therefore produce a skilled and capable local government workforce. The conditions of the projects are directly in-line with the DORA requirements. The Municipal Infrastructure Grant programme is aimed at providing all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. The MIG programme is a key part of government's overall drive to alleviate poverty in the country and, therefore, infrastructure is to be provided in such a way that employment is maximised and opportunities are created for enterprises to flourish.

Finance Management Grant

Current-year receipts	3,000,000	3,000,000
Conditions met - transferred to revenue	(3,000,000)	(3,000,000)

Conditions still to be met - remain liabilities (see note 18).

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

Integrated national electrification programme Grant

Current-year receipts	18,360,000	10,000,000
Conditions met - transferred to revenue	(18,360,000)	(10,000,000)

Conditions still to be met - remain liabilities (see note 18).

The Department of Energy, Eskom and the South African Local Government Association briefed the committee on where the Integrated Electrification Programme stood currently, the challenges it faced as well as the challenges specific to municipalities.

Water Services Infrastructure Grant

Balance unspent at beginning of year	11,140,957	-
Current-year receipts	85,000,000	56,000,000
Conditions met - transferred to revenue	(77,946,013)	(44,859,043)
Grants repaid	(11,140,957)	-
	7,053,987	11,140,957

Conditions still to be met - remain liabilities (see note 18).

Mkhondo Local Municipality

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Figures in Rand	2022	2021
31. Government grants and subsidies (continued)		
Regional Bulk Infrastructure Grant		
Balance unspent at beginning of year	12,120,996	-
Current-year receipts	-	20,000,000
Conditions met - transferred to revenue	-	(7,879,004)
Grant repaid	(12,120,996)	-
	-	12,120,996

Conditions still to be met - remain liabilities (see note 18).

The strategic objective of the Grant is meant to facilitate achievement of targets for access to bulk water and sanitation through successful execution and implementation of bulk projects of regional significance. Its purposes is to develop new, refurbish, upgrade and replace ageing water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality.

It is also meant to implement bulk infrastructure with a potential of addressing water conservation and water demand management (WC/WDM) projects or facilitate and contribute to the implementation of local WC/WDM projects that will directly impact on bulk infrastructure requirements

32. Public contributions and donations

Donation 1	2,860,000	8,380,870
Donation 2	3,103,500	88,500
	5,963,500	8,469,370

Conditions still to be met - remain liabilities (see note 18)

The donation for R2,860,000 is for the Saul Mkhize Statue which was constructed by the Department of Culture. The donation of R3,103,500 is for the boreholes from the Department of Human Settlement.



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33. Employee related costs

Basic	137,959,123	131,305,539
Bonus	10,777,467	11,039,372
Medical aid - company contributions	9,226,951	8,478,618
UIF	1,134,512	920,425
Leave pay provision charge	1,783,755	4,186,256
Defined contribution plans	24,140,859	25,481,436
Travel, motor car, accommodation, subsistence and other allowances	4,764,566	5,199,738
Overtime payments	20,452,215	17,562,738
Long-service awards	1,257,728	-
Acting allowances	2,052,554	1,752,184
Car allowance	969,875	54,939
Housing benefits and allowances	935,419	1,137,287
Standby allowances	11,686,076	10,291,740
Bargaining council	33,493	-
	227,174,593	217,410,272

The total Employee costs as disclosed in the Statement of Financial Performance includes the amounts disclosed above plus the Remuneration of the Municipal Manager and General Managers disclosed below.

Remuneration of municipal manager

Annual Remuneration	845,416	755,552
Other Allowances	18,792	70,422
Car allowances	148,000	180,000
Contributions to UIF, Medical and Pension Funds	159,013	141,867
Leave paid	378,113	-
Annual Bonus	96,940	89,296
	1,646,274	1,237,137

Mr M Kunene was the Municipal Manager for 6 months up to December 2021. Mr M Thabede was appointed for the period March 2022 to June 2022.

Remuneration of chief finance officer

Annual Remuneration	496,473	574,046
Other allowances	17,600	19,200
Annual Bonus	118,464	74,819
Contributions to UIF, Medical and Pension Funds	126,306	146,382
Car allowance	220,000	240,000
Leave Paid	172,380	-
	1,151,223	1,054,447

Mr B.A. Maseko was the Chief Financial Officer for the period. He served for 7 months and resigned in February 2022. He rejoined the Municipality in May 2022 and served up to 30 June 2022.

General Manager - Community services

Annual Remuneration	110,734	662,599
Other allowances	4,800	58,649
Annual Bonuses	24,940	74,819
Contributions to UIF, Medical and Pension Funds	15,944	93,160
Leave Paid	172,380	-
Car allowance	36,000	144,000
	364,798	1,033,227

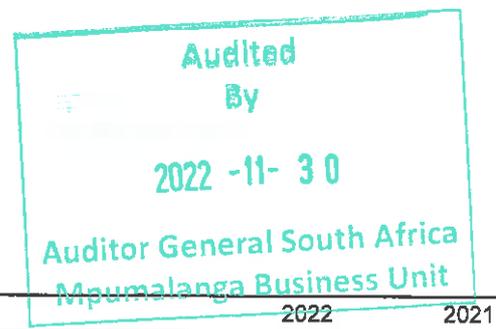
Mr V Khumalo was the General Manager Community services. He served for 3 months until 30 September 2021.

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33. Employee related costs (continued)

Corporate and human resources (corporate services)

Annual Remuneration	530,354	659,724
Other allowances	5,600	38,906
Annual bonus Bonuses	74,819	74,819
Contributions to UIF, Medical and Pension Funds	105,860	157,561
Car allowance	56,000	84,000
	772,633	1,015,010

Mr M. Thabede was the GM Corporate Services. He served for 8 months up to 28 February 2022.

General Manager- Technical Services)

Annual Remuneration	453,052	742,435
Other allowances	38,400	58,106
Annual Bonuses	93,524	74,819
Contributions to UIF, Medical and Pension Funds	83,267	132,277
Car allowance	80,000	60,000
Leave Paid	158,015	-
	906,258	1,067,637

Ms Z Lugongolo was GM Technical Services. She served for 4 months until 31 October 2021. Mr M Ngcobo was appointed in March 2022 and served up to 30 June 2022.

General Manager - Planning and Development)

Annual Remuneration	667,405	648,236
Other allowances	19,200	58,106
Annual Bonuses	74,819	74,819
Contributions to UIF, Medical and Pension Funds	135,894	124,377
Car allowance	134,465	134,465
	1,031,783	1,040,003

Mr L. Motloung was the General Manager Planning and Development. He served for the 12 months up to 30 June 2022.

Total Employee costs

All other employees	227,174,593	210,962,811
General Managers	5,852,969	6,447,461
	233,027,562	217,410,272

34. Remuneration of councillors

Executive Major	593,262	940,693
Chief Whip	577,502	716,802
Speaker	481,232	761,452
Councillors	13,800,981	13,734,669
	15,452,977	16,153,616

35. Depreciation and amortisation

Property, plant and equipment	87,491,450	83,481,255
Investment property	494,764	673,092
Intangible assets	-	25,088
	87,986,214	84,179,435

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	2022	2021
36. Impairment of assets		
Impairments		
Property, plant and equipment	10,058,782	10,901,580
37. Finance costs		
Trade and other payables	31,087,674	17,228,323
Finance leases	5,084	578,829
Other interest paid	2,682,657	1,949,786
	33,775,415	19,756,938
38. Debt impairment		
Debt impairment	52,975,377	113,866,222
Contributions to debt impairment provision	6,062,254	12,798,301
	59,037,631	126,664,523
39. Bulk purchases		
Electricity - Eskom	151,442,574	138,380,431
Water	10,063,189	49,895,354
	161,505,763	188,275,785
40. Contracted services		
Outsourced Services		
Administrative and Support Staff	479,248	2,577,785
Business and Advisory	16,214,644	12,351,467
Hygiene Services	429,692	171,207
Professional Staff	284,074	200,398
Refuse Removal	108,150	(126,878)
Security Services	29,514,623	22,634,308
Water Takers		460,000
Consultants and Professional Services		
Business and Advisory	50,811	-
Infrastructure and Planning	715,048	621,024
Laboratory Services	61,484	-
Legal Cost	4,086,950	4,490,678
Contractors		
Catering Services	2,402,420	1,194,430
Electrical	373,833	387,752
Maintenance of Buildings and Facilities	1,648,915	1,888,095
Maintenance of Equipment	18,576,166	27,595,056
Maintenance of Unspecified Assets	14,303,431	19,896,259
Traffic and Street Lights	361,483	571,309
Transportation	1,045,390	615,860
Sports and Recreation	58,800	60,875
	90,715,162	95,589,625

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41. General expenses		
Advertising	2,037,543	2,047,399
Auditors remuneration	6,083,968	6,112,591
Bank charges	872,461	1,002,325
Commission paid	168,456	217,116
Community development and training	1,951,733	782,360
Consumables	63,782,165	47,455,964
Discount allowed	3,747	2,128,064
Hire	992,773	1,363,476
Insurance	4,289,303	4,938,215
IT expenses	1,562,000	-
Other expenses	226,050	904,201
Promotions and sponsorships	548,140	274,750
Levies	1,881,051	573,784
Protective clothing	3,269,536	6,839,403
Subscriptions and membership fees	2,211,866	2,400,041
Telephone and fax	19,240,284	9,437,683
Training	3,701,766	4,052,255
Travel - local	9,068,106	10,261,503
Assets expensed	-	1,972
Utilities - Other	2,688,783	2,186,214
	124,579,731	102,979,316
42. Fair value adjustments		
Biological assets - (Fair value model)	6,257,865	11,546,220
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	13,408	41,674
	6,271,273	11,587,894
43. Auditors' remuneration		
Fees	6,083,968	6,112,591
44. Operating deficit		
Operating deficit for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
• Contractual amounts		1,308,988
Lease rentals on operating lease - Other		
• Contractual amounts	798,395	1,523,405
	798,395	2,832,393
Loss on sale of property, plant and equipment	(19,882,176)	(25,312,416)
Loss on sale of investment property	(12,822)	-
Impairment on property, plant and equipment	10,058,782	10,901,580
Amortisation on intangible assets	-	25,088
Depreciation on property, plant and equipment	87,491,450	83,481,255
Depreciation on investment property	494,764	673,092
Employee costs	248,500,539	233,563,888



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45. Cash generated from operations		
Surplus/(deficit)	(31,629,094)	(116,642,026)
Adjustments for:		
Depreciation and amortisation	87,986,214	84,179,435
Sale of assets and liabilities	19,894,998	25,312,416
Fair value adjustments	(6,271,273)	(11,587,894)
Impairment deficit	10,058,782	10,901,580
Debt impairment	59,037,631	126,664,523
Movements in retirement benefit assets and liabilities	(625,000)	(13,351,000)
Movements in provisions	3,568,658	17,563,786
Other non-cash items	(893,866)	6,079,075
Donated assets	(5,960,502)	(8,380,870)
Changes in working capital:		
Inventories	11,964,723	(10,639,372)
Receivables from exchange transactions	(64,031)	(59,562)
Consumer debtors	(103,281,280)	(84,950,709)
Other receivables from non-exchange transactions	(5,180,631)	(13,446,064)
Payables from exchange transactions	170,096,231	111,736,092
VAT	(7,228,390)	(8,128,586)
Unspent conditional grants and receipts	(16,207,966)	23,261,953
Consumer deposits	113,457	241,713
	185,378,661	138,754,490

46. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	70,848,058	199,158,951
• Community assets	2,094,489	2,094,489
	72,942,547	201,253,440

Total capital commitments

Already contracted for but not provided for	72,942,547	201,253,440
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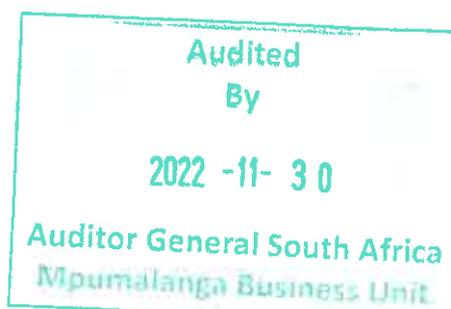
This committed expenditure relates to plant and equipment and will be financed by Grants from National Treasury.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	-	2,505,219
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Operating lease payments represent rentals payable by the municipality for some of its offices. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable. The lease was terminated during the year under review.



Mkhondo Local Municipality

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47. Contingencies

Below is a list of contingent liabilities as at 30 June 2022.

Name of claimant	Responsible person	Summary of case	Law Firm appointed	File number	Amount claimed	Comments
1. Bareki Consulting (Pty) Ltd	Legal Services Division	The plaintiff is claiming damages for work done. They allege that they compiled a supply chain management system and they were not paid for the work done.	TNM Kgomo & Associates Inc.	19148/2011/WDM	Claim A R 761 383.10. Claim B R 1 169 904.48	The pleadings have closed in the matter. However we have received notice of withdrawal as attorneys of record on the 17 th of June 2022. We attended to contact the actual plaintiff and requested an indulgence to appoint new attorneys until 31 st August 2022.
2. Owethu Mkhondo Development of middle class houses Trading CC	Legal Services Division	The Plaintiff is suing the Municipality for R 21 277 570.63 for alleged breach of contract	TNM Kgomo & Associates Attorneys	46047/2014/WDM	R 21 277 570.63	The Pleadings have been closed in the matter. The matter is trial ready. We are waiting for judicial pre-trial conference from the registrar of High court
3. Pamoja Technologies	Legal Services Division	The plaintiff is suing the Municipality the sum of R 1 396 370.67 for alleged breach of contract by the Municipality.	TNM Kgomo Incorporated Attorneys	15597/11/WDM	R 1 396 370.67	The plaintiff have abandoned their claim and there are no attorney of record. Application to dismiss the claim was issued early this year and the sheriff is unable to serve the documents due to the fact that the plaintiff no longer exist.
4. Busamasi Investments cc	Legal Services Division	A claim was instituted by the plaintiff following an alleged breach of contract by the municipality.	TNM Kgomo Incorporated	47483/2011/WDM	R 558 842.62	The plaintiff have abandoned their claim and there are no attorney of record. Application to dismiss the claim was issued early this year and the sheriff is unable to serve the documents due to the fact that the plaintiff no longer exist.

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47. Contingencies (continued)

5. Rethuseng Live Line Services cc.	Legal Services Division	Summons were issued by the plaintiff against two defendants. The Municipality is cited as the second defendant. The plaintiff is claiming from the first defendant an amount of R 4 846 015.42 and alternatively R 3 249 043.64 from the second defendant.	TNM Kgomo Incorporat ed Attorneys.	40779/2014/ WDM	R 3 249 043.6 4	Pleadings have been closed in this matter. The application to set aside the findings of AOS Consulting Engineers was granted during June 2021. We received confirmation from the engineering company that they have inspected the Piet Retief site and we shall expect their report not later than 10 August 2022.
6. Mr LP De Beer	Legal Service Division	Mr B has served Summons against the Municipality stating that he has incurred damages due to a motor vehicle accident	Mohlala Attorneys	20751/2015/ WDM	R470 000.0 0	The Applicant/Plaintiff has filed an application for joinder of MEC for roads and transport and the said application is being opposed by the office of the state attorney
7. Bicacon (Pty) Ltd	Legal Services	The Municipality received summons from Bicacon (Pty) Ltd seeking relief in the amount of R 5 319 140.62, as the plaintiffs are claiming that the Mkhondo Local Municipality unlawfully terminated their contract, the plaintiffs were appointed to provide Engineering Consulting Services for the construction of Driefontein to Iswepe and Hartebeesfontein Water Bulkline by Mega, which ceded their rights to the Municipality.	Mohlala Attorneys	87155/15/WD M	R 5319140.62	Plaintiff in the main action, filed for leave to appeal judgement and order handed down on the 8 October 2020 in Mbombela High Court and application. The application was dismissed with cost, such costs include the costs occasioned by the employ of the Counsel. They wanted to petition however the application has since not materialised and have instructed our attorney to proceed to file all necessary pleas in the main action.

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47. Contingencies (continued)

<p>8. Phanda (PTY) LTD Repairs Maintenance of HDV'S & Yellow Metal Fleet.</p>	<p>Legal Services</p>	<p>The Municipality received notice and summons claiming the R736 975.99 for services rendered as per SLA.</p>	<p>MT Silinda</p>	<p>5291/2016/BS X</p>	<p>R736 975.99</p>	<p>During the course of litigation and vigorous consultations an offer of settlement was made to the Plaintiffs' attorneys as follows; 1. Payment of the amount of R256 976.04. In January 2019, the Municipality was served Warrant of execution has been authorized by the Registrar obtained default Judgment was obtained on the 17 September 2018 for payment of the amount of R736 975.99 plus costs. Having regard to the above and the fact our attorney denied having received any papers from the plaintiff attorney or his correspondent deemed it more fit to proceed to court and apply for a stay in execution pending the launch of a comprehensive Application for Rescission of the Default Judgment together with the adverse and punitive costs orders granted. The Application was heard and an Order was granted in favour of the Municipality. Our attorney is busy with the rescission in the matter and correspondent attorney will be joined in the application</p>
<p>9. EPH's Security And Services</p>	<p>Legal Services</p>	<p>The Municipality received notice and summons claiming the R5277 870.57 million for services rendered.</p>	<p>Mthunzi Madonsela Attorneys</p>	<p>331/2017/BS X</p>	<p>R5277 870.57</p>	<p>The Plaintiff filed an intention Application for Leave to Appeal on the judgment. The appeal will be opposed and prospect are good. With regards to the claim 1 the matter is finalized and the claim was for 5277 870.57 and we only have to pay for one month because our letter was issued a month late after the incident? 1.6 million is for work done.</p>

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47. Contingencies (continued)

10. MJS Mabuza	Legal Services	The Municipality received notice and summons claiming the R2.2 million to compensate the claimant for loss suffered as the result after his contract has been terminated	Mthunzi Madonsel a Attorneys	2017/BSX	R2.2 Million	This matter was case managed on the 20th September 2019 and was set down for trial on the 2nd November 2020,thereafter the matter was removed by the plaintiff before hearing. We anticipate the re-enrolment.
11. Pre-paid Action matter	Legal Services	Ideal Prepaid has instituted legal Actions against the Municipality, after the Municipality terminated their contract	Madonsel a Mthunzi Inc. Attorneys	732/2018/BS X	R32 089 34 0.00	External legal practitioner's assessment of the possible outcome of each of the identified litigation and claims, where available. The plaintiff in its summons alleges that it has suffered patrimonial loss due to the Municipality's repudiation of their agreement. A Notice of Intention to Defend has been filed on behalf of the Municipality. Thereafter, an interlocutory Application was launched on behalf of the Municipality after Respondent/Plaintiff failed to comply with the Notice in terms of Rule 35(14).he matter was set down for 22 August 2019 on the opposed roll to hear the interlocutory application.The judge dismissed the application and ordered that the action proceeds. Advocate Makoti was appointed as acting judge and we therefore terminated his mandate and appointed Advocate Mokutu SC. Advocate Mokutu issued legal opinion, we did not agree with the opinion and undertook to terminate him and appoint Advocate Tshavhungwa.Advocate Tshavhungwa issued advice on evidence. We are currently in the process of amending our papers to be filed.

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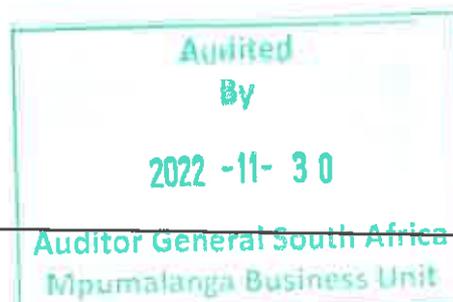
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47. Contingencies (continued)

12. Mr Jacoba/Municipality	Legal Services	The Municipality received summons claiming R8568.90. Plaintiff hit the pothole and his motor vehicle got damages	Mthunzi Madonsel a Attorneys	230/2017/BS X	R8568.90	Plaintiff sent an offer of settlement to the Municipality and advised that he does not wish to proceed with trial. Municipality repudiated Plaintiff's offer of settlement on the basis that the D526 road between Mkhondo and Emahlabathini does not fall within the Municipality's jurisdiction and advised that the plaintiff's offer to settle is addressed to the Department of Public Works, Roads & Transport. Plaintiff has withdrawn its action against the Municipality. Plaintiff is required to tender costs to the Municipality. Awaiting the final account
13. Mr Solomon Jabulani Gomu Mnisi	Legal Service	The Mkhondo Local Municipality received summons from the Plaintiff alleging that he had been arrested and detained by the traffic officers of the Mkhondo Local Municipality, he is therefore claiming an amount of R 850 000.00	Mohlala Attorneys	8550/2017/BS X	R850 000.00	The Defendant's special plea and plea has been served and filed accordingly and the matter is currently at discovery stage
14. Mr Voster Andries	Legal Services	The Plaintiff is suing the Mkhondo Local Municipality in the amount of R 25 000.00 for a once off gratuity equal to three months pensionable salary, the Plaintiff was a councillor at the Municipality.	Mohlala Attorneys	367/2015/BS X	R25 000.00	The Plaintiff's attorney have since withdrawn from the matter. However the matter is still pending no legal fees payable since there is no action currently.
15. Mpfumelelo Enterprise (PTY) LTD	Legal Services	The Municipality received summons from Plaintiff claiming R3 174 187.49 of unpaid invoices.	Dolamo Attorneys	1347/22 BSX	R3 174 187.49	Notice of intention to defend was filed and plea was served accordingly.



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47. Contingencies (continued)

16. Retirement Fund//Muni cipality	Legal Services	The Municipality received an urgent application seeking compliance with the provisions of section 13 A of the PFA application is brought in two stages Fund seeks the order ito S 13 A (2) of PFA also an order compelling the Municipality to make payment to the fund of all the outstanding contributions payable to the fund	Mthunzi Madonsel a Attorneys	1781/2018/BS X	Specific Performanc e and monies	The matter has been settled between the parties and the Applicant has withdrawn the Application pending payment of the settlement amount by the municipality. The Municipality complied with the court order by furnishing the Plaintiff with all contribution statements and attend to settle all amounts outstanding and due to client. Sent an enquiry to Plaintiff to check if there are any outstanding matter so the matter can be finalised. Currently awaiting response from Plaintiff's attorneys applicant to determine the actual amount that is owed to it by the Municipality
17. Voster &Voster/Mu nicipality	Legal Services	The applicants file for the Notice to compel the Municipality to comply with procedures provided for in section 178 of The Spatial Planning and Land Use Management by-law and enforce non-compliance with the notices it issued against the first, second and third respondents to cease their business activities on the property described as portion 61, farm Welgekozen 514, Mkhondo, Mpumalanga	Madonsel a Mthunzi Inc Attorneys	BSX20/2020	Specific Performanc e and monies	Based on Counsel's opinion this matter may not be successful in an open court and may attract punitive cost order against the Municipality. The Municipality must review its Land Use Scheme to align with the SPLUM by-law of the Municipality, investigate the zoning of the property in question and the properties adjacent to it and further review the zoning categories of the properties adjacent to it as to eliminate any notion of targeting or victimisation of the Respondents. We recommend that the matter is withdrawn in order to afford the Municipality an opportunity to consult with experts in Land Use and Planning in order to accordingly deal with causes of complaint raised by the Respondents. The Municipality should approach the Jouberts and assist them with their application for rezoning and attempt to find a way to settle the matter out of court and also attempt to get each party to settle

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47. Contingencies (continued)

18. Craft Corp	Legal Services	The plaintiff is suing the Municipality for failure to pay for engineering for amounting to R1129421.34. The invoice was submitted 30 June 2020.	Dolamo attorneys	3397/20 BSX	R1129421.34	The attorney has filed the intention to defend. On the 25 January 2021. And have prepared special Plea's (lack of Jurisdiction and premature summons
19. SFC Engineers	Legal Services	The Municipality received summons claiming R2433 900.00 in respect of professional engineering services.	Dolamo Attorneys	521/2022 BSX	R2433 900.00	Our attorney has entered a Notice of intention to defend and served same accordingly. We have since consulted with our attorney and to prepare and file our plea accordingly
20. Zara Fusion (PTY) LTD	Legal Services	The Municipality received summons claiming R5 450 156, 34 for the work done (Performed work i.e fencing, electrical and main connections and road works and sewerage upgrade).	TMN Kgomo	2039/2020BSX	R5 450 156, 34 alternatively R 4 298 540.54	The Municipality's plea was served during October 2021. The Pleadings have closed and parties have since exchanged their discovery affidavits. The Municipality discovery affidavit was served in February 2022. The Plaintiff as dominis litis have not taken any further steps since
21. KVN Business	Legal Services	Plaintiff is suing the Municipality for R4 633 062.50 plus interest at the rate of 10.25% per annum from the date of service of summons to date of the payment, in respect of the breach of contract between the parties and the matter is before the Regional Division of Mpumalanga held at Elukwatini	Mohlala Attorneys	01/2020/ BSX	R4 633 062.50	Trial was held on the 20th and 28th May 2021 matter is for arguments and possible judgement on the 17 August 2021 judgement was granted in favour of plaintiff and a report on prospect was ask for before filing appeal and we are proceeding with an appeal based on the legal guidance
22. J Gama	Legal Services	The Plaintiff instituted action proceedings against the Municipality for damages incurred by the plaintiff after he was stricken by a pothole	Madonsel a Mthunzi	26/2019 BSX	R85 852.83	The Plaintiff in his summons alleges that it has suffered patrimonial loss in an amount of R85 852.83. The Municipality denies the liability since the road does not fall within the municipal jurisdiction of the Municipality. Currently awaiting for the Plaintiff to set down the matter for trial accordingly.

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47. Contingencies (continued)

23. IMATU obo Malinga and others	Legal Services	The arbitration award was made against and serve to the Municipality. The Municipality wishes to review J720/2020the application. The	Madonsel a Mthunzi	J720/2020 BSX	Labour Matter. Claim amount R742 776.00	The legal opinion has directed us to settle out of court. The attorney is currently busy with the settlement offer.
24. Masango	Legal Services	The Municipality has lodged a review application in the Johannesburg Labour Court to have an arbitration award issued by first respondent be reviewed and set aside	TMN Kgomo	2020/BSX	R105 030.24	Attorney received instructions from the Municipality to file a Notice of withdrawal and same was done on the 5 th July 2022. On the 27 th day of July they were instructed to proceed further with review application.
25. Agri Piet	Legal Services	The Municipality received a complaint from Agri Piet Retief regarding non-compliance with MPRA	Madonsel a Mthunzi attorneys	2021/BSX	Specific Performanc e	The Municipal should embark on an internal process to write off the unpaid rates as irrecoverable since a court will not enforce payment of rates which were not validly imposed. Any claim by a ratepayer against the Municipality before 2018 has prescribed in terms of s11 (d) of the Prescription Act thus, the ratepayer will not succeed in claiming against the municipality. Municipality should not credit any property owner that paid property rates during non-compliance.

30 June 2021

NAME OF CLAIMANT	RESPONSIBLE PERSON/DEPARTMENT INTERNALLY	SUMMARY OF CASE AND PROGRESS	RESPONSIBLE LAW FIRM OR APPOINTED FIRM	FILE NUMBER	AMOUNT CLAIMED
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47. Contingencies (continued)

1. Bareki consulting (Pty)Ltd	Level Services Division	The plaintiff is claiming damages for work done. They compiled a supply chain management system and they were not paid for the work done	TMN KGOMO & Associates Inc.	19148/2011/W DM	Claim A R 761 383.10 Claim B
2. Owethu Mkhondo cc Development of middle class houses Trading	Legal Service Division	The plaintiff is suing the municipality the sum of R21 277 570.63	TMN KGOMO & Associates Inc.	46047/2014/W DM	R21 277 570.63
3. Pamoja Technologies	Legal Service Division	The plaintiff is suing the municipality the sum of R1 396 370.67	TMN KGOMO & Associates Inc.	15597/11/WDM	R1 396 370.67
4. Busamasi investment cc	Legal Service Division	A claim was instituted by the plaintiff following an alleged breach of contract by the municipality	TMN KGOMO & Associates Inc.	47483/2011/W DM	R558 842.62
5. Rethuseng Live Line Services cc	Legal Service Division	Summons were issued by the plaintiff against two defendants. The municipality is cited as the second defendant. The plaintiff is claiming from the first defendant an amount of R 4 846 015.42 and alternatively R3 249 043.64 from the second defendant.	TMN KGOMO & Associates Inc.	40779/2014/W DM	R4 846 015.42 Alternatively R3 249 043.64
6. RP & H Developers	Legal Services Division	The plaintiff issued summons against the municipality for an alleged breach of agreement regarding the provision of bulk services in Welgekozen country estate	TMN Kgomo & associates	2020/BSX	R2 147 717.68
7. Concert Masango and 2 others	Legal Services Division	The municipality has lodged a review application in the Johannesburg labour court to have any	TMN Kgomo & associates	2020 /BSX	R105 030.24

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47. Contingencies (continued)

8.Mr L.P De Beer	Legal services Division	The plaintiff has served summons against the municipality that he has incurred damages due motor vehicle accident as a result of the road and storm water drain where he was travelling	Mohlala Attorneys	20751/2015/W DM	R470 000.00
9.Bicacon (Pty) Ltd	Legal services Division	The municipality received summons from Bicacon (Pty)Ltd seeking relief in R5 319 140.62 as the plaintiff are claiming that the municipality unlawfully terminated their contract .the plaintiffs were appointed to provide Engineering consulting services for the construction of Driefontein to Iswepe and Haartebeesfonten water Bulk line by Mega, which ceded their rights to the municipality	Mohlala Attorneys	87155/15/WDM	R 5 319 140.62
10.Phanda (Pty)Ltd Repairs Maintenance of HDV's & Yellow Metal Fleet	Legal services Division	The municipality received notice and summons claiming the R 736 975.99 for services rendered as per SLA	MT Silinda	5291/2016/BSX	R736 975.99
11.EPH Security And services	Legal services Division	The municipality received notice that summons claiming an amount of R5 277 870.57for the entire contract and R1 642 267.76	Mthunzi Madonsela Attorneys	331/2017/BSX	Claim 1.R 5 277 870.57 Claim 2. 1 642 267.76
12.M J S Mabuza	Legal services Division	The municipality received notice and summons claiming an amount of R2.2 Million to compensate the claimant as the results of loses suffered as the results of his contract being terminated	Mthunzi Madonsela Attorneys	2017/BSX	R2.2Million

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47. Contingencies (continued)

13. Ideal meter Electricity Pre-Paid (Pty)Ltd	Legal services Division	The municipality sent a letter to ideal pre-paid, stipulating the municipalities' intentions to rescind it's decision of entering into a contract with them, thereafter we instructed our attorneys to draw an application to review this matter.	Mthunzi Madonsela Attorneys	2017/BSX	Reviewing contract
14. Ideal prepaid (Pty)Ltd	Legal services Division	Ideal Prepaid has instituted legal actions against the municipality after the municipality terminated their contract and filed the reviewed application	Madonsela Mthunzi inc Attorneys	732/2018/BSX	R32 089 340.00
15. Mr Jacoba/Municipality	Legal services Division	The municipality received summons claiming R8 568.90. Plaintiff hit the pothole and his vehicle got damaged	Madonsela Mthunzi Attorneys	230/2017/BSX	R8 568.90
16. Shatadi Auctineers	Legal services Division	The municipality appointed Mthunzi Madonsela Attorneys to assist in recovering monies which were never by the municipality after an auctioned was held.	Madonsela Mthunzi Attorneys	2018/BSX	R1.4 Million plus in terest
17. Mr Solomon Jabulani Gomu Mnisi	Legal services Division	The mkhondo local municipality received summons from the plaintiff alleging that he had been arrested by traffic officerws of the municipality .He is therefore claiming an amount of R850 000.00	Mohlala Attorneys	8550/2017/BSX	R850 000.00
18. Mr Voster Andries Wilhelmus Jacobs	Legal services Division	The plaintiff is suing the municipality in an amount of R 25 000. For once off gratuity equal to three months pensionable salary, the plaintiff was a counselor at the municipality.	Mohlala Attorneys	367/2015/BSX	R25 000

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47. Contingencies (continued)

19.KVN Business Services	Legal services Division	Plaintiff is suing the municipality for R 4 633 062.50 plus interest at the rate of 10.25% per annum from the date of service of summons to date of payment.inrespect of the breach of contract between the parties and the matter is before the regional Division of Mpumalanga held at Elukwatini.	Mohlala attorneys	01/2020/BSX	R4 633 062.50
20.Retirement fund	Legal services Division	The municipality received an urgent application seeking compliance with the provision of section 13A of the PFMA application is brought in two stages Fund seeks the order into S13 A(2) of PFA also an order compelling the municipality to make payment to the fund of all the outstanding contributions payable to the fund	Mthunzi Madonsela Attorneys	1781/2018/BSX	Specific performance and monies amounting to as per LOD R4 177 046.31
21.Jabulani Gama	Legal services Division	The plaintiff instituted action proceedings against the municipality for damaged incurred by the plaintiff after the collided with a pothole	Madonsela Mthunzi Attorneys	26/2019/BSX	R85 852.83
22.Graftcorn International (Pty)Ltd	Legal services Division	The municipality received summons claiming R 1 129 421.34 for the work done	Dalomo Atton eys	3397/2020/BSX	R1 129 421.34
23.Vorster & Voster	Legal services Division	The municipality received a notice of motion alleging that they are unlawful activities conducted in portion 61 of the farm Welgekozen .The applicant wants the municipality to enforce the provision of section 178 of the local municipality	Madonsela Mthunzi	2039/2020/BSX	Specific performancr

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47. Contingencies (continued)

24. Imatu obo Malinga and others	Legal services Division	The arbitration award was made against and serve the municipality .The municipality wishes to review J720/20202 the application	Madonsela Mthunzi Attorneys	J720/2020	Labour matter R 742 776.00
25. Zarafusion Pty Ltd	Legal services Division	The municipality received summons claiming R5 450 156.34 for the work done, fencing electrical and main connections road works and sewerage upgrade.	TMN Kgomo	2039/2020/BSX	R5450 156.34 alternatively R 4 298 540.54

Contingent assets

The Municipality is suing Ideal Prepaid for Electricity Prepaid sales sold through Ideal Prepaid vendors but not remitted to the Municipality. The amount of such revenue is unknown as the Service Provider refused to furnish the Municipality with records of sales made during the year. According to our legal attorneys, they have made an application compelling Ideal Prepaid to furnish us with statements to enable us to quantify losses and recover such monies.

The Municipality is suing Shatadi Auctioneers for the recovery of monies which were never received by the Municipality after an auction was held. The amount claimed is R1 474 705.84. The Municipality had sent a letter of demand and the Defendant has confirmed its indebtedness to the Municipality. A settlement agreement was reached with the Defendant in July 2018 wherein the Defendant agreed to pay in three instalments starting from August 2018. The Defendant did not honour the agreement and we proceeded to issue summons and matter is defended. The matter is handled by Mthunzi Madonsela Attorneys.



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48. Related parties

Relationships

Accounting Officer
Mr M. Thabede
Mr. B. Maseko
Mr. V. Khumalo
Ms. Z. Lugongolo
Mr. L. Motloung
Mr.M. Ngcobo
Mr. C. Munzhelele

Refer to accounting officer's report note 33
Refer to note 33



Remuneration of management

Management class: Councillors

Remuneration of councillors - 2022

Name	Basic salary	Car allowance	Cellphone and data allowance	Housing allowance	Pension and medical aid	Total
Cllr. S Bophela	91,536	-	15,809	-	6,578	113,923
Cllr. J Brussow	177,871	57,120	44,400	8,054	51,854	339,300
Cllr. B Dlamini	168,634	-	28,591	-	13,157	210,382
Cllr. M Dlamini	419,382	-	28,591	-	33,259	481,232
Cllr. G Gama	356,105	50,534	44,400	2,685	84,824	538,548
Cllr. N Gwebu	168,634	-	28,591	-	13,157	210,382
Cllr. R Hlatshwayo	110,492	-	15,809	-	15,526	141,827
Cllr. T Hlatshwayo	91,536	-	15,809	-	6,578	113,923
Cllr. V Hlophe	168,634	-	28,591	-	13,157	210,382
Cllr. B Khumalo	83,591	-	15,809	-	14,643	114,042
Cllr. T Khumalo	421,342	-	44,400	-	-	465,742
Cllr. T Mafuyeka	85,937	30,543	15,809	3,356	6,550	142,196
Cllr. S Mahlobo	91,536	-	15,809	-	6,578	113,923
Cllr. J Makhathini	117,471	-	15,809	-	8,442	141,723
Cllr. T Manana	263,135	-	44,400	-	19,735	327,270
Cllr. M Manyathi	168,634	-	28,591	-	13,157	210,382
Cllr. K Masondo	226,576	-	44,400	8,054	48,727	327,757
Cllr. S Mathebula	66,274	23,800	15,809	3,356	5,063	114,302
Cllr. M Mavuso	37,067	-	6,391	-	3,289	46,747
Cllr. B Mchunu	273,958	-	44,400	-	20,667	339,025
Cllr. S Methula	229,450	57,120	44,400	8,054	-	339,025
Cllr. B Mkhwanazi	91,536	-	15,809	-	6,578	113,923
Cllr. C Mkhwanazi	91,536	-	15,809	-	6,578	113,923
Cllr. S Mkhwanazi	494,743	-	45,000	-	37,759	577,502
Cllr. T Mncube	99,759	-	15,809	-	-	115,568
Cllr. Z Mnisi	145,575	59,220	15,809	3,356	22,618	246,578
Cllr. V Motha	406,286	-	44,400	-	142,415	593,101
Cllr. F Mthethwa	403,429	-	44,400	-	29,679	477,508
Cllr. T Mtshali	168,634	-	28,591	-	13,157	210,382
Cllr. N Ndhlovu	124,404	-	22,200	-	17,031	163,635
Cllr. D Ngobese	117,471	-	15,809	-	8,442	141,723
Cllr. L Ngubeni	168,634	-	28,591	-	13,157	210,382
Cllr. M Ngwenya	168,634	-	28,591	-	13,157	210,382
Cllr. M Ngwenya	263,135	-	44,400	-	19,735	327,270
Cllr. R Ngwenya	84,385	-	15,809	-	12,299	112,493
Cllr. D Nkosi	168,634	-	28,591	-	13,157	210,382
Cllr. D Nkosi	168,634	-	28,591	-	13,157	210,382
Cllr. E Nkosi	168,634	-	28,591	-	13,157	210,382
Cllr. J Nkosi	168,634	-	28,591	-	13,157	210,382
Cllr. T Nkosi	117,471	-	15,809	-	8,442	141,723
Cllr. T Nkosi	84,456	-	15,809	-	13,765	114,029
Cllr. D Ntshakala	91,536	-	15,809	-	6,578	113,923

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48. Related parties (continued)												
Clr. S Ntshangase	168,634	-	28,591	-	-	13,157	210,382					
Clr. M Ntuli	78,817	30,543	15,809	3,356	-	12,246	140,772					
Clr. E Shabangu	168,634	-	28,591	-	-	13,157	210,382					
Clr. J Sibiya	179,457	-	28,591	-	-	14,089	222,137					
Clr. S Sibiya	386,665	-	41,091	-	-	28,928	456,684					
Clr. P Sikhosana	168,634	-	28,591	-	-	13,157	210,382					
Clr. M Simelane	523,097	-	28,591	-	-	41,574	593,263					
Clr. P Thabede	91,536	-	15,809	-	-	6,578	113,923					
Clr. M Thomo	168,634	-	28,591	-	-	13,157	210,382					
Clr. D Thwala	187,452	73,304	44,400	8,054	-	14,059	327,270					
Clr. S Thwala	195,704	-	15,809	-	-	37,140	248,653					
Clr. T Tshandu	168,634	-	28,591	-	-	13,157	210,382					
Clr. B Vilakazi	66,274	23,800	15,809	3,356	-	5,063	114,302					
Clr. W Vilakazi	345,158	-	28,591	-	-	25,354	399,103					
Clr. H Weber	181,791	-	28,591	-	-	-	210,382					
Clr. R Wilson	91,536	-	15,809	-	-	6,578	113,923					
Clr. M Yende	398,357	47,376	44,400	2,685	-	29,761	522,578					
Clr. S Yende	117,471	-	15,809	-	-	8,442	141,723					
Clr. N Zulu	481,166	-	44,400	-	-	35,506	561,072					
Clr. T Zulu	278,684	-	44,400	-	-	44,590	367,675					
Total	12,060,298	453,362	1,700,300	54,367	-	1,184,650	15,452,978					

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Remuneration of Councillors - 2021	Basic salary	Cellphone allowance	Housing allowance	Pension and Medical Aid	Travel allowance	Total
Clr. S Bophela	264,082	44,400	-	19,735	-	328,217
Clr. J Brussow	172,406	44,400	8,054	47,736	57,120	329,716
Clr. R Hlatshwayo	322,487	44,400	-	41,716	-	408,603
Clr. T Hlatshwayo	264,082	44,400	-	19,735	-	328,217
Clr. B Khumalo	245,439	44,400	-	38,388	-	328,227
Clr. T Khumalo	672,758	44,400	-	-	-	717,158
Clr. T Mafulweka	263,174	44,400	8,054	19,651	73,304	408,583
Clr. S Mahlobo	264,082	44,400	-	19,735	-	328,217

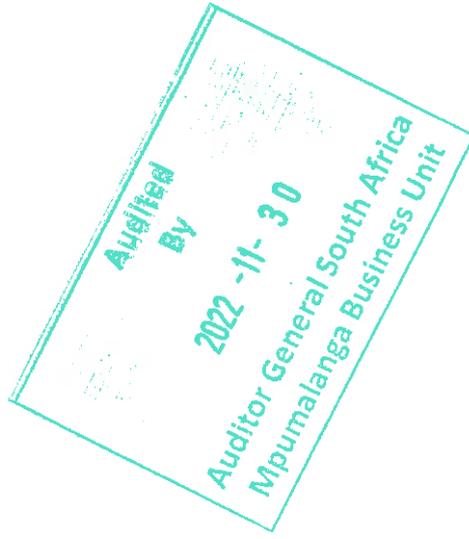
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48. Related parties (continued)									
Cllr. J Makhathini	338,868	44,400	-	25,327	-	408,594			
Cllr. T Manana	264,082	44,400	-	19,735	-	328,217			
Cllr. K Masondo	236,889	44,400	8,054	44,920	-	334,263			
Cllr. S Mathebula	203,447	44,400	8,054	15,188	57,120	328,210			
Cllr. B Mchunu	264,082	44,400	-	19,735	-	328,217			
Cllr. S Methula	218,736	44,400	8,054	-	57,120	328,311			
Cllr. B Mkhwanazi	264,082	44,400	-	19,735	-	328,217			
Cllr. C Mkhwanazi	264,082	44,400	-	19,735	-	328,217			
Cllr. S Mkhwanazi	264,082	44,400	-	19,735	-	328,217			
Cllr. T Mncube	283,949	44,400	-	-	-	328,349			
Cllr. Z Mnisi	454,195	44,400	8,054	67,853	142,128	716,629			
Cllr. V Motha	707,473	44,400	-	188,821	-	940,693			
Cllr. F Mthethwa	625,675	44,400	-	46,771	1,934	718,780			
Cllr. D Ngobese	338,868	44,400	-	25,327	-	408,594			
Cllr. M Ngwenya	264,082	44,400	-	19,735	-	328,217			
Cllr. R Ngwenya	246,817	44,400	-	36,896	-	328,113			
Cllr. G Nkosi	465,122	44,400	-	92,274	151,602	761,453			
Cllr. T Nkosi	338,868	44,400	8,054	25,327	-	408,594			
Cllr. T Nkosi	247,460	44,400	-	36,365	-	328,226			
Cllr. D Ntshakala	264,082	44,400	-	19,735	-	328,217			
Cllr. M Ntuli	245,983	44,400	8,054	36,738	73,304	408,480			
Cllr. P Thabede	264,082	44,400	-	19,735	-	328,217			
Cllr. D Thwala	188,389	44,400	8,054	14,059	73,304	328,206			
Cllr. S Thwala	575,853	44,400	-	96,619	3,970	720,841			
Cllr. B Vlakazi	203,447	44,400	8,054	15,188	57,120	328,210			
Cllr. R Wilson	264,082	44,400	-	19,735	-	328,217			
Cllr. M Yende	486,007	44,400	8,054	36,293	166,094	740,849			
Cllr. S Yende	338,868	44,400	-	25,327	-	408,594			
Cllr. N Zulu	264,082	44,400	-	19,735	-	328,217			
Cllr. T Zulu	317,667	44,400	-	46,538	-	408,605			
Total	12,171,909	1,687,200	88,598	1,279,877	914,123	16,141,707			



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49. Prior period errors

Property, plant and equipment: Expenditure of an operational nature in connection with energy efficiency where the Municipality was changing electrical bulbs replacing them with solar bulbs. The expenditure was initially capitalised and Work in Progress.

The Municipality derecognised Infrastructure Assets which were erroneously capitalised. These assets belong to the National government. Also there are some Investment properties which were derecognised since the Municipality has no control over such land.

Prior period adjustments on payables relate to suppliers whose balances were overstated. The respective VAT on the invoices were respectively adjusted for.

The correction of the error(s) results in adjustments as follows:

50. Prior-year adjustments

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

Statement of financial position

2020

	Note	As previously reported	Correction of error	Restated
Property Plant and Equipment		1,662,661,965	3,699,048	1,666,361,013
VAT Payable	15&6	(8,300,082)	(273,240)	(8,573,322)
Accounts Payable	14	(411,575,529)	2,095,624	(409,479,905)
Accumulated surplus		(1,329,629,840)	(5,521,432)	(1,335,151,272)
		(86,843,486)	-	(86,843,486)

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Property Plant and Equipment		1,711,160,230	(23,273,587)	-	1,687,886,643
Investment property		14,617,490	(4,500)	-	14,612,990
VAT Payable		(171,496)	(440,489)	-	(611,985)
Accounts Payable		(524,421,275)	3,377,778	-	(521,043,497)
Employee Benefit obligation		(27,091,000)	-	15,614,000	(11,477,000)
Consumer deposits: Water		291,222	-	2,257,131	2,548,353
Consumer deposits: Electricity		3,729,386	-	(2,257,131)	1,472,255
Provisions		(30,403,547)	-	(15,614,000)	(46,017,547)
Accumulated Surplus		(1,238,850,047)	20,340,798	-	(1,218,509,249)
		(91,139,037)	-	-	(91,139,037)

Statement of financial performance



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50. Prior-year adjustments (continued)

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Loss on disposal of assets		(1,364,902)	26,677,318	-	25,312,416
Employee related costs		218,838,023	-	(1,427,751)	217,410,272
Finance costs		19,757,125	(187)	-	19,756,938
General expenditure		102,664,309	(1,112,744)	1,427,751	102,979,316
Depreciation		83,881,591	297,844	-	84,179,435
Surplus for the year		423,776,146	25,862,231	-	449,638,377

51. Risk management

Financial risk management

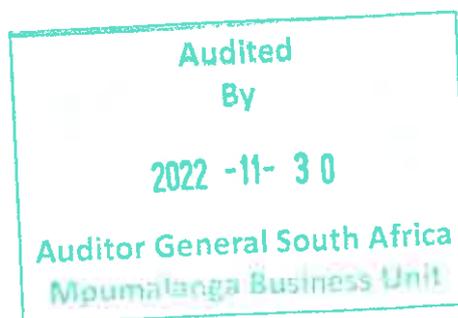
The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Due to largely "non-trading nature" of activities and the way to which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRSs mainly apply. Generally, financial assets and liabilities are generated by day to day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The Internal audit is responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body monitors the effectiveness of internal audit function. The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk

Liquidity risk

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



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51. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument	2022	2021
Investments	543,407	483,205
Receivables from non exchange transactions	820,060	1,701,683
Receivables from exchange transactions	979,390	965,359
Cash and bank balances	4,186,141	7,738,001
Consumer debtors	75,873,499	25,567,596

Market risk

Interest rate risk

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	11.50 %	979,390	-	-	-	-
Consumer debtors	11.50 %	75,873,499	-	-	-	-
Cash in current banking institutions	- %	4,186,141	-	-	-	-
Trade and other payables - extended credit terms	11.50 %	69,113,972	-	-	-	-

52. 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 ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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	2022	2021
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53. Unauthorised expenditure

Opening balance as previously reported	876,214,314	717,849,124
Opening balance as restated	876,214,314	717,849,124
Add: Expenditure identified - current	94,735,791	158,365,190
Closing balance	970,950,105	876,214,314

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	7,897,853	16,010,978
Cash	86,837,937	142,354,213
	94,735,790	158,365,191

Analysed as follows: non-cash

Depreciation and amortisation	1,708,043	3,152,782
Provision of impairment	6,189,811	12,858,196
	7,897,854	16,010,978

Analysed as follows: cash

Bulk purchases	6,936,427	86,275,786
Contracted services	16,990,940	48,168,954
General expenditure	41,361,961	-
Employee related costs	2,447,695	-
Operational costs	-	7,909,473
Finance costs	19,100,914	-
	86,837,937	142,354,213

Unauthorised expenditure: Budget overspending – per municipal department:

Technical services	37,179,890	91,866,804
Community and social development	25,257,146	26,684,727
Finance	27,608,524	24,535,321
Planning and development	595,615	282,009
Executive and Council	4,094,615	14,996,329
	94,735,790	158,365,190

Recoverability steps taken/criminal proceedings

There are no recoverability steps taken / criminal proceedings which have been instituted since the unauthorised expenditure is yet to be investigated by MPAC.

Disciplinary steps taken/criminal proceedings

There are neither disciplinary nor criminal proceedings taken since MPAC is yet to conduct its investigations.

Recoverability of unauthorised expenditure

The unauthorised expenditure incurred during the period is yet to be taken to MPAC for determination if any amount is recoverable.

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Figures in Rand	2022	2021
54. Fruitless and wasteful expenditure		
Opening balance as previously reported	45,951,606	37,496,775
Correction of prior period error		7,328,384
Opening balance as restated	45,951,606	44,825,159
Add: Expenditure identified - current	30,919,234	1,126,447
Closing balance	76,870,840	45,951,606

The correction of prior period error relates to the repeated costs on Sandbank Project. The initial works done by the Initial Contractor were demolished and certain aspects of the project were repeated. These costs were deemed Fruitless and Wasteful expenditure.



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	2022	2021
54. Fruitless and wasteful expenditure (continued)		
Expenditure identified in the current year include those listed below:		
Interest and penalties	30,919,234	1,126,447
Amounts recoverable		
No amounts were recovered		

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54. Fruitless and wasteful expenditure (continued)

Amounts written-off

There were no amounts written off.

Recoverability steps taken/criminal proceedings

There were no criminal proceedings taken.

Disciplinary steps taken/criminal proceedings

The interest and penalties incurred were due to late payments on SARS PAYE, VAT and also Service Providers especially Eskom, Department of Water Affairs. The late payments were due to cash flow challenges faced by the municipality. None of the officials of the municipality benefited from such transactions. For that reason, there are neither disciplinary nor criminal proceedings taken against the municipal officials.

55. Irregular expenditure

Opening balance as previously reported

118,681,458 105,794,667

Opening balance as restated

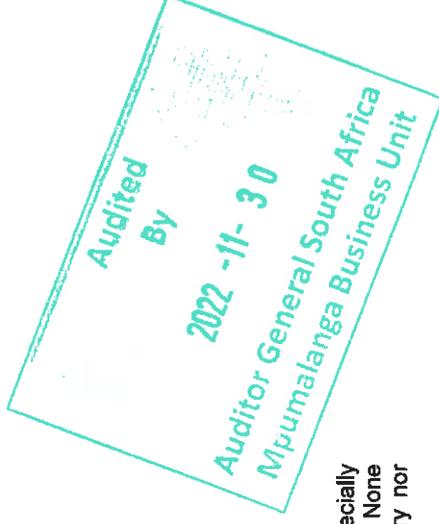
118,681,458 105,794,667

Add: Irregular Expenditure - current

13,391,367 12,886,791

Closing balance

132,072,825 118,681,458



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55. Irregular expenditure (continued)

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

	2022	2021
Disciplinary steps taken/criminal proceedings	13,286,337	12,886,791
Non compliance with SCM regulations Management override of controls and lack of segregation of duties	105,030	-
	13,391,367	12,886,791

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55. Irregular expenditure (continued)

Amounts recoverable

The amounts identified as irregular expenditure are yet to be tabled before the MPAC for investigations to determine if any amount is recoverable from municipal officials.

Amounts written-off

No amounts were written off during the year.

Recoverability steps taken/criminal proceedings

There are no recoverability steps taken /criminal proceedings since the irregular expenditure is yet to be tabled before council for investigations.

Disciplinary steps taken/criminal proceedings

There are no disciplinary /criminal proceedings since the irregular expenditure is yet to be tabled before council for investigations.



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56. Additional disclosure in terms of Municipal Finance Management Act

Other material losses

2022

Electricity losses for the current year amounted to 37% i.e. R55,274,259. These losses comprise of technical and nontechnical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses.

Nonrevenue water i.e. non billed water amounted to 19%% i.e. R435,042. Fifty six percent of these losses can be accounted for in terms of the National Guidelines for non revenue water. 27% of these losses cannot be accounted for mainly due to the non-metering of this water. This problem is currently being addressed whereby additional meters are being installed.

2021

Electricity losses for the current year amounted to 33% i.e. R46,088,238. These losses comprise of technical and nontechnical losses. Technical losses, being losses within the network which are inherent in any network. Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reduce these non-technical losses.

Nonrevenue water i.e. non billed water amounted to 96%% i.e. R45,111,258. Fifty six percent of these losses can be accounted for in terms of the National Guidelines for non revenue water. 27% of these losses cannot be accounted for mainly due to the non-metering of this water. This problem is currently being addressed whereby additional meters are being installed.

Audit fees

Opening balance	8,575,109	13,364,979
Current year subscription / fee	6,083,968	6,112,591
VAT raised	912,595	1,004,237
Interest	452,188	264,730
Amount paid - current year	(4,289,990)	(12,171,428)
	11,733,870	8,575,109

PAYE and UIF

Opening balance	2,969,217	10,661,490
Current year subscription / fee	39,252,735	33,849,976
Interest and penalties	3,327,812	-
Opening balance adjustment	3,812,520	(5,040,971)
Amount paid - current year	(32,679,644)	(36,501,278)
	16,682,640	2,969,217

Pension and Medical Aid Deductions

Opening balance	2,900,488	2,225,666
Current year subscription / fee	53,012,979	50,921,358
Opening balance adjustment	1,373,754	-
Amount paid - current year	(52,800,557)	(50,246,536)
	4,486,664	2,900,488

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57. 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.

Deviations for the year ended 30 June 2022

Service Provider	Service description	Contract Price	Procurement date	Reason for the deviation
QOS Consulting	Change over switch and controller	R165,370.00	3 March 2022	Due to the emergency nature of the request to prevent the Community from interrupted supply of electricity.
Mngulwa Consulting	Supply and Install damaged transformer at Amsterdam	R166,774,75	5 March 2022	Due to the emergency nature of the request to prevent the Community from interrupted supply of electricity.

58. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	495,360	48,047	543,407
Trade and other receivables from exchange transactions	-	979,390	979,390
Consumer debtors	-	75,873,499	75,873,499
Cash and cash equivalents	-	4,186,141	4,186,141
	495,360	81,087,077	81,582,437

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	691,139,728	691,139,728
Consumer deposits	4,134,066	4,134,066
	695,273,794	695,273,794

2021

Financial assets

	At fair value	At amortised cost	Total
Other Financial Assets	481,952	46,465	528,417
Trade and other receivables from exchange transactions	-	915,359	915,359
Consumer debtors	-	25,567,596	25,567,596
Cash and cash equivalents	-	7,738,001	7,738,001
	481,952	34,267,421	34,749,373

Mkhondo Local Municipality

Annual Financial Statements for the year ended 30 June, 2022

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2021

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

VAT

VAT receivable	135,012,348	50,538,357
VAT payable	(128,395,943)	(51,150,342)
	6,616,405	(611,985)

VAT output payables and VAT input receivables are shown in note 6.

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

Councillors' arrear consumer accounts

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

30 June, 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Mthethwa FC	486	-	486
Cllr. Motha V	(19,364)	-	(19,364)
Cllr. Mchunu B J	(348)	-	(348)
Cllr. Dlamini MJ	2,190	22,640	24,830
Cllr. Tshandu TW	1,449	42,457	43,906
Cllr. Dlamini B A	1,022	18,754	19,776
	(14,565)	83,851	69,286

30 June, 2021

30 June, 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. Wilson RJA	2,271	-	2,271
Cllr. Mthethwa FC	1,036	-	1,036
Cllr. Ntsakala DM	13	-	13
Cllr. Makhathini JP	1,042	24	1,066
Cllr. Mchunu BJ	460	-	460
Cllr. Mahlobo SC	373	391	764
Cllr. Ngobese DL	3,736	2,375	6,111
Cllr. Motha VM	8,198	1,015	9,213
Cllr. Yende SZ	710	19	729
Cllr. Khumalo BM	565	-	565
Cllr. Nkosi TB	65	-	65
	18,469	3,824	22,293



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57. 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.

Deviations for the year ended 30 June 2022

Service Provider	Service description	Contract Price	Procurement date	Reason for the deviation
QOS Consulting	Change over switch and controller	R165,370.00	3 March 2022	Due to the emergency nature of the request to prevent the Community from interrupted supply of electricity.
Mngulwa Consulting	Supply and Install damaged transformer at Amsterdam	R166,774,75	5 March 2022	Due to the emergency nature of the request to prevent the Community from interrupted supply of electricity.

58. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	495,360	48,047	543,407
Trade and other receivables from exchange transactions	-	979,390	979,390
Consumer debtors	-	75,873,499	75,873,499
Cash and cash equivalents	-	4,186,141	4,186,141
	495,360	81,087,077	81,582,437

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	691,139,728	691,139,728
Consumer deposits	4,134,066	4,134,066
	695,273,794	695,273,794

2021

Financial assets

	At fair value	At amortised cost	Total
Other Financial Assets	481,952	46,465	528,417
Trade and other receivables from exchange transactions	-	915,359	915,359
Consumer debtors	-	25,567,596	25,567,596
Cash and cash equivalents	-	7,738,001	7,738,001
	481,952	34,267,421	34,749,373

Mkhondo Local Municipality

Annual Financial Statements for the year ended 30 June, 2022

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58. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Other financial liabilities	2,305,630	2,305,630
Trade and other payables from exchange transactions	521,043,497	521,043,497
Consumer deposits	4,020,608	4,020,608
	527,369,735	527,369,735

Details of amounts recovered

Details of amounts written off

Disciplinary steps taken/criminal proceedings

Amounts recoverable

After the council committee investigations, council adopted the council committee recommendations to recover an amount of - from the [state details]

Audited
By
2022 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Mkhondo Local Municipality

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59. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of seven major functional segments. The segments are organised around the functions and these are Afforestation, Budget and Treasury, Planning and Development, Executive and Council, Community Services, Corporate Services, Technical Services. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Description of segments and principal activities

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment

Technical services

Principal activities and operations

This segment consists of various departments with aligned objectives. It is responsible for providing residents, business and industry with clean, safe and reliable drinking water, treatment of waste water; distribution of electricity to residential, commercial and industrial customers in eMkhondo and provide the link between Eskom and electricity consumers and also road maintenance.

Community Services

This segment consists of various departments with aligned objectives. It is responsible for community and social services, sport and recreation facilities, crime prevention and traffic enforcement.

Planning Development

This segment consists of various departments with aligned objectives. It is responsible for urban planning and development.

Executive and Council

This segment is responsible for all aspects of governance of the municipality.

Budget and Treasury

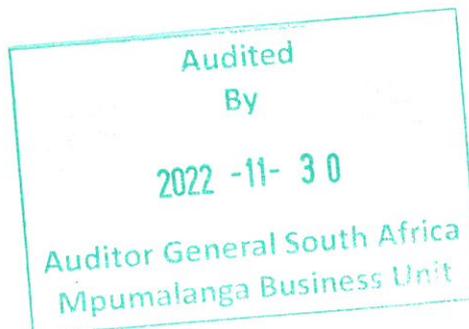
This segment is responsible for all aspects of financial administration of the municipality. Various transactions are managed and administered centrally.

Corporate services

The segment deals with administration and human resources.

Afforestation

This segments deals with the management of Municipality Forests.



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59. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Segment surplus or deficit

2022

Revenue	Revenue from non-exchange transactions	Revenue from exchange transactions	Other revenue	Total Segment revenue	Salaries and wages	Depreciation and amortisation	Other expenses	Total Segment expenditure	Total segment (deficit) surplus
Afforestation	-	-	-	-	6,392,061	-	8,442,353	14,834,414	(14,834,414)
Budget and Treasury	74,581,728	53,040,962	-	127,622,690	44,150,587	-	96,067,569	140,218,156	(12,595,466)
Community services	6,015,772	14,232,184	2,860,000	23,107,956	47,480,781	3,448,302	47,034,183	97,963,266	(74,855,310)
Corporate Services	-	66,193	-	66,193	32,482,784	5,972,318	12,691,661	51,146,763	(51,080,570)
Executive and Council	-	232,024	-	232,024	32,347,267	47,548	27,504,411	59,899,226	(59,667,202)
Planning and development	-	2,140,599	-	2,140,599	8,632,548	-	1,150,014	9,782,562	(7,641,963)
Technical services	-	195,175,653	-	195,175,653	79,436,988	78,518,046	312,627,656	470,582,690	(275,407,037)
Total	80,597,500	264,887,615	2,860,000	348,345,115	250,923,016	87,986,214	505,517,847	844,427,077	(496,081,962)
Revenue related reconciling items									
Government grants and subsidies				464,452,868					464,452,868
Entity's revenue				812,797,983					
Entity's Surplus (deficit) for the period									(31,629,094)

2021

Revenue from non-exchange transactions	Revenue from exchange transactions	Total Segment revenue	Salaries and wages	Depreciation and amortisation	Other expenses	Total Segment expenditure	Total segment (deficit) surplus

Audited

By

2022 -11- 30

Auditor General South Africa
Mpumalanga Business Unit

