

**Audited
By**

2022 -12- 06

**Auditor General South Africa
Mpumalanga Business Unit**



**Dr Pixley Ka Isaka Seme Local Municipality
Annual Financial Statements
for the year ended 30 June 2022**

Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Legal form of entity

Local Municipality

Nature of business and principal activities

The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying services to the community.

Executive Mayor

BJ Mhlanga

Speaker

BG Mavuso

Chief Whip

BTA Zulu

Mayoral committee: Corporate and Community Services

NW Msibi

Mayoral committee: Infrastructure Services

TV Hlakutse

Mayoral committee: Planning Services

TH Thwala

Councillors

AF Gangat - Serving

BTA Zulu - Serving

CS Dlamini - Serving

EN Lepphoto - Serving

FE Mahlaba - Serving

H Maseko - Serving

L De Jager - Serving

L Hadebe - Serving

MS Motha - Serving

MZ Sangweni - Serving

NS Mncube - Serving

NW Msibi - Serving

OT Shabangu - Serving

TH Thwala - Serving

TV Hlakutse - Serving

XB Ngema - Serving

ZG Mbethe - Serving

GR Nkambule - Non returning

MA Dlangamandla - Non returning

BS Mavuso - Non returning

NLP Moloi - Non returning

PJ Maseko - Non returning

SN Nxumalo - Non returning

TA Mazibuko - Non returning

TE Manana - Non returning

TP Dakile - Non returning

V Vilakazi - Non returning

XI Simelane - Non returning

PV Malatsi - Non returning

IL Mthwanazi - Non returning

GO Ngwenya - Non returning

LM Nkomo - Non returning



Grading of local authority (Remuneration of Public Office Bearers Act (20 of 1997))

3 - South African Municipalities are grade from Grade 1 to Grade 6, with Grade 1 being the smallest. This municipality is a Grade 3.

Accounting Officer

NT Mokako (Acting Municipal Manager)

Chief Financial Officer

N Khuzwayo (Acting Chief Financial Officer)

Business address

Dr Nelson Mandela and Adelaide Tambo Street
Volksrust

Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

	2470
Postal address	Private bag X 9011 Volksrust 2470
Bankers	First National Bank
Auditors	Auditor General of South Africa
Telephone and fax	(017) 734 - 6100 (Telephone) 086 630 2209 (Fax)
E mail	records@pixleykaseme.gov.za



Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

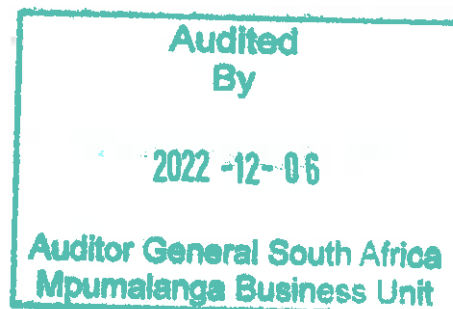
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The reports and statements set out below comprise the annual financial statements presented to the council:

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Abbreviations used:

GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts



Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval Statement for the year ended 30 June 2022

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

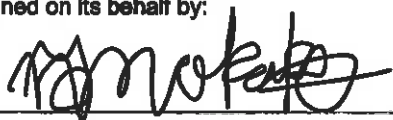
The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal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

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

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

The Auditor General is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the Auditor-General and their report is presented on page 5.

The annual financial statements set out on page 5, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:



Accounting Officer
NT Mokako (Acting Municipal Manager)



Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Report for the year ended 30 June 2022

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

1. Review of activities

Main business and operations

The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying services to the community.

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.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year. The Municipal Council took a decision to settle with the former Municipal Manager. His disciplinary hearing endured delays which caused instability in the management of the municipality and was compromising service delivery. The Municipal Council resolved to settle with him and pay 3 months out of the remaining 5 months of his contract

4. Accounting policies

The annual financial statements prepared in accordance with 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 and the requirements of the Local Government: Municipal Finance Management Act, Act 56 of 2003.

5. Accounting Officer

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

Name	Nationality
NT Mokako	South African

6. Corporate governance

General

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

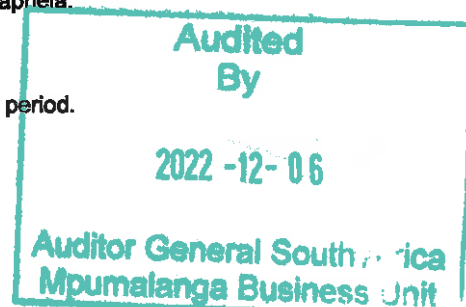
Audit and risk committee

The audit committee members were MA Ngcobo, JM Ramphisa and JN Raphela.

7. Auditors

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


Accounting Officer
NT Mokako (Acting Municipal Manager)



Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position at 30 June 2022 for the Year ended 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	2	968 140	1 566 097
Receivables from exchange transactions	3	62 621 364	54 411 138
Other receivables from exchange transactions	4	7 316 764	7 316 764
Receivables from non-exchange transactions	5	63 543 019	29 498 995
Investments	6	842 634	784 253
Cash and cash equivalents	7	102 381 374	145 634 816
		237 673 295	239 212 063
Non-Current Assets			
Property, plant and equipment	8	1 093 083 996	1 145 383 241
Investment property	9	106 793 538	106 814 806
Heritage assets	10	3 696 999	3 696 999
		1 203 574 533	1 255 895 046
Total Assets		1 441 247 828	1 495 107 109
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	168 592 206	159 840 742
VAT payable	12	22 971 070	14 976 341
Consumer deposits	13	1 687 052	1 729 218
Unspent conditional grants and receipts	14	43 122 019	37 973 108
Finance lease obligation	15	419 682	-
Employee benefit obligation	16	2 034 000	1 506 000
		238 826 029	216 025 409
Non-Current Liabilities			
Employee benefit obligation	16	31 237 000	30 354 000
Provisions	17	65 134 847	73 833 909
		96 371 847	104 187 909
Total Liabilities		335 197 876	320 213 318
Net Assets		1 106 049 952	1 174 893 791
Accumulated surplus		1 106 049 952	1 174 893 791
Total Net Assets		1 106 049 952	1 174 893 791



* See Note 44

Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance for the year ended 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	120 398 139	123 660 613
Rental income	19	1 350 722	1 377 877
Agency fees	20	7 072 890	12 917 312
Operational revenue	21	706 104	435 888
Interest income	22	61 537 518	41 159 880
Total revenue from exchange transactions		191 065 373	179 551 570
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	64 784 476	58 494 505
Transfer revenue			
Government grants and subsidies	24	172 226 375	181 520 128
Fines, penalties and forfeits	25	449 991	509 922
Total revenue from non-exchange transactions		237 460 842	240 524 555
Total revenue		428 526 215	420 076 125
Expenditure			
Employee related costs	26	(101 199 344)	(100 992 148)
Remuneration of councillors	27	(9 209 655)	(8 734 701)
Inventory consumed	28	(33 035 934)	(26 030 627)
Depreciation and amortisation	29	(89 111 016)	(89 133 521)
Interest costs	30	(8 820 753)	(6 603 604)
Debt impairment	31	(93 704 203)	(109 999 080)
Bulk purchases	32	(104 845 434)	(73 574 292)
Contracted services	33	(49 959 274)	(44 028 303)
Operational cost	34	(11 071 032)	(39 885 244)
Impairments of non-current assets		(15 672 535)	(15 328 417)
Lease rentals on operating lease		-	(59 192)
Loss on disposal of assets and liabilities		(740 874)	(23 023 731)
Total expenditure		(497 370 054)	(517 392 860)
Deficit for the year		(68 843 839)	(97 316 735)

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* See Note 44

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Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets for the year ended 30 June 2022

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 247 884 265	1 247 884 265
Prior year adjustments Note 44	24 326 261	24 326 261
Balance at 01 July 2020 as restated*	1 272 210 526	1 272 210 526
Deficit for the year	(97 316 735)	(97 316 735)
Total changes	(97 316 735)	(97 316 735)
Restated* Balance at 01 July 2021	1 174 893 791	1 174 893 791
Deficit for the year	(68 843 839)	(68 843 839)
Total changes	(68 843 839)	(68 843 839)
Balance at Year ended 30 June 2022	1 106 049 952	1 106 049 952

Note(s) Prior year adjustment

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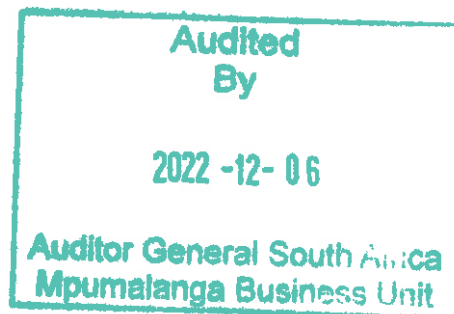
* See Note 44

Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Cash flow Statement for the year ended 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		34 927 376	24 000 967
Grants		177 375 286	206 472 237
Interest		61 479 137	40 982 299
Property rates		14 296 788	58 494 505
Other		9 537 541	15 226 272
		297 616 128	345 176 280
Payments			
Employee costs		(105 913 999)	(112 174 849)
Suppliers		(195 894 359)	(191 052 301)
Interest costs		(6 276 985)	(5 124 777)
		(308 085 343)	(308 351 927)
Net cash flows from operating activities	35	(10 469 215)	36 824 353
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(32 566 494)	(34 741 676)
(Loss)/Proceeds on disposal from sale of property, plant and equipment	9	(740 847)	3 681 510
Net cash flows from investing activities		(33 307 341)	(31 060 166)
Cash flows from financing activities			
Finance lease payments/(receipts)		523 114	(80 092)
Net increase/(decrease) in cash and cash equivalents		(43 253 442)	5 684 095
Cash and cash equivalents at the beginning of the year		145 634 816	139 950 721
Cash and cash equivalents at the end of the year	7	102 381 374	145 634 816



* See Note 44

Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts for the year ended :

Budget on Cash Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	117 550 000	200 000	117 750 000	120 398 139	2 648 139	1
Rental of facilities and equipment	1 169 000	-	1 169 000	1 350 722	181 722	
Agency fees	17 227 000	10 000 000	27 227 000	7 072 890	(20 154 110)	9
Operational revenue	2 317 000	500 000	2 817 000	706 104	(2 110 896)	
Interest received	33 448 000	(700 000)	32 748 000	61 537 518	28 789 518	2
Gain on disposal of assets	1 593 000	-	1 593 000	-	(1 593 000)	
Total revenue from exchange transactions	173 304 000	10 000 000	183 304 000	191 065 373	7 761 373	

Revenue from non-exchange transactions

Taxation revenue

Property rates	62 496 000	(10 023 000)	52 473 000	64 784 476	12 311 476	3
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Transfer revenue

Government grants & subsidies	138 079 000	3 000 000	141 079 000	172 226 375	31 147 375	4
Fines, Penalties and Forfeits	59 000	23 000	82 000	449 991	367 991	5

Total revenue from non-exchange transactions	200 634 000	(7 000 000)	193 634 000	237 460 842	43 826 842	
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Total revenue	373 938 000	3 000 000	376 938 000	428 526 215	51 588 215	
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Expenditure

Employee related cost	(95 439 000)	(8 876 000)	(104 315 000)	(101 199 344)	3 115 656	
Remuneration of councillors	(9 571 000)	-	(9 571 000)	(9 209 655)	361 345	
Inventory consumed	(36 756 000)	1 663 000	(35 093 000)	(33 162 009)	1 930 991	
Depreciation and amortisation	(37 009 000)	12 500 000	(24 509 000)	(69 111 016)	(44 602 016)	10
Impairment loss/ Reversal of Impairments	-	-	-	(15 672 535)	(15 672 535)	6
Finance costs	-	-	-	(8 820 753)	(8 820 753)	7
Debt Impairment	(63 852 000)	12 500 000	(51 352 000)	(93 704 203)	(42 352 203)	11
Bulk purchases	(80 071 000)	(28 000 000)	(108 071 000)	(104 845 434)	3 225 566	
Contracted Services	(46 273 000)	(5 715 000)	(51 988 000)	(49 959 274)	2 028 726	
Loss on disposal of assets	-	-	-	(740 874)	(740 874)	
Operational expenditure	(40 894 000)	(23 284 000)	(64 178 000)	(11 071 032)	53 106 968	8

Total expenditure	(409 865 000)	(39 212 000)	(449 077 000)	(497 496 129)	(48 418 129)	
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Deficit for the year	(35 927 000)	(36 212 000)	(72 139 000)	(68 893 839)	3 245 161	
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(35 927 000)	(36 212 000)	(72 139 000)	(68 893 839)	3 245 161	
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Reconciliation

Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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Statement of Comparison of Budget and Actual Amounts for the year ended :

Budget on Cash Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	138 000	1 000 000	1 138 000	968 140	(169 860)	
Investments	-	-	-	842 634	842 634	
Other receivables from exchange transactions	160 078 000	7 689 000	167 767 000	7 316 764	(160 450 236)	
Receivables from non-exchange transactions	-	-	-	63 543 019	63 543 019	
Receivables from exchange transactions	-	-	-	62 621 364	62 621 364	
Cash and cash equivalents	488 984 000	134 068 000	623 052 000	102 381 374	(520 670 626)	
	649 200 000	142 757 000	791 957 000	237 673 295	(554 283 705)	

Non-Current Assets

Investment property	105 323 000	-	105 323 000	106 793 538	1 470 538	
Property, plant and equipment	259 149 000	(19 766 000)	239 383 000	1 093 083 995	853 700 995	
Heritage assets	3 486 000	-	3 486 000	3 696 999	210 999	
	367 958 000	(19 766 000)	348 192 000	1 203 574 532	855 382 532	

Total Assets 1 017 158 000 122 991 000 1 140 149 000 1 441 247 827 301 098 827

Liabilities

Current Liabilities

Finance lease obligation	-	-	-	419 682	419 682	
Payables from exchange transactions	69 762 000	(69 446 000)	316 000	168 592 200	168 276 200	
VAT payable	-	-	-	22 971 070	22 971 070	
Consumer deposits	1 695 000	-	1 695 000	1 687 052	(7 948)	
Employee benefit obligation	-	-	-	33 271 000	33 271 000	
Unspent conditional grants and receipts	-	-	-	43 122 019	43 122 019	
	71 457 000	(69 446 000)	2 011 000	270 063 023	268 052 023	

Non-Current Liabilities

Employee benefit obligation	-	-	-	31 237 000	31 237 000	
Provisions	31 415 000	-	31 415 000	65 134 847	33 719 847	
	31 415 000	-	31 415 000	96 371 847	64 956 847	

Total Liabilities 102 872 000 (69 446 000) 33 426 000 335 197 876 333 008 870

Net Assets 914 286 000 192 437 000 1 106 723 000 1 106 049 951 (31 910 043)

Net Assets

Reserves

Accumulated surplus 914 286 000 192 437 000 1 106 723 000 1 106 049 951 (31 910 043)

Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2022

Budget on Cash Basis

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

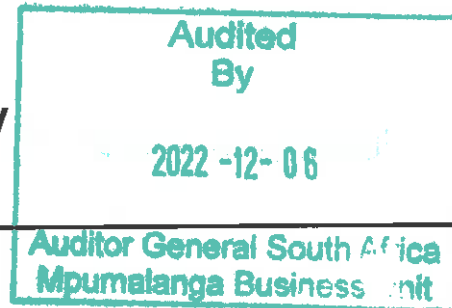
Variances on the statement of comparison of budget and actual amounts

- 1 Service Charges - Due to enforcement of credit and debit collection policy as well as water not previously billed as per note 3
- 2 Interest charged on overdue accounts due to non payment of services as a result of lower economic growth and unemployment.
- 3 Property rates - reconciliation of the valuation roll with billing system and implementation of the supplementary valuation roll. Refer note 5 for more details
- 4 Government grants and subsidies - Due to capital grants recognised as operational revenue at year end
- 5 Fines and penalties - More collected during the year
- 6 Impairments - Some of the non current assets were impaired due to poor conditions based on year end conditional assessment
- 7 Finance cost - Municipality intended to pay all creditors as they come due
- 8 Operating expenditure - low indigent relief and landfill site expense
- 9 Agency fees - The forecast was based on the history of collection made in the past of agency fees but this led to low actual collection
- 10 Depreciation - This is due to unforeseen gains on assets
- 11 Debt impairment - This due to more debt being written of in the year



Dr Pixley Ka Isaka Seme Local Municipality
Annual Financial Statements for the year ended 30 June 2022

Accounting Policies



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 in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

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

1.1 Presentation currency

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

1.2 Significant judgements and sources of estimation uncertainty

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

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.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Landfill Site rehabilitation and decommissioning and dismantling cost

The municipality has an obligation to rehabilitate, dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'.

Useful lives of Infrastructure asset

The municipality's management determines the estimated useful lives and related depreciation charges for the Infrastructure asset. This estimate is based on industry norm.

Post-retirement benefits

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

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

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

Effective Interest rate

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

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Accounting Policies

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1.2 Significant Judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On trade receivables from exchange and non-exchange transactions, 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 trade receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

The provision for doubtful debt is determined by taking into account the payment rate by exchange receivable (consumer debtor), indigent status, whether the consumer debtor has a credit balance at financial year end as well as whether the consumer debtor is government related or not.

Non-exchange receivables (traffic fine debtors) have been impaired taking into account historical payment rates by these nonexchange receivables.

Traffic fines

Non exchange receivables arising from traffic fines are measured at the best estimate based on expected inflows of economic benefits to the municipality.

Budget information

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences (between budget and actual amounts) are explained in the notes to the annual financial statements.

Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

1.3 Investment property

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

The useful life of the property, is as follows:

- Property - Land : Indefinite useful life
- Property - buildings : 30 - 50 years useful life

1.4 Property, plant and equipment

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

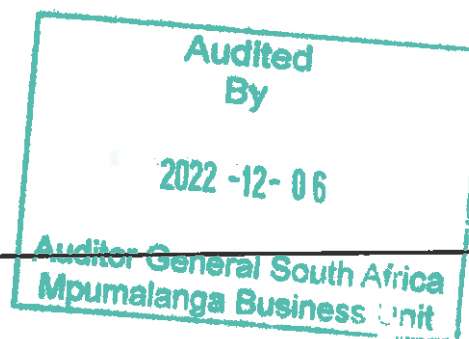
The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	20 - 50 years
Furniture and fixtures	Straight line	5 - 10 years
Motor vehicles	Straight line	10 - 40 years
Office equipment	Straight line	4 - 10 years
IT equipment	Straight line	6 - 10 years
Community assets	Straight line	10 - 30 years
Electrical infrastructure	Straight line	15 - 50 years
Roads infrastructure and stormwater	Straight line	8 - 80 years
Sanitation infrastructure	Straight line	10 - 55 years
Water infrastructure	Straight line	15 - 80 years
Machinery and equipment	Straight line	5 - 30 years

Dr Pixley Ka Isaka Seme Local Municipality

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Accounting Policies



1.5 Intangible assets

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

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

Item	Depreciation method	Average useful life
Computer software	Straight line	3 -5 years

The gain or loss arising from the derecognition of an item of intangible assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Heritage assets

Heritage assets are carried cost less any accumulated impairment losses.

The gain or loss arising from the derecognition of an item of heritage assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.7 Financial instruments

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
Financial assets	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

Subsequent measurement of financial assets and financial liabilities

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

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

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

1.8 Statutory receivables

Measurement

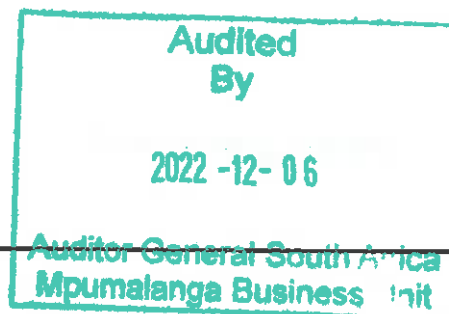
The municipality measures statutory receivables using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- Interest or other charges that may have accrued on the receivable (where applicable);
- Impairment losses; and
- Amounts derecognised.

Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies



1.9 Leases

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.10 Inventories

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.

The cost of inventories is assigned using the weighted average cost 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.

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Dr Pixley Ka Isaka Seme Local Municipality
Annual Financial Statements for the year ended 30 June 2022

Accounting Policies



1.11 Impairment of cash-generating assets (continued)

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]

1.12 Employee benefits

Short-term employee benefits

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 municipality 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 municipality 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.

Post-employment benefits: Defined contribution plans

When an employee has rendered service to the municipality during a reporting period, the municipality 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, a municipality 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.

Post-employment benefits: Defined benefit plans

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost.

Long service awards

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liability. Actuarial gains and losses on the long service awards are recognised in the statement of financial performance.

Termination benefits

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.13 Provisions

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.

Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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1.13 Provisions (continued)

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

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

Contingent assets and contingent liabilities are not recognised. The amounts for contingencies disclosed in note 37 are based on legal claims and invoices from claimants.

Decommissioning, restoration and similar liability

The landfill closure provision is calculated as the net present value of future cash flows. The interest charge is calculated as the product of the provision calculated in the previous year and the discount rate used in the previous year for each landfill. The impact on the estimate is the Provision for Rehabilitation will not have current portion of the liability.

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

1.14 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.

Sale of goods

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

Rendering of services

Revenue is associated with the transaction and is recognised by reference to the stage of completion of the transaction at the reporting date.

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.

Interest

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

1.15 Revenue from non-exchange transactions

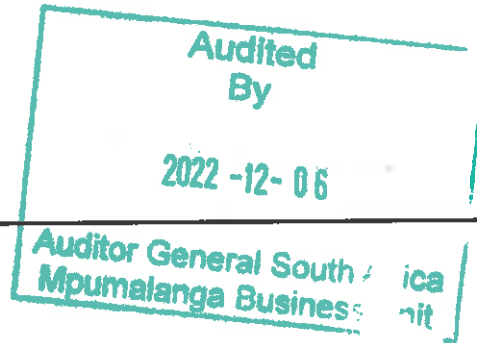
Rates, including collection charges and penalties interest

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Penalty, interest on unpaid rates is recognised on a time-proportionate basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Dr Pixley Ka Isaka Seme Local Municipality
Annual Financial Statements for the year ended 30 June 2022

Accounting Policies



1.15 Revenue from non-exchange transactions (continued)

Fines

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Bequests that satisfy the definition of an asset 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.

- The extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- Internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- Historical information on declarations previously submitted by defaulting levy payers; and
- The accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Government grants

Equitable share allocations are measured at the amount of the allocation per the allocation letter.

Conditional grants, donations and funding are measured as revenue equal to the asset amount recognised less the liability for unfulfilled conditions.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, measured at the estimated amount receivable.

Other grants and donations

Revenue is measured at the amount received or the fair value of the asset received in-kind. Significant services in-kind are measured at the estimate of the value of the service received.

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Investment income

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

1.17 Borrowing costs

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

1.18 Accounting by principals and agents

Recognition

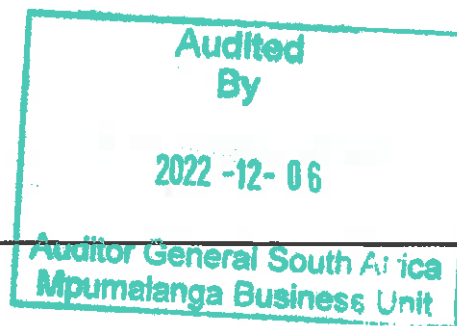
The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

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

Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies



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.

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

Irregular expenditure as defined in MFMA as expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

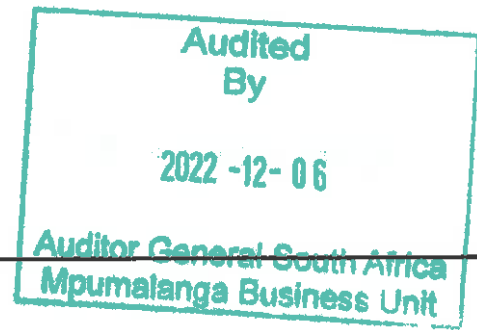
Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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 excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Dr Pixley Ka Isaka Seme Local Municipality
Annual Financial Statements for the year ended 30 June 2022

Accounting Policies



1.22 Segment reporting

The mandate of the municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective and also considered separately for each of the towns within the municipal jurisdiction. The components described below have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting).

The following services are considered significant to the municipality and is accordingly managed separately:

- Energy sources;
- Executive And Council;
- Finance And Administration;
- Public Safety and Community and social service;
- Sport and recreation;
- Waste Management;
- Waste Water Management;
- Water Management;
- Other.

All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the municipality as a whole.

The municipality only operates in a single geographical location and accordingly does not report separately on each location within its jurisdiction.

The accounting policies for segmental reporting in the management accounts are aligned to the requirements of GRAP as described in these accounting policies.

A measure of assets and liabilities for each reportable segment are not presented as these amounts are not regularly provided to management.

No changes from were made from prior periods measurement methods used to determine reported segment surplus or deficit.

1.23 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.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

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 and adjustment budget covers the fiscal period from 2021/07/01 to 2022/06/30 as approved by council.

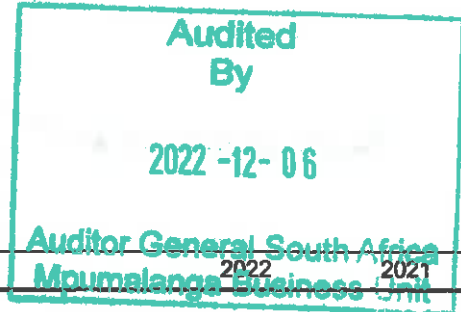
The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Dr Pixley Ka Isaka Seme Local Municipality
Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand



2. Inventories

Finished goods	-	190 226
Consumable stores	912 801	1 242 045
Water for distribution	55 339	133 826
	968 140	1 566 097

2.1 Inventory expensed

Water consumed	7 966 422	4 086 771
Water losses	11 757 793	10 758 430
	19 724 215	14 845 201

Water is purchased from the Department of Water and Sanitation in addition to natural water resources being used from local dams.

See note 28 for the amount of inventory expensed.
See note 32 for water losses.

3. Receivables from exchange transactions

Gross balances		
Electricity	72 874 003	65 383 613
Water	256 827 779	217 553 719
Waste water	134 888 995	114 576 269
Refuse	75 132 280	64 211 661
Merchandising, jobbing and contracts	168 845 312	164 129 554
	708 568 369	625 854 816

Less: Allowance for Impairment

Electricity	(61 760 000)	(54 381 916)
Water	(234 208 954)	(198 458 265)
Waste water	(122 037 719)	(104 753 758)
Refuse	(67 953 079)	(58 548 169)
Merchandising, jobbing and contracts	(159 987 253)	(155 301 570)
	(645 947 005)	(571 443 678)

Net balance

Electricity	11 114 003	11 001 697
Water	22 618 825	19 095 454
Waste water	12 851 276	9 822 511
Refuse	7 179 201	5 663 492
Merchandising, jobbing and contracts	8 858 059	8 827 984
	62 621 364	54 411 138

Electricity

Current (0 -30 days)	5 534 451	2 644 183
31 - 60 days	958 737	1 680 663
61 - 90 days	967 149	1 502 139
91 - 120 days	775 121	1 229 574
121 - 365 days	6 317 376	7 618 355
> 365 days	58 321 169	50 708 698
Less allowance for impairments	(61 760 000)	(54 381 915)
	11 114 003	11 001 697

Dr Pixley Ka Isaka Seme Local Municipality
Annual Financial Statements for the year ended 30 June 2022

**Audited
By**
2022 -12- 06
Auditor General South Africa
Mpumalange Business Unit

Notes to the Annual Financial Statements

Figures in Rand:

3. Receivables from exchange transactions (continued)

Water

Current (0 -30 days)	5 328 205	4 297 482
31 - 60 days	4 204 557	4 051 426
61 - 90 days	3 742 627	3 656 745
91 - 120 days	4 166 719	3 414 064
121 - 365 days	26 077 282	24 185 428
> 365 days	213 308 389	175 138 603
Less allowance for impairments	(234 208 954)	(195 648 294)
	22 618 825	19 095 454

Waste water

Current (0 -30 days)	2 515 979	2 245 703
31 - 60 days	2 255 057	2 032 875
61 - 90 days	2 198 626	1 974 275
91 - 120 days	2 157 942	1 929 428
121 - 365 days	14 335 656	12 851 960
> 365 days	111 425 735	93 542 028
Less allowance for impairments	(122 037 719)	(104 753 758)
	12 851 276	9 822 511

Refuse

Current (0 -30 days)	1 425 086	1 319 915
31 - 60 days	1 234 777	1 163 312
61 - 90 days	1 194 875	1 123 517
91 - 120 days	1 108 031	1 093 492
121 - 365 days	7 730 886	7 243 501
> 365 days	62 438 625	52 267 923
Less allowance for impairments	(67 953 079)	(58 548 168)
	7 179 201	5 663 492

Merchandising, jobbing and contracts

Current (0 -30 days)	661 421	980 418
31 - 60 days	314 532	1 295 092
61 - 90 days	289 736	1 271 100
91 - 120 days	954 795	1 238 638
121 - 365 days	6 288 301	8 308 454
> 365 days	160 141 467	151 035 852
Less allowance for impairments	(159 792 193)	(155 301 570)
	8 858 059	8 827 984

Summary of debtors by customer classification

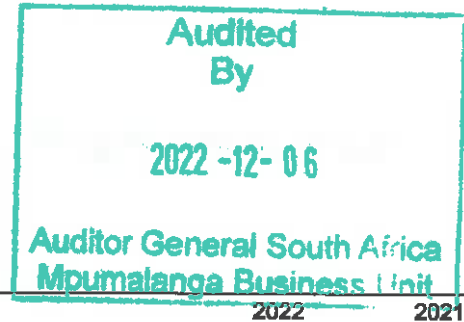
Reconciliation of allowance for impairment

Balance at beginning of the year	(568 633 707)	(479 780 779)
Contributions to allowance	(77 313 298)	(91 662 899)
	(645 947 005)	(571 443 678)

Dr Pixley Ka Isaka Seme Local Municipality
Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand



3. Receivables from exchange transactions (continued)

Water Services

Due to various administrative and labour relation reasons, the bulk of the Municipality's water meters were not read since 2016. During the year a number of water meters were read for 3 months only, a number for 6 months, a number for 9 months and a number not read at all. Average readings were applied for 3 months where-after only basic charges were levied. The same situation applied every year dating back to 2016. Average consumption was calculated using each respective debtor's last known three months of consumption as a consumption quantity, as well as the respective year's water tariff. Each debtor was levied their respective calculated amount back dated for 36 months (3 years) taking prescription into consideration. A total amount of R12 512 686 was accordingly levied during June 2022 of which R 2 809 971 relates to prior years. This whole amount was added to the year's impairment calculation.

Consumer debtors past due but not Impaired

Consumer debtors are considered past due after 30 days. Consumer debtors which are less than 180 days but past due are not considered to be impaired. At 30 June 2022 R46 369 937 (2021: R37 776 234) were past due but not impaired.

Consumers debtors Impaired

Consumer debtors of more than 180 days have been tested for impairment. As of 30 June 2022, consumer debtors of R604 380 427 (2021: R532 217 749) were impaired and provided for.

Calculation of allowances for impairment

The debt impairment calculations for the year ended 30 June 2022 and 30 June 2021 has been performed in accordance with the Council approved "Provision for Bad Debt Policy". The Policy entails calculating impairment on debt of 180 days and older by applying the non-payment ratio for each respective customer whilst taking cognisance of credit balances within receivables as well as inactive accounts and approved indigents.

Reconciliation of Impairment provision

	Opening balance	Contributions	Closing balance
Consumer debtors	568 633 707	77 313 298	645 947 005

4. Other receivables from exchange transactions

Debtors for sale of stands	1 208 554	1 208 554
Sundry receivables	2 213 063	2 213 063
Abeyances (agreements)	3 895 147	3 895 147
	7 316 764	7 316 764

5. Receivables from non-exchange transactions

Fines	369 260	446 536
Insurance claims	-	(145 872)
Recoverable irregular expenditure	-	45 348
Property rates	63 173 759	29 152 983
	63 543 019	29 498 995

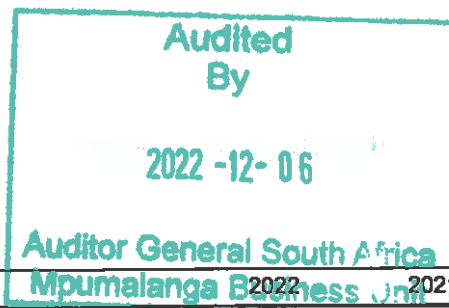
Statutory receivables included in receivables from non-exchange transactions above are as follows:

Taxes	63 173 759	29 152 983
Fines	369 260	446 536
	63 543 019	29 599 519

Dr Pixley Ka Isaka Seme Local Municipality
Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand



5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

Traffic fines

As of 30 June 2022, traffic fines of R237 950 (2021: R311,350) were tested for impairment. During the 2022 financial year, 104% of traffic fines issued were paid, whilst 20% of traffic fines issued were paid during the 2021 financial year. Traffic fines to the value of R19 000 (2021: R21 300) were not considered for impairment as the period for appeal has not expired. The amount of the provision was R321 574 as of 30 June 2022 (2021: R 232,040).

Property rates

As of 30 June 2022, gross Receivables: Non-exchange Transactions Property Rates amounted to R240 079 820 (2021: R194 916 922). Debtors are considered past due after days up to 180 days. Debtors of more than 180 days have been tested for impairment. Consumers past due not impaired amounted to R30 015 427 (2021: R42 881 723). The amount of the provision was R175 918 538 of 30 June 2022 (2021: R170 296 178).

Property rates comprises of the following:

Age analysis		
Current (0 - 30 days)	4 224 521	5 237 950
31 - 60 days	3 955 841	4 726 801
61 - 90 days	3 824 930	3 800 306
91 - 120 days	4 130 336	3 674 092
121 - 365 days	17 684 640	23 774 020
>365 days	205 272 029	153 703 753
Allowance for impairments	(175 918 538)	(170 296 178)
	63 173 759	24 620 744

Reconciliation of impairment provision	Opening balance	Contribution	Impairment reversed / Debt written off	Total
Property rates	170 296 178	16 443 664	(10 821 302)	175 918 540
Fines	-	89 534	-	89 534
	170 296 178	16 533 198	(10 821 302)	176 008 074

Receivables from non-exchange transactions impaired

During the 2021 financial year, 20% of traffic fines issued were paid, whilst 29% of traffic fines issued were paid during the 2020 financial year.

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(147 913 963)	(147 913 963)
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Erroneous application of charges during the scheduled change in the general valuation roll

A new general valuation came into effect on 1 July 2019. Several valuations were incorrectly captured on the municipality's financial management system from the records provided by the valuer. Subsequently, property rates were levied using incorrect property valuations and tariffs applicable to other property categories as that respective property. This effected not only individual debtors accounts but also accrued property rates revenue in respect of the 2019/20, 2020/21 and 2021/22 financial years. The aforementioned situation was corrected in June 2022 and a total amount of R9 833 780 was levied against effected debtor's accounts. The whole amount was written-off by Council and the respective debtor's accounts were credited during June 2022.

6. Investments

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6. Investments (continued)

Old Mutual Unit Trust	842 634	784 253
The valuation of the shares is based on the fair value of the unit price and number of shares obtained as at 30 June 2022. The number of shares held with Old Mutual is 2 046.871 at a value of 411.669 cents per share. This investment is a short term investment and can be accessible at any given time and has no maturity date.		

Current assets

Designated at fair value	842 634	784 253
--------------------------	---------	---------

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	42 513 832	136 051 784
Short-term deposits	59 867 542	9 583 032
	102 381 374	145 634 816

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	Year ended 30 June 2022	Year ended 30 June 2021	30 June 2020	Year ended 30 June 2022	Year ended 30 June 2021	30 June 2020
First National Bank - 5418-0010-025	42 382 803	135 514 383	120 256 695	42 513 832	136 051 731	130 370 260
First National Bank - MIG account - 7438-8117-704	7 991 242	7 991 242	7 991 242	7 991 242	7 991 242	7 991 242
First National Bank - 6209-2639-875	1 498 910	1 498 910	1 498 910	1 498 910	1 498 910	1 498 910
Standard Bank - investment account - 038-749-688	95 846	92 880	90 319	95 846	92 880	90 309
Standard Bank - investment account -387-496-88/055	50 281 544		-	50 281 544		
Total	102 250 345	145 097 415	129 837 166	102 381 374	145 634 763	139 950 721

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8. 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	20 747 641	-	20 747 641	20 747 641	-	20 747 641
Operating buildings	68 434 447	(30 665 714)	37 768 733	68 638 049	(29 071 731)	39 566 318
Community assets	82 622 479	(42 530 455)	40 092 024	81 678 810	(40 535 132)	41 143 678
Electrical infrastructure	379 679 498	(202 890 594)	176 788 904	380 309 455	(195 926 773)	184 382 682
Road infrastructure	770 708 910	(556 904 237)	213 804 673	768 167 538	(517 914 198)	250 253 340
Sanitation infrastructure	239 970 535	(115 217 318)	124 753 217	232 262 628	(110 685 600)	121 577 028
Solid waste infrastructure	71 547 833	(18 826 500)	52 721 333	71 569 065	(13 544 868)	58 024 197
Storm water infrastructure	101 518 723	(61 842 145)	39 676 578	101 414 382	(59 433 929)	41 980 453
Water supply infrastructure	609 389 048	(271 371 344)	338 017 704	593 806 769	(258 520 994)	335 285 775
Leased assets	573 557	(191 186)	382 371	-	-	-
IT equipment	2 936 767	(1 280 806)	1 655 961	2 150 251	(1 207 208)	943 043
Furniture and office equipment	4 831 846	(3 452 170)	1 379 676	5 203 717	(3 288 771)	1 914 946
Machinery and equipment	935 450	(519 941)	415 509	1 114 437	(502 409)	612 028
Transport assets	57 668 395	(12 788 723)	44 879 672	60 256 645	(11 304 534)	48 952 112
Total	2 411 565 129	(1 318 481 133)	1 093 083 996	2 387 319 387	(1 241 936 147)	1 145 383 241

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8. Property, plant and equipment (continued) Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Work-in-progress	Impairments	Depreciation	Total
Land	20 747 641	-	-	-	-	-	20 747 641
Operating buildings	39 566 318	-	(76 230)	-	(18 077)	(1 703 278)	37 768 733
Community assets	41 143 678	957 502	(3 292)	-	(26 908)	(1 978 956)	40 092 024
Electrical infrastructure	184 382 683	-	(100 279)	-	(271 325)	(7 222 175)	176 788 904
Road infrastructure	250 253 340	4 252 970	(543 296)	1 722 114	(13 541 479)	(28 338 976)	213 804 673
Sanitation infrastructure	121 577 028	5 057 881	(230 476)	3 401 102	(238 050)	(4 814 268)	124 753 217
Solid waste disposal	58 024 197	-	(8 708)	-	-	(5 294 156)	52 721 333
Storm water infrastructure	41 980 453	114 739	(4 472)	-	(32 248)	(2 381 894)	39 676 578
Water supply infrastructure	335 285 774	11 803 494	(155 416)	4 890 518	21 307	(13 827 973)	338 017 704
Leased assets		573 557	-	-	-	(191 186)	382 371
IT equipment	943 043	1 274 788	(181 812)	-	(66 995)	(313 063)	1 655 961
Furniture and fixtures	1 914 946	8 989	(141 103)	-	(132 603)	(270 563)	1 379 676
Machinery and equipment	612 028	25 874	(106 522)	-	(24 569)	(91 302)	415 509
Transport assets	48 952 111	94 501	(163 388)	-	(1 341 589)	(2 661 963)	44 879 672
	1 145 383 240	24 164 305	(1 714 994)	10 013 734	(15 672 536)	(69 089 753)	1 093 083 996

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Work-in-progress	Impairments	Depreciation	Total
Land	20 747 641	-	-	-	-	-	20 747 641
Operating buildings	42 251 611	-	-	-	(1 018 936)	(1 666 357)	39 566 318
Community	43 017 341	-	-	-	-	(1 873 663)	41 143 678
Electrical infrastructure	194 175 831	-	(2 040 857)	-	(463 858)	(7 288 433)	184 382 683
Roads infrastructure	289 212 790	-	(3 719 517)	3 708 794	(10 340 303)	(28 608 424)	250 253 340
Sanitation infrastructure	133 188 195	-	(441 791)	(6 474 428)	(31 147)	(4 663 801)	121 577 028
Solid waste infrastructure	57 403 762	5 917 138	-	-	-	(5 296 703)	58 024 197
Storm water infrastructure	45 557 658	-	(1 110 440)	-	-	(2 466 765)	41 980 453
Water supply infrastructure	355 882 067	16 691 039	(13 901 886)	(7 152 259)	(2 202 765)	(14 030 423)	335 285 775
Leased assets	72 830	-	-	-	-	(72 830)	-
IT equipment	1 094 405	265 287	(198 976)	-	(18 781)	(198 891)	943 043
Furniture and fixtures	2 076 507	137 474	(21 700)	-	(4 322)	(273 014)	1 914 946
Machinery and equipment	869 821	18 433	(143 815)	-	-	(132 511)	612 028
Transport assets	46 530 124	8 457 707	(2 301 079)	-	(1 248 483)	(2 486 157)	48 952 111
	1 232 080 683	31 487 078	(23 880 061)	(9 917 893)	(15 328 595)	(69 057 972)	1 145 383 241

Assets subject to finance lease (Net carrying amount)

Leasehold property	52 721 332	52 107 059
Office equipment	(2 078 157)	1 891 097
	50 643 175	53 998 156

Included in the disclosure of Property, Plant and Equipment is the capital expenditure relating to construction projects, which are referred to as Work-in-Progress.

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8. Property, plant and equipment (continued)

Work-in-progress comprises of the following property, plant and equipment

Opening balances	90 361 012	100 278 905
Additions / Capital Expenditure	32 200 321	25 784 989
Transfer to complete items	(22 186 587)	(26 984 247)
Transfer to Expenses	-	(8 718 635)
	100 374 746	90 361 012
Slow-moving projects		
Procurement of machinery and store building built for machinery	3 586 712	3 586 712
T09/2019: Construction of roads in Vukazakhe ward 3	3 007 158	3 007 158
Construction of combo courts in Ward 5, 6, 7 and 8	1 471 755	1 471 755
Supply razor wire fence of municipal facilities in Amersfoort Ward 8 and Daggakraal Ward 9	1 195 611	1 195 611
Supply and delivery of road construction material for Ward 5	1 905 743	1 905 743
Supply and delivery of road construction material for Ward 7 and 8	2 833 644	2 833 644
Paving of roads in Volksrust	4 429 319	4 429 319
Construction of water and sewer reticulation with house connection in Ward 3	1 759 662	1 759 662
Sewer and water reticulation networks in Amersfoort Ward 7 & 8	1 621 735	1 621 735
Supply and delivery of road construction material for Ward 11 - Fakambo construction	1 520 316	1 520 316
	23 331 655	23 331 655

The above-mentioned slow-moving projects represents the slow-moving projects, identified by management, and which are included in the Work-in-Progress balance at year end. The majority of projects were implemented internally and were disrupted and halted by the COVID-19 pandemic shutdown. Upon the re-opening of work, budget imperatives had changed and implementations were further delayed. Lack of funding resources were also major factors in effectively resuming and completing these projects. In the meantime, a report was issued by COGTA in terms of Section 106 of the MSA that deemed it unacceptable for the municipality to implement projects internally, as it was deemed that the municipality then played both player and referee. The municipality has allocated budget for the 2022/2023 financial year to complete certain slow-moving Work-in-Progress projects. There have been no reason to start to impair these projects, as specified by GRAP 17.

Reconciliation of Work-In-Progress 2022

	Opening balances	Project Expenditure	Project Completions Included in Additions	Closing balance
Community assets	5 058 467	957 502	(957 502)	5 058 467
Operational buildings	1 195 611	-	-	1 195 611
Road / storm infrastructure	19 507 193	6 089 824	(4 367 711)	21 229 306
Sanitation infrastructure	2 163 403	6 295 580	(5 057 881)	3 401 102
Water supply infrastructure	62 436 338	18 857 415	(11 803 493)	69 490 260
	90 361 012	32 200 321	(22 186 587)	100 374 746

Reconciliation of Work-In-Progress 2021

	Opening balances	Project Expenditure	Project Completions Included in Additions	Transfer to Expenses	Closing balance
Community assets	5 058 467	-	-	-	5 058 467
Operational buildings	1 195 611	-	-	-	1 195 611
Road / storm infrastructure	15 798 399	3 708 794	-	-	19 507 193
Sanitation infrastructure	8 637 831	1 504 023	-	(7 978 451)	2 163 403
Water supply infrastructure	69 588 597	20 572 172	(26 984 247)	(740 184)	62 436 338
	100 278 905	25 784 989	(26 984 247)	(8 718 635)	90 361 012

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Figures in Rand	2022	2021
8. Property, plant and equipment (continued)		
Repair and maintenance		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Land	-	251 079
Buildings	389 152	6 972 157
Leasehold property	-	4 616 839
Plant and machinery	19 712	17 434
Furniture and fixtures	-	318 741
Motor vehicles	2 446 751	1 727 615
Office equipment	-	248 258
IT equipment	9 347 508	2 474 737
Computer software	-	281 078
Infrastructure	8 175 081	-
	20 378 204	16 907 938

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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9. Investment property

	2022		2021	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation
Investment property	107 274 519	(480 981)	106 793 538	107 274 519
				Accumulated depreciation and accumulated impairment
				(459 713)
				106 814 806

Reconciliation of Investment property - 2022

Investment property	Opening balance	Depreciation	Total
	106 814 806	(21 268)	106 793 538

Reconciliation of Investment property - 2021

Investment property	Opening balance	Depreciation	Total
	106 836 073	(21 267)	106 814 806

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10. Heritage assets	2022		2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Accumulated impairment losses	Carrying value
Historical monuments	3 696 999	-	3 696 999	-	3 696 999

Reconciliation of heritage assets 2022

Historical monuments	Opening balance	Total
	3 696 999	3 696 999

Reconciliation of heritage assets 2021

Historical monuments	Opening balance	Total
	3 696 999	3 696 999

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Figures in Rand	2022	2021
11. Payables from exchange transactions		
Trade payables	42 556 607	8 516 057
Advance payments	10 225 363	8 391 790
Retentions	17 721 787	16 823 357
Accrued leave pay	7 952 263	8 460 415
Bonus Provision	2 186 282	2 199 346
Control, clearing and interface accounts	(708 612)	19 539 045
Unallocated deposits	8 216 426	10 423 219
Department of Water Affairs - Bulk water	79 733 991	81 201 344
Sundry Creditors	708 099	4 286 169
	168 592 206	159 840 742

12. VAT payable

VAT payable	22 971 070	14 976 341
-------------	------------	------------

13. Consumer deposits

Electricity	1 691 346	1 733 512
Housing rental	(4 294)	(4 294)
	1 687 052	1 729 218

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Expanded public works programme intergrated grant		41 619
Financial management grant		45 099
Infrastructre skills development grant	(172 149)	(373 738)
Municipal infrastructre grant	3 079 223	4 969 068
Provincial Government: Capacity Building Support grant	2 608 696	-
Water service infrastructre grant	37 606 249	33 291 060
	43 122 019	37 973 108

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

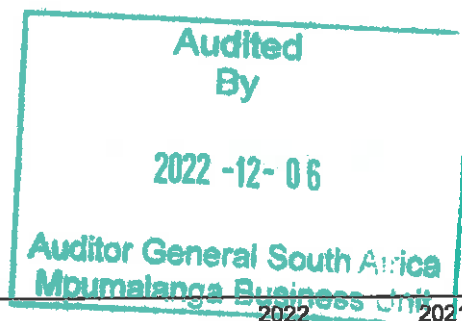
These amounts are invested in a ring-fenced investment until utilised.



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15. Finance lease obligation

Minimum lease payments due		
- within one year	262 860	-
- in second to fifth year inclusive	262 860	-
	525 720	-
less: future finance charges	(106 039)	-
Present value of minimum lease payments	419 681	-
Present value of minimum lease payments due		
- within one year	187 156	-
- in second to fifth year inclusive	232 526	-
	419 682	-

The Municipality entered into a 36 months lease contract on photocopiers with Sky Metro (Pty) Ltd which commenced on 01 July 2021 and ending on 30 June 2024.

The legal nature of the lease agreement is an operating lease but substance over form prevails in the context of GRAP 13. The lease agreement meets the requirement of a finance lease and has been accounted for as such in accordance with GRAP 13.

The average lease term was 3 years and the average effective borrowing rate was 9,67%. This effective borrowing rate was used to perform the discounting of present value of future minimum lease payments.

All leases have fixed repayments over the duration of the lease term.

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

It is municipality policy to lease certain equipment under finance leases.

16. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired member of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method. The liability for in-service members is accrued over their expected working lifetimes. The expected remaining workinglifetime of eligible employees is 16.4 years.

At the valuation date of 30 June 2022, membership of health care arrangements entitled to a post-employment medical aid subsidy was 153 in-service members (employees) and 24 continuation members (retirees and widows).

Long service awards

The municipality has an obligation in respect of the entitlement of employees to long service awards (LSA). The LSA is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

There are 268 employees that are currently entitled to Long Service Awards. The expected remaining working-lifetime of eligible employees is 16.4 years.

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

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16. Employee benefit obligations (continued)

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

Carrying value		
Opening balance of the Post-Employment Medical Aid subsidy liability	(26 155 000)	(21 744 000)
Movement in the Post-Employment Medical Aid subsidy liability	(1 111 000)	(4 411 000)
Opening balance of the Long Service Award liability	(5 705 000)	(5 107 000)
Movement of the Long Service Award liability	(300 000)	(598 000)
	(33 271 000)	(31 860 000)
<hr/>		
Non-current liabilities	(31 237 000)	(30 354 000)
Current liabilities	(2 034 000)	(1 506 000)
	(33 271 000)	(31 860 000)

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

Opening balance	(34 314 220)	(29 305 220)
Net expense recognised in the statement of financial performance	-	(5 009 000)
	(34 314 220)	(34 314 220)

Net expense recognised in the statement of financial performance

Current service cost - Post-Employment Medical Aid subsidy liability	945 000	752 000
Past service cost - Long Service Award liability	549 000	507 000
Interest cost - Post-Employment Medical Aid subsidy liability	2 590 000	2 199 000
Interest cost - Long Service Award liability	494 000	362 000
Actuarial loss / (gain) - Post-Employment Medical Aid subsidy liability	(1 435 000)	2 448 000
Actuarial loss / (gain) - Long Service Award liability	(226 000)	169 000
Benefits paid - Post-Employment Medical Aid subsidy liability	(989 000)	(988 000)
Benefits vesting - Long Service Award liability	(517 000)	(440 000)
	1 411 000	5 009 000

Calculation of actuarial gains and losses

Actuarial losses / (gains) – Medical aid defined benefit plan	(1 435 000)	2 448 000
Actuarial losses / (gains) – long service award	(226 000)	169 000
	(1 661 000)	2 617 000

Amounts for the accrued liabilities and the plan asset for the current and previous four years

Defined benefit obligation:

Amounts for the accrued liabilities and the plan asset for the current and previous four years are as follows:

Liability history	2022	2021	2020	2019	2018
Accrued liability	27 266 000	26 155 000	21 744 000	23 216 000	20 507 000

The history of experience adjustments is as follows:

Experience adjustments	2022	2021	2020	2019	2018
Liabilities: Loss / (Gain)	651 000	341 000	175 000	1 297 000	487 000

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16. Employee benefit obligations (continued)

Long service award:

Amounts for the accrued liabilities and the plan asset for the current and previous four years are as follows:

Liability history	2022	2021	2020	2019	2018
Accrued liability	27 660 000	26 155 000	21 744 000	23 216 000	20 507 000

The history of experience adjustments is as follows:

Experience adjustments	2022	2021	2020	2019	2018
Liabilities: Loss / (Gain)	654 000	341 000	175 000	1 297 000	487 000

Key assumptions used

Assumptions used at the reporting date:

Discount rates - Post-Employment Medical Aid subsidy liability	11,82 %	10,90 %
General salary inflation (long term) - Post-Employment Medical Aid Subsidy liability	7,94 %	5,26 %
Health cost inflation - Post-Employment Medical Aid subsidy liability	8,44 %	6,80 %
Net discount rate (health care inflation) - Post-Employment Medical Aid subsidy liability	3,12 %	3,08 %
Discount rates - Long service awards liability	10,81 %	9,06 %
Net discount rate (health care inflation) - Long service awards liability	3,24 %	3,12 %

Other assumptions

Basis for determination of the general salary inflation rate

It is important in that the LSA are based on an employee's earnings at the date of the award. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation. The expected CPI inflation assumption of 6.33% was obtained from the differential between market yields on index-linked bonds (3.74%) consistent with the estimated terms of the liabilities and those of nominal bonds (10.81%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Thus, a general earnings inflation rate of 7.33% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 3.24%.

Basis for determination of healthcare cost inflation rate

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective. A health care cost inflation rate of 8.44% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.19%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.12%.



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16. Employee benefit obligations (continued)

Sensitivity Analysis: Long service awards liability

The liability at the valuation date was recalculated to show the effect of the Long Service Award liability:

- A 1% increase and decrease in the assumed general earnings inflation rate;
- A 1% increase and decrease in the discount rate;
- A two year decrease and increase in the assumed average retirement age of employees; and
- A two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

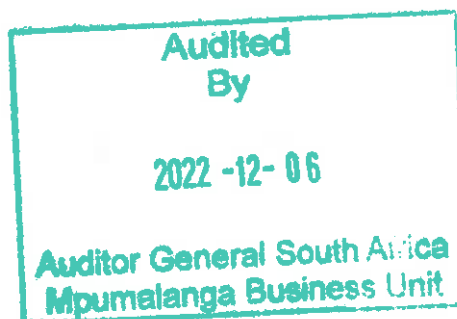
Assumption	Change	Liability
General earning inflation rate	+1%	6,317,000
General earning inflation rate	-1%	5,719,000
Discount rate	+1%	5,706,000
Discount rate	-1%	6,337,000
Average retirement age	+2yrs	6,618,000
Average retirement age	-2yrs	5,433,000
Withdrawal rates	x2	5,018,000
Withdrawal rates	x0.50	6,653,000

Sensitivity Analysis: Post-Employment Medical Aid subsidy liability

The liability at the valuation date was recalculated to show the effect of Post-Employment Medical Aid subsidy liability:

- A one percentage point increase and decrease in the assumed rate of health care cost inflation;
- A one percentage point increase and decrease in the discount rate;
- A one-year age increase and decrease in the assumed rates of post-employment mortality;
- A one-year decrease in the assumed average retirement age; and
- A decrease of ten percentage points in the assumed proportion of in-service members that remain members at retirement.

Assumption	Change	Liability
Health care inflation rate	+1%	29,217,000
Health care inflation rate	-1%	24,835,000
Discount rate	+1%	23,921,000
Discount rate	-1%	31,407,000
Average retirement age	+1%	26,532,000
Average retirement age	-1%	27,991,000
Average retirement age	+1%	28,799,000
Membership contribution	-10%	25,252,000



Dr Pixley Ka Isaka Seme Local Municipality
Annual Financial Statements for the year ended 30 June 2022

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17. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Change in estimate	Unwinding of discount	Total
Environmental rehabilitation	73 833 909	(14 326 830)	5 627 768	65 134 847

Reconciliation of provisions - 2021

	Opening Balance	Change in estimate	Unwinding of discount	Total
Environmental rehabilitation	63 876 943	5 917 139	4 039 827	73 833 909

General Landfill Closure Costing Model was used in the current year. General Landfill Closure Costing Model provides a reliable best possible estimate of closure costs in terms of paragraph .49 of GRAP 19. General Landfill Closure Costing Model uses unit costs of elements and Consumer price index.

The current expected remaining life of the landfill sites for Volksrust, Perdekop and Wakkerstroom is not one year less than last year because of enhanced management practices.

Environmental rehabilitation provision

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal.

The discount rate was deduced from the GOVI longbond. The annualised rate as at 30 June 2022 was 6.61% (2021: 4.83%). Consumer price inflation was obtained from differential between the average nominal bond and the real bond (zero Yield curves).

The environmental rehabilitation provision relates to four landfill sites namely: Volksrust, Amersfoort, Wakkerstroom and Perdekop. For the Volksrust and Amersfoort sites, the number of years until closure is three and twelve years respectively, whilst the Wakkerstroom and Perdekop landfill sites have been closed.

18. Service charges

Sale of electricity	56 617 938	57 295 481
Sale of water	33 526 184	38 196 065
Solid waste	10 993 127	10 521 437
Sewerage and sanitation charges	19 260 890	17 647 630
	120 398 139	123 660 613

19. Rental income

Premises	1 304 608	1 357 440
Premises	46 114	20 437
Venue hire		
	1 350 722	1 377 877

20. Agency fees

Road and Transport	7 072 890	12 917 312
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Dr Pixley Ka isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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20. Agency fees (continued)

The municipality has entered into an agreement with the Mpumalanga Department of Safety, Security and Liason (‘the Department’). The agreement is entered into every five years, signed within three months of the new term of office for Local Government. In terms of the agreement the Department is responsible for registration, licensing, and testing functions in terms of applicable national and provincial road traffic legislation. In order to provide greater access to clients throughout the Province, the Department transferred specified registration, licensing and testing functions to appropriately identified agents, who process these functions for and on behalf of the Department.

As a result of the abovementioned agreement the municipality acts as an agent on behalf of the department. In Volksrust the agent is thus entitled to 20% (incl VAT) of the total collected fees in terms of clause 6.2 in respect of motor vehicle registration and licensing fees, as specified in the relevant schedules contained in the applicable national and provincial road traffic legislation. In Amersfoort the agent is entitled to 18%. There were no significant changes in the agency agreement which occurred during the reporting period. No material risks were identified on the agreement for the municipality. The municipality does not incur any expenses on behalf of the principal.

Revenue due to the Principal, and not paid over at year end and included in Payables from Exchange Transactions: R927,698

Amount of revenue received on behalf of the principal during the reporting period

Motor vehicle license fees	28 007 139	32 798 431
Revenue paid to Principal	(20 934 249)	(19 881 119)
Revenue Retained, Income from Agency Services	7 072 890	12 917 312

21. Operational revenue

Breakages and losses recovered	8 809	1 782
Cancellation of debt	-	64 480
Building plan approvals	156 026	133 606
Clearance certificates	19 829	19 159
Insurance claims	205 452	-
Cemetery and Burial	118 563	135 653
Merchandising, jobbing and contracts	175 917	56 264
Publications tender documents	21 508	24 944
	706 104	435 888

22. Interest income

Interest revenue		
Bank	5 227 395	5 901 436
Interest charged on receivables from exchange transactions	56 310 123	35 258 444
	61 537 518	41 159 880

For the 2021/22 financial year, interest income on receivables amounted to R38 513 697 and R17 796 426 for exchange and non-exchange transactions respectively. Interest income in respect of the 2020/21 financial year is not split between exchange and non-exchange transactions due to limitations of the billing system. Interest has been levied on both exchange and non-exchange transactions, however all interest levied were included as interest on exchange transactions in the billing system reports.

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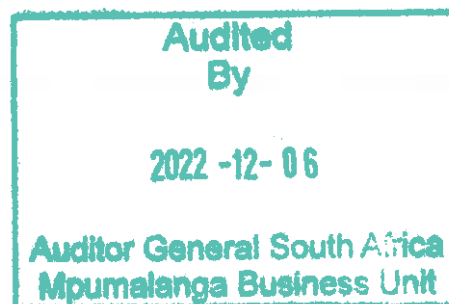
Notes to the Annual Financial Statements

Figures in Rand	2022	2021
23. Property rates		
Rates received		
Residential	23 053 685	27 245 572
Commercial	6 286 418	7 173 519
State	21 818 065	9 325 107
Small holdings and farms	13 178 100	13 733 190
Public service infrastructure properties	352 623	700 193
Mining properties	95 585	316 924
	64 784 476	58 494 505

Valuations

Agricultural	5 342 541 600	5 342 171 600
Business	409 029 700	409 029 700
Industrial	17 325 100	17 325 100
Mining	5 366 000	5 366 000
Municipal	93 116 900	93 116 900
Multiple use property	630 879 830	630 879 830
Public benefit organisation	141 070 800	141 070 800
Public service infrastructure	103 938 050	103 938 050
Public service purposes	330 035 400	330 035 400
Residential	2 428 222 000	2 428 072 000
Undeveloped Land	219 706 100	219 918 100
Vacant	212 000	-
Worship	2 075 000	2 075 000
	9 723 518 480	9 722 998 480

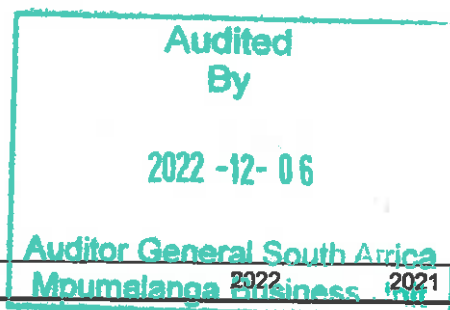
Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.



Dr Pixley Ka Isaka Seme Local Municipality
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24. Government grants and subsidies

Operating grants

Equitable share	132 763 000	149 300 000
Financial management grant	2 450 000	2 599 371
Expanded public works programme integrated grant	1 059 000	1 043 381
	136 272 000	152 942 752

Capital grants

Municipal infrastructure grant	24 171 756	20 348 046
Water services infrastructure grant	11 782 619	8 229 330
	35 954 375	28 577 376
	172 226 375	181 520 128

Unspent conditional grants and receipts

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited. Unfulfilled conditions and other contingencies attached to government assistance that has been recognised. These amounts are invested in a ring-fenced investment until utilised.

An amount of R21,945,000 was withheld from Equitable Share by National Treasury due to slow spending on conditional grants. This amount was made up of the following:

- Municipal infrastructure grant - R2,956,089
- Finance management grant - R45,099
- Water services infrastructure grant - R18,902,192
- Expanded public work programme grant - R41,619

Equitable share

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

Municipal infrastructure grant

Balance unspent at beginning of year	4 969 068	1 504 114
Current-year receipts	25 238 000	25 947 000
Conditions met - transferred to revenue	(24 171 756)	(20 348 046)
Repaid to National Treasury	(2 956 089)	(2 134 000)
	3 079 223	4 969 068

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

Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of upgrading of poor households, micro enterprises, social institutions and to provide for the rehabilitation and upgrading of municipal infrastructure.

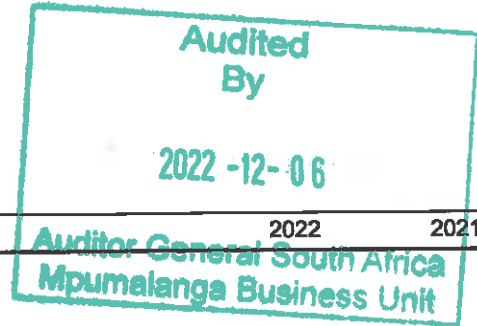
Financial management grant

Balance unspent at beginning of year	45 099	86 587
Current-year receipts	2 450 000	2 600 000
Conditions met - transferred to revenue	(2 450 000)	(2 599 371)
Repaid to National Treasury	(45 099)	(42 117)
	-	45 099

Dr Pixley Ka Isaka Seme Local Municipality
Annual Financial Statements for the year ended 30 June 2022

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	2022	2021
24. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 14).		
The financial management grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.		
Skills development grant		
Balance unspent at beginning of year	(373 738)	(373 738)
Current-year receipts	201 589	-
	(172 149)	(373 738)

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

The skills development grant has been allocated to the municipality to further develop specific skillset of staff members within the municipality.

Integrated national electrification programme

Balance unspent at beginning of year	-	283 646
Repaid to National Treasury	-	(283 646)
	-	-

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

The Intergrated National Electrification Programme grant has been provided to the municipality for purpose of providing new households with access to electricity.

Water services infrastructure grant

Balance unspent at beginning of year	33 291 060	11 520 390
Current-year receipts	35 000 000	30 000 000
Conditions met - transferred to revenue	(11 782 619)	(8 229 330)
Repaid to National Treasury	(18 902 192)	-
	37 606 249	33 291 060

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

Water services infrastructure grant has been provided to the municipality to assist the municipality with water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services sanitation backlogs.

Expanded public works programme integrated grant

Balance unspent at beginning of year	41 619	-
Current-year receipts	1 059 000	1 085 000
Conditions met - transferred to revenue	(1 059 000)	(1 043 381)
Repaid to National Treasury	(41 619)	-
	-	41 619

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

The expanded public works programme integrated was allocated to the municipality for environmental projects.

Provincial Government: Capacity Building Support grant

Current-year receipts	2 608 696	-
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Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
24. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 14).		
25. Fines, Penalties and Forfeits		
Illegal connections fines	209 155	135 812
Law enforcement fines	237 950	373 420
Overdue books fines	2 886	690
	449 991	509 922

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Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
26. Employee related costs		
Basic	57 400 713	55 394 386
Bonus	4 439 756	4 470 441
Medical aid	6 990 393	5 036 693
UIF	538 251	475 076
Scarcity allowance	47 979	46 736
Actuarial (gains) / losses	(1 661 000)	2 617 000
Bargaining council	32 468	31 946
Pension fund and group life	12 193 552	11 850 887
Overtime payments	7 882 061	6 753 447
Car allowance	2 239 110	2 073 881
Housing benefits and allowances	254 630	254 630
Leave gratuity	402 767	2 421 564
Standby allowance	4 497 985	3 843 186
Non-pensionable allowances	863 000	3 840
Cellular and telephone allowances	153 600	132 602
Shift allowance	74 994	877 759
Post-retirement benefits	(12 000)	774 397
Section 56 Employees	4 861 085	3 933 677
	101 199 344	100 992 148
Remuneration of Municipal Manager - LB Tshabalala		
Annual remuneration	734 532	745 424
Car allowance	144 000	144 000
Non pensionable	41 541	41 540
Telephone	18 000	18 000
Pension	132 216	134 176
Provident fund	14 691	14 908
Medical fund	13 070	-
	1 098 050	1 098 048
Remuneration of Acting Municipal Manager - NT Mokako		
Acting allowance	144 518	47 029
Remuneration of Chief Financial Officer - NT Mokako		
Annual Remuneration	605 464	520 786
Traveling	180 000	120 000
Non pensionable	35 778	23 852
Telephone	18 000	12 000
Pension	108 984	72 656
	948 226	749 294
Remuneration of Acting Chief Financial Officer - N Khuzwayo		
Acting Allowance	59 992	131 461
Remuneration of Acting Chief Financial Officer - MP Mulaudzi		
Acting allowance	36 041	-
Remuneration of Director: Technical Services - ST Phakathi		
Annual remuneration	538 728	-

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Notes to the Annual Financial Statements

Figures in Rand



26. Employee related costs (continued)

Traveling	100 000	
Non pensionable	29 815	
Telephone	15 000	
Medical aid	9 673	
Pension	96 971	
	790 187	

Remuneration of Director: Community Services - MG Nyembe

Annual remuneration	671 075	710 182
Traveling	180 000	180 000
Non pensionable	40 889	40 526
Telephone	18 000	18 000
Medical aid	36 817	32 921
Pension	120 794	119 664
Provident	13 421	13 296
	1 080 996	1 114 589

Director: Corporate services - SB Shabalala

Annual remuneration	610 075	612 887
Traveling	132 000	132 000
Non pensionable	36 532	36 532
Telephone	18 000	18 000
Medical aid	49 223	45 588
Pension	109 814	110 320
Provident	12 202	12 257
	967 846	967 584

27. Remuneration of councillors

Executive major	922 451	905 259
Chief whip	663 209	653 036
Mayoral committee members	2 106 869	1 873 223
Speaker	724 401	688 688
Councillors	4 792 725	4 614 495
	9 209 655	8 734 701

In-kind benefits

The executive Mayor, Chief Whip, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The executive Mayor and the have the use of separate Council owned vehicles for official duties.

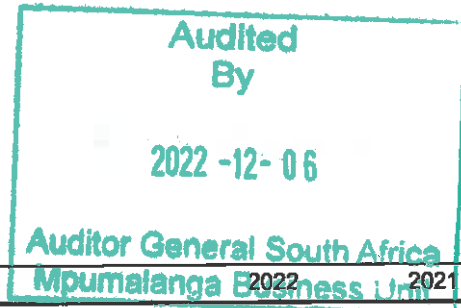
28. Inventory Consumed

Consumables, materials and supplies	13 311 719	11 185 426
Water consumed	7 966 422	4 086 771
Water losses	11 757 793	10 758 430
	33 035 934	26 030 627

Dr Pixley Ka Isaka Seme Local Municipality
Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

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28. Inventory Consumed (continued)

Refer to Note 2 and 32 for detail on water inventory and water losses

29. Depreciation and amortisation

Property, plant and equipment	69 089 749	69 112 253
Investment property	21 267	21 268
	69 111 016	69 133 521

30. Interest costs

Finance leases	108 985	2 777
Unwinding of discount	5 627 768	4 039 827
GRAP 25 Interest on medical aid and long service awards	3 084 000	2 561 000
	8 820 753	6 603 604

31. Debt Impairment

Receivables from exchange transactions	74 503 326	90 284 538
Receivables from non-exchange transactions	5 711 895	19 714 542
Bad debts written off	13 488 981	-
	93 704 202	109 999 080

32. Bulk purchases

Electricity - Eskom	104 845 434	73 574 292
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Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers.

Electricity is purchased in bulk on a monthly basis from Eskom.

Electricity losses

	Units 2022	Units 2021	R '000s 2022	R '000s 2021
Units purchased (KW)	60 067 666	50 333 736	104 845 434	73 574 292
Units sold (KW)	(32 643 037)	(45 425 515)	(56 745 439)	(57 295 481)
Total loss	27 424 629	4 908 221	48 099 995	16 278 811
Comprising of:				
Distribution losses	27 424 629	4 908 221	48 099 995	16 278 811
Percentage Loss:				
Distribution losses	46 %	10 %	46 %	22 %

Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand			2022	2021
32. Bulk purchases (continued)				
Water losses				
	Units	Units	R '000s	R '000s
	2022	2021	2022	2021
Units purified (KI)	7 023 287	6 365 889	19 779 555	35 521 586
Units sold (KI)	(2 828 702)	(4 413 855)	(7 966 422)	(24 629 311)
Total	4 194 585	1 952 034	11 813 133	10 892 255
Percentage Loss:				
Distribution losses	59 %	30 %	60 %	30 %

Management has embarked on water meter reading exercise to ensure that all water meters are read regularly in an effort to reduce line losses. Refer note 5

33. Contracted services

Outsourced Services

Business and advisory	2 802 459	2 727 304
Professional staff	12 156 335	2 163 368
Refuse removal	2 467 080	3 939 572
Security services	7 065 593	4 892 137
External computer services	3 336 174	8 746 812
Maintenance of equipment	(160 379)	8 552 481

Consultants and Professional Services

Laboratory services	4 050 499	3 557 694
Legal cost	7 046 632	3 639 823

Contractors

Burial services	4 500	-
Event promoters	159 687	12 250
Maintenance of buildings and facilities	5 565 411	701 198
Maintenance of unspecified assets	5 465 283	5 044 631
Medical services	-	51 033

49 959 274 44 028 303



Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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Figures in Rand	2022	2021
34. Operational Costs		
Advertising	361 927	773 734
Auditors remuneration	7 915 266	6 211 348
Bank charges	486 344	511 584
Commission paid	321 214	1 463 529
Entertainment	120 937	42 245
Insurance	2 151 103	2 613 252
Printing and stationery	756 590	1 007 340
Registration fees	274 853	219 907
Skills Development fund levy	871 429	701 846
Subscriptions and membership fees	1 090 181	1 111 550
Communication	1 056 707	1 359 571
Transport and freight	47 150	6 924
Workmen's compensation fund	556 340	531 417
Travel - local	1 083 777	339 214
Title deed search fees	498 343	137 196
Protective clothing	1 279 491	1 143 902
Bursaries (employees)	127 924	627 717
Landfill site provision expense	(14 326 830)	5 917 139
Remuneration of ward committees	641 000	1 094 000
Indigent relief	5 757 286	14 071 829
	11 071 032	39 885 244

35. Cash (used In) generated from operations

Deficit	(68 843 839)	(97 316 735)
Adjustments for:		
Depreciation	69 111 016	69 133 521
Impairment for non-current assets	15 672 535	15 328 417
Fair value adjustment on investment	(58 472)	(177 581)
Debtors impairment	93 704 202	108 567 468
Loss on disposal of assets	740 847	23 023 731
Movements in retirement benefit assets and liabilities	(249 881)	(2 392 000)
Actuarial gain / (losses)	1 661 000	(2 617 000)
Provision on rehabilitation on landfill site	(8 699 062)	9 956 966
Changes in working capital:		
Movement in inventories	597 957	83 311
Movement in receivables from exchange transactions	(85 470 762)	(79 674 537)
Movement in receivables from non-exchange transactions	(50 487 688)	(18 553 497)
Movement in value added tax	7 994 729	(2 832 398)
Movement in unspent grants	5 148 910	24 952 109
Movement in payables from exchange transactions	8 751 459	(10 642 696)
Movement in consumer deposits	(42 166)	(14 726)
	(10 469 215)	36 824 353



Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
36. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Capital expenditure	7 507 477	14 455 576
Total capital commitments		
Already contracted for but not provided for	7 507 477	14 455 576
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational expenditure	7 841 453	18 707 794
Total operational commitments		
Already contracted for but not provided for	7 841 453	18 707 794
Total commitments		
Total commitments		
Authorised capital expenditure	7 507 477	14 455 576
Authorised operational expenditure	7 841 453	18 707 794
	15 348 930	33 163 370

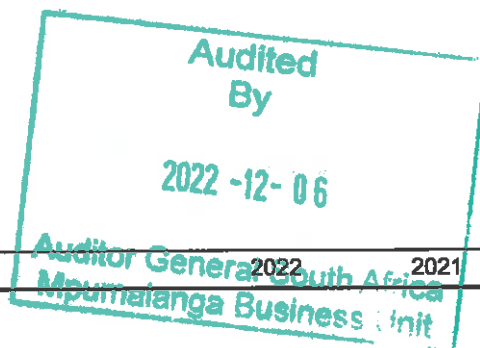
This committed expenditure relates to operational and capital projects and will be financed by retained surpluses, existing cash resources, funds internally generated, and grants.



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37. Contingencies

Contingent liabilities

Contingent Liabilities relating to 2021/2022

CLAIMANT	DESCRIPTION	RESPONSIBLE LAW FIRM	FILE NUMBER	AMOUNT CLAIMED
1. Human broers and the Municipality	Claiming non-payment for the service provided.	Coetzee Spoelstra and van Zyl inc	904/2002	R73,072
2. Emalangen Technologies	Breach of contract	Mohlala attorneys	1954/19	R16,547,408
3. Mining and environmental justice community network of South Africa and others	Appeal against the decision of the municipal appeal tribunal	None	1433/20	Still in court
4. Princess Maseko	Reviewal of the decision of the arbitration	None	JR409/19	Still in court
5. Kaizer Nzuzza	Eviction from municipal farm	None	4085/18	Still in court
6. Rand Water	Claiming non-payment for the service provided			Still in court
7. Hensal Civil Construction	Claiming non-payment for the service provided	None	3046/21	R3,000,388
8. Thokozani Mazibuko	Application for review	None		The applicant has abandoned the matter.
9. OT Shabangu	Application for review the decision to be removed as councillor	None	233/21	Still in court. court advised the applicant to file a proper application.
10. Dreyer Retailers	Application (urgent to review council decision to sell land to GSNY)	None	3669/2021	Still in court
11. Hoku Gem	Application (urgent to review council decision to sell land to GSNY)	None	3669/2021	Still in court
12. Africando Civils	Claiming non-payment of the service provided	None	4408/202	R39,298,466

Contingent Liabilities relating to 2020/2021

CLAIMANT	DESCRIPTION	RESPONSIBLE LAW FIRM	FILE NUMBER	AMOUNT CLAIMED
1. Human broers and the Municipality	Claiming non-payment for the service provided.	Coetzee Spoelstra and van Zyl inc	904/2002	R73,072

Dr Pixley Ka Isaka Seme Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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37. Contingencies (continued)

2. Berry Roberts and the Municipality	Alleges an accident happening with the jurisdiction of the municipality.	None	235/10	R56,200
3. Gabriel Michael du Toit and the Municipality	Alleges that the municipal employee negligently caused an accident.	Mjali and Zimema attorneys	336/13	R29,190
4. Alida Magdalena de Beer and the municipality	Alleges that the municipal employee negligently caused an accident	None	65/18	R32,559
5. Nicolas Solidatos and the Municipality	Alleges an accident happening with the jurisdiction of the municipality	None	None	R10,099,995
6. Mostert and the municipality	Alleges that the open manhole is the cause of her injuries.	Mjali and Zimema attorneys	165/15	R75,000
7. Emalangen Technologies	Breach of contract	Mohlala attorneys	1954/19	R16,547,408
8. Wakkerstroom natural heritage	An interdict to stop the municipality proceeding with the construction of the bulk pipeline from volkarust to wakkerstroom.	None	None	Not practically determinable
9. Rand Water	Claiming for non-payment for service provided	Mjali and Zimema attorneys	2818/20	R1,982,737
10. Afika Power	Alleges non-payment for service provided	None	113/2019	R92,288
11. Thandiwe Kubneka	Damages to the car by potholes within the municipal jurisdiction	None	08/2020	R49,071

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38. Related parties

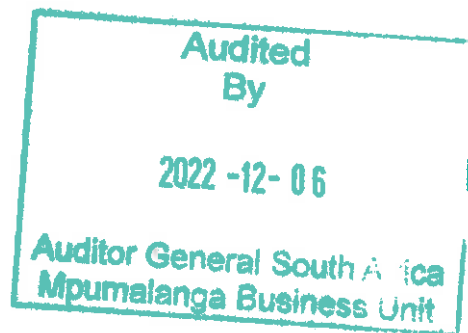
Relationships

Accounting Officer

Members of key management

- Refer to accounting officers' report
- Mr L B Tshabalala, Municipal Manager from 04 March 2019, suspended on 20/04/2021 with last working day were 12 July 2022.
- Mr N T Mokako, Acting Municipal Manager as from 21/04/2021 to date.
- Mr S B Shabalala, Director of Corporate services as from August 2017 to date.
- Mr MG Nyembe, Director Community services as from 01 March 2020 to date.
- Mr S Phakathi, Director of Technical and Engineering services, as from 01 September 2021 to date.
- Mr NT Mokako as Chief Financial officer as from 11 November 2020, Currently acting as Municipal.
- Ms N Khuzwayo, Acting Chief Financial Officer as from 01/05/2022 to date.
- Refer to General Information on page 1.

Councillors and Mayoral committee members



Dr Pixley Ka Isaka Seme Local Municipality
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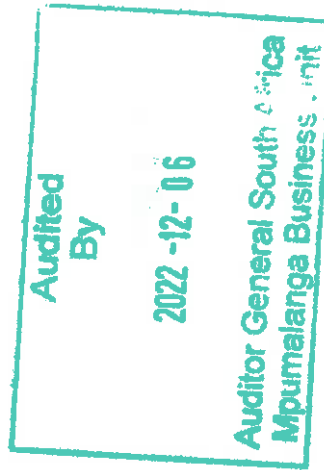
Figures in Rand

38. Related parties (continued)

Remuneration of Councillors

Mayoral committee members

2022



Name	Allowance	Travel allowances	Non-pensionable allowances	Pension	Medical Aid	Total
BJ Mhlanga (Mayor)	433 877	-	24 876	62 910	-	521 663
PV Malatsi (Mayor)	230 791	53 796	14 494	30 409	-	329 490
TH Thwala (Mayor)	38 838	-	-	2 461	-	41 299
BG Mavuso (Speaker)	350 938	-	-	52 328	26 068	429 334
IL Mkhwanazi (Speaker)	222 057	-	14 494	29 940	-	266 491
BTA Zulu (Chief Whip)	351 536	-	28 576	50 965	-	431 077
GO Ngwenya (Chief Whip)	197 217	-	14 494	26 424	12 606	250 741
LM Nkomo (MMC)*	208 176	-	14 494	28 071	-	250 741
NW Msibi (MMC)	325 952	-	28 576	46 639	-	401 167
TH Thwala (MMC)	322 644	-	28 576	49 947	-	401 167
TV Hlakutse (MMC)	534 126	-	44 349	74 712	-	653 187
	3 216 152	53 796	212 929	454 806	38 674	3 976 357

2021

Name	Allowance	Travel allowances	Non-pensionable allowances	Pension	Medical Aid	Total
PV Malatsi (Mayor)	608 242	161 387	44 400	91 230	-	905 259
IL Mkhwanazi (speaker)	596 868	-	44 400	89 820	-	733 088
GO Ngwenya (MMC)	529 256	-	44 400	79 380	37 009	690 045
TV Hlakutse (MMC)	561 434	-	44 400	84 212	-	690 046
LM Nkomo (MMC)	561 437	-	44 400	84 209	-	690 046

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38. Related parties (continued)	2 859 237	161 387	222 000	428 851	37 009	3 708 484
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* Member of the Mayoral Committee

39. Irregular expenditure

Opening balance as previously reported	42 205 253	34 484 497
Opening balance as restated	42 205 253	34 484 497
Less: Amount written off by council	-	(384 455)
Add: Current year under investigation	6 135 376	7 641 294
Add: Current year not under investigation	-	463 917
Closing balance	48 340 629	42 205 253

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

Disciplinary steps taken/criminal proceedings

Inadequate SCM process followed - 3 cases	5 922 964	8 105 211
Non compliant tax status - 1 case	111 200	-
Payments made exceed the contract value - 1 case	39 100	-
Supplier's spouse in service of the Municipality - 1 case	62 112	-
Total	6 135 376	8 105 211

Cases under investigation

Investigations are still in progress regarding 2 cases for R241 699 for 30 June 2022 which relate to non-compliance with procurement process requirements and (2020-21: R42 205 253) which also relate to non-compliance with procurement process requirements.

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2022 -12-06

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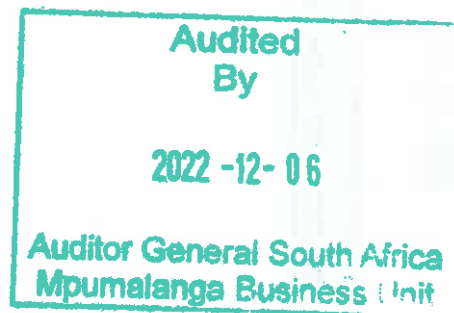
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40. Fruitless and wasteful expenditure		
Opening balance as previously reported	29 081	5 703
Add: Fruitless and wasteful expenditure identified - current	2 320 138	23 378
Closing balance	2 349 219	29 081

Fruitless and wasteful expenditure is presented inclusive of VAT



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40. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings	
Interest charged on overdue accounts - 2 cases		1 150 758
Temporarily fee -1 case		18 158
Penalty fee -1 case		45 331
Indigents listed as a deceased person - 275 cases		1 067 412
Indigents in the employment of one or another government department or organisation - 10 cases		34 400
Spouses of indigents that has an interest in suppliers of government - 1 case		4 080
		2 320 139
		29 081



Cases not yet investigated: Investigations are still pending regarding above cases for R2 320 138 for 30 June 2022 and (2020-21: R29 081)

41. 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.

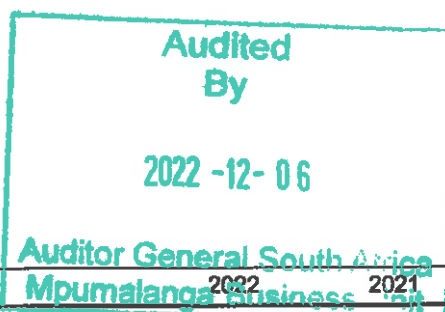
Date	Name of Company	Amount	Reason for Deviation	Items/services	Department
Quarter 2	Zhauns Business Opportunities	50998,90	Sole supplier	Servicing of toilet paper making machine and training of the use of the machine for the LED project	
Quarter 2	Blue Gum Lodge	111200,40	Emergency and it was impossible and impractical to follow the normal supply chain processes.	Accommodation for 20 Councilors attending the councillor induction programme.	

Dr Pixley Ka Isaka Seme Local Municipality

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42. Risk management

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

30 June 2022	Less than 1 year	Between 2 and 5 years	Over 5 years	Total
Payables from exchange transactions	168 592 206	-	-	168 592 206
Consumer deposits	1 687 052	-	-	1 687 052
	170 279 258	-	-	170 279 258

30 June 2021	Less than 1 year	Between 2 and 5 years	Over 5 years	Total
Payables from exchange transactions	159 840 742	-	-	159 840 742
Consumer deposits	1 729 218	-	-	1 729 218
	161 569 960	-	-	161 569 960

Credit risk

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

Receivables comprise a widespread receivables base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality.

Credit quality of cash and cash equivalents :

First National Bank: (Fitch) F1+
Standard Bank: (Fitch) F1+
Old Mutual: (Fitch) A-

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. Loans are taken at fixed interest rates to minimise interest rate risk.

43. Financial Instruments disclosure

Categories of financial instruments

2022

Financial assets

Dr Pixley Ka Isaka Seme Local Municipality

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2022

2021

43. Financial instruments disclosure (continued)

	At amortised cost	Total
Receivables from exchange transactions	62 621 364	62 621 364
Other receivables from exchange transactions	7 316 764	7 316 764
Receivables from non-exchange transactions	63 543 019	63 543 019
Short term investments at present value	842 634	842 634
Cash and cash equivalents	102 381 374	102 381 374
	236 705 155	236 705 155

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	168 592 206	168 592 206
Consumer deposits	1 687 052	1 687 052
	170 279 258	170 279 258

2021

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	54 411 138	54 411 138
Other receivables from exchange transactions	7 316 764	7 316 764
Receivables from non-exchange transactions	29 498 995	29 498 995
Short term investments at present value	784 253	784 253
Cash and cash equivalents	145 634 816	145 634 816
	237 645 966	237 645 966

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	159 849 414	159 849 414
Consumer deposits	1 729 218	1 729 218
	161 578 632	161 578 632

44. 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



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2021

44. Prior-year adjustments (continued)

2021

	Ref	As previously reported	Correction of error	Restated
Inventories		1 566 101	-	1 566 101
Receivables from exchange transactions	A,C	53 406 631	1 004 507	54 411 138
Other receivables from exchange transactions		7 316 764	-	7 316 764
Receivables from non-exchange transactions	A,F	24 966 756	4 532 239	29 498 995
Financial assets		784 253	-	784 253
Cash and cash equivalents	B	145 634 762	54	145 634 816
Property, plant and equipment	D,G	1 106 533 380	38 849 861	1 145 383 241
Investment property	D	103 999 815	2 814 991	106 814 806
Heritage assets		3 696 999	-	3 696 999
Payables from exchange transactions	A,B,E	(139 270 587)	(20 570 154)	(159 840 741)
VAT payable	A,B	(14 711 177)	(265 164)	(14 976 341)
Consumer deposits		(1 729 218)	-	(1 729 218)
Unspent grants and receipts		(37 973 108)	-	(37 973 108)
Employee benefit obligation		(31 860 000)	-	(31 860 000)
Provisions		(73 833 909)	-	(73 833 909)
Accumulated surplus	A,B,C,D(1 ,E	1 148 527 462)	(24 326 261)	1 172 853 723)
		-	2 040 073	2 040 073



Dr Pixley Ka Isaka Seme Local Municipality

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44. Prior-year adjustments (continued)

Statement of financial performance

2021

	Ref	As previously reported	Correction of error	Re-classification	Restated
Service charges	A,F	120 487 116	3 173 497	-	123 660 613
Rental from fixed assets		1 377 877	-	-	1 377 877
Agency fees		12 917 312	-	-	12 917 312
Operational revenue		435 888	-	-	435 888
Interest income	A	42 151 241	(991 361)	-	41 159 880
Property rates	A	53 951 667	4 542 839	-	58 494 506
Government grants & subsidies		181 520 128	-	-	181 520 128
Fines, Penalties and Forfeits		509 922	-	-	509 922
Employee related costs		(98 375 147)	-	(2 617 000)	(100 992 147)
Remuneration of councillors		(8 734 701)	-	-	(8 734 701)
Inventory consumed		(11 209 286)	-	(14 821 341)	(26 030 627)
Depreciation and amortisation	D,E,G	(65 880 231)	(3 253 290)	-	(69 133 521)
Finance costs		(6 603 604)	-	-	(6 603 604)
Debt Impairment	F	(108 567 467)	(1 431 612)	-	(109 999 079)
Bulk purchases		(88 395 633)	-	14 821 341	(73 574 292)
Contracted services		(44 028 302)	-	-	(44 028 302)
Operational cost		(39 885 244)	-	-	(39 885 244)
Impairment of non-current assets		(15 328 417)	-	-	(15 328 417)
Lease rentals on operating lease		(59 192)	-	-	(59 192)
Loss on disposal of assets and liabilities		(23 023 731)	-	-	(23 023 731)
Actuarial losses		(2 617 000)	-	2 617 000	-
Deficit for the year		(99 356 804)	2 040 073	-	(97 316 731)

The effect of the restatement of comparatives in the prior year amounting to R 2 040 073 is included in the restated deficit of R 97 316 731 for 2021 as disclosed in the "Statement of changes in net assets". The amount of R 24 326 261 adjustment in the Statement of financial position above against accumulated surplus balance relates to adjustments against the 2020 accumulated surplus as disclosed in the "Statement of net changes"

A) Correction of revenue in the comparative year - rates, interest income and electricity

The matter of incomplete billing arises from previous audits. This matter, with the focus specifically on the comparative year was investigated and the corrective action was taken.

Statement of financial position

Receivables from non-exchange transactions	-	5 919 918
Inventories	-	(4)
Receivables from exchange transactions	-	1 004 511
VAT payable	-	(261 282)
Payables from exchange transactions	-	4
Interest income	-	991 361
Accumulated surplus	-	(1 369 783)
	-	6 284 725

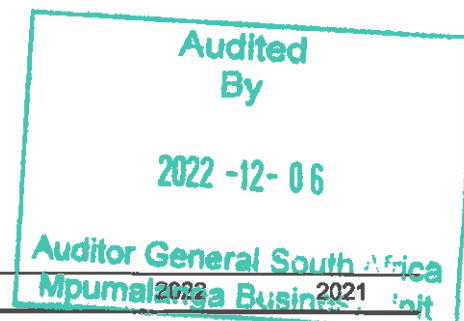
Statement of financial performance

Service charges	-	(1 741 885)
Property rates	-	(4 542 840)
	-	(6 284 725)

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44. Prior-year adjustments (continued)

B) Correction of historical entries to payables

Historical incorrect entries to payables were identified during the course of the year. These entries arises from credit notes that were not accounted for.

Statement of financial position

Cash and Cash equivalents	54
VAT payable	(2 907)
Payables from exchange transactions	47 021
Accumulated surplus	(44 168)
	-

C) Correction of historical entries to payables

Reversal of incorrect corrections to rates levied in previous years.

Statement of financial position

Receivables from non-exchange transactions	(1 387 679)
Accumulated surplus	1 387 679
	-

D) Assets identified during fixed assets verification procedures.

The Municipality conduct a yearly verification process to verify the existence and conditions of all its fixed assets. Assets not previously listed on the asset register were identified during the last verification process.

Statement of financial position

Investment properties	2 814 991
Property, plant and equipment	49 228 643
Accumulated surplus	(55 211 348)
	(3 167 712)

Statement of financial performance

Depreciation and amortisation	3 167 712
-------------------------------	-----------

E) Errors arising from bank reconciliation

As a result of the bank reconciliation process an amount of R625,847, was found to be paid in past years but not recorded in the Financial Statements. In the 2019/20 financial year the investment amount of R20 000 000 was transferred to a FNB investment account. This transaction was recorded on the financial system (MUNSOFIT) with payment number TO0002326. This payment transaction was then reversed on the financial system with reversal number R-T0002326. During the compilation of the AFS for June 2020 closing entries was passed to correct all investment accounts in the general ledger and the balancing figure was passed on the accumulated surplus.

Statement of financial position

Payables from exchange transactions	(20 625 847)
Accumulated surplus	20 625 847
	-

Statement of financial performance

Depreciation and amortisation	3 167 712
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44. Prior-year adjustments (continued)

F) Errors Water meter readings

As per note 3 the municipality experienced challenges in reading water meter and used average consumption to calculate revenue. The amounts are fully impaired. An additional R 1 431 612 was recognised as revenue and impairment in the statement of financial performance and an amount of R 2 809 971 was included in accounts receivable and provision for impairment in the statement of financial position.

Statement of financial position

Receivables from exchange transactions	-	1 431 612
Provision for impairment	-	(1 431 612)
	-	-

Statement of financial performance

Service charges	-	1 431 612
Debt impairment	-	(1 431 612)
	-	-

G) Errors relating to overstating of boreholes

Correction of boreholes overstated previously recorded.

Statement of financial position

Property plant and equipment	-	(10 293 208)
Accumulated depreciation	-	85 578
Accumulated surplus	-	10 293 208
	-	85 578

Statement of financial performance

Depreciation	-	85 578
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Reclassifications

The following reclassifications adjustment occurred:

Actuarial gain to employee cost

Increase in employee related cost of R2,617,000 and a decrease in Actuarial gains of R2,617,000

GRAP 25 Par 74 state that the municipality shall recognise the net total of employee related cost in surplus or deficit. The net amount of employee related cost includes the movement in actuarial valuation, hence should this movement be part of employee related cost and must not be disclosed separately as disclosed in previous years.

Bulk purchases to Inventory consumed

Increase in inventory consumed of R14,821,341 and a decrease in bulk purchases of R14,821,341.

The cost of bulk water should be included in the cost of inventory with the exception of the part used / sold that forms part of inventory consumed.

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45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Current year subscription / fee	1 042 487	1 103 267
Amount paid - current year	(1 042 487)	(1 103 267)

Audit fees

Current year expenditure	9 102 004	6 211 348
Amount paid	(9 102 004)	(6 211 348)

PAYE and UIF

Current year subscription	15 459 284	14 376 479
Amount paid - current year	(15 459 284)	(14 376 479)

Pension and Medical Aid Deductions

Current year payroll deductions (medical aid and pension fund)	28 056 513	26 941 408
Amount paid - current year	(28 056 513)	(26 941 408)

VAT

VAT Payables	(22 971 070)	(14 976 341)
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VAT is accounted for on an accrual basis on annual financial statements and on payment basis on VAT returns to SARS.

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.

Year ended 30 June 2022	Outstanding more than 90 days	Total
Councillor Msibi NW	32 565	32 565
Councillor Khumalo GL	76 450	76 450
Councillor Motha MS	15 221	15 221
Councillor Du Toit	21 464	21 464
	145 700	145 700

Year ended 30 June 2021	Outstanding more than 90 days	Total
Councillor Shabangu OT	187	187

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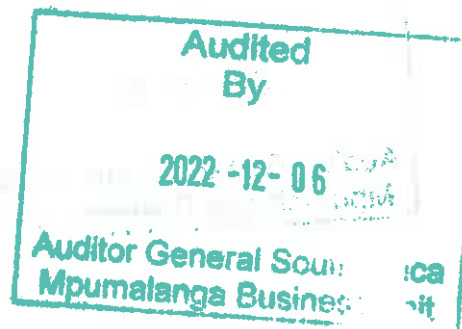
2021

46. Events after the reporting date

The Municipal Council took a decision to settle with the former Municipal Manager. His disciplinary hearing endured delays which caused instability in the management of the municipality and was compromising service delivery. The Municipal Council resolved to settle with him and pay 3 months out of the remaining 5 months of his contract:

47. Segment Information

Segment surplus or deficit



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47. Segment Information (continued)
2022

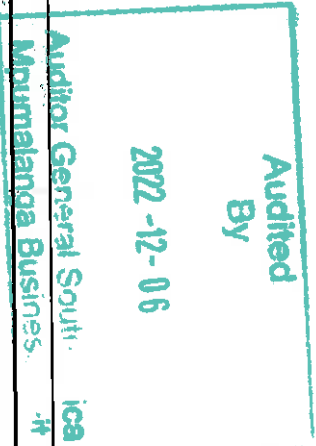
	Energy Sources	Executive And Council	Finance And Administration	Planning And Development	Waste management	Waste Water Management	Water Management	Public Safety, Community and Social Services	Other	Total
Revenue										
Service charges	56 617 938	-	-	-	10 993 127	19 260 890	33 526 184	-	-	120 398 139
Rental income	-	-	1 304 608	-	-	-	-	(3 923)	50 037	1 350 722
Agency fees	-	-	321 230	-	-	-	-	-	6 751 661	7 072 891
Operational revenue	27 322	205 452	203 234	138 144	-	-	-	122 742	9 210	706 104
Interest income	-	-	61 537 518	-	-	-	-	-	-	61 537 518
Property rates	-	-	64 784 475	-	-	-	-	-	-	64 784 475
Government grants & subsidies	-	132 763 000	2 450 000	24 171 756	1 059 000	11 782 619	-	-	-	172 226 375
Fines, penalties and forfeits	209 155	-	-	-	-	-	-	-	-	209 155
Total segment revenue	56 854 415	132 968 452	130 601 065	24 309 900	12 052 127	31 043 509	33 526 184	121 705	7 048 858	428 526 215
Entity's revenue									237 950	449 991
										428 526 215

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	Energy Sources	Executive And Council	Finance And Administration	Planning And Development	Waste management	Waste Water Management	Water Management	Public Safety, Community and Social Services	Other	Total
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Expenditure										
Employee related cost	(3 853 828)	(9 036 002)	(20 696 518)	(9 677 529)	(11 021 712)	(6 762 797)	(13 016 223)	(16 763 009)	(10 371 726)	(101 199 344)
Remuneration of councillors	-	(9 209 654)	-	-	-	-	(23 974 278)	(279 147)	-	(9 209 654)
Inventory consumed	(7 493 500)	(109 421)	(6 387 626)	-	(8 673 086)	(5 052 318)	(16 220 806)	-	(33 956 766)	(69 111 016)
Depreciation and amortisation	-	-	(8 820 753)	-	-	-	-	-	-	(8 820 753)
Finance cost	-	-	(93 704 203)	-	-	-	-	-	-	(93 704 203)
Debt impairment	-	-	-	-	-	-	-	-	-	(104 845 434)
Bulk purchases	(104 845 434)	(828 363)	(22 019 935)	(4 551 026)	(2 506 609)	(294 732)	(4 338 461)	(7 997 772)	(3 812 395)	(49 959 276)
Contracted services	(3 609 983)	(3 334 820)	1 330 379	(552 479)	(77 165)	(56 903)	(5 419 522)	(334 376)	(2 593 222)	(11 071 040)
Operational cost	(32 932)	-	(15 672 535)	-	-	-	-	-	-	(15 672 535)
Impairments of non-current assets	-	-	-	-	-	-	-	-	-	-
Loss on disposals of assets and liabilities	-	974 120	(1 714 994)	-	-	-	-	-	-	(740 874)
Total segment	(119 835 677)	(21 544 140)	(167 686 185)	(14 781 034)	(22 278 574)	(12 166 750)	(62 969 290)	(25 374 304)	(50 734 109)	(497 370 063)
Total segmental deficit expenditure										(68 843 841)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

A measure of assets and liabilities for each reportable segment has not been presented as these are not regularly provided to management.

2021	Energy Sources	Executive And Council	Finance And Administration	Planning And Development	Waste management	Waste Water Management	Water Management	Public Safety, Community and Social Services	Other	Total
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47. Segment Information (continued)												
Revenue												
Service charges	57 379 967	-	-	1 357 440	-	10 521 437	17 647 630	38 111 578	-	20 437	-	123 660 612
Rental Income	-	-	-	(7 369 639)	-	-	-	-	-	20 286 951	-	1 377 877
Agency fees	-	-	-	127 283	145 768	-	-	-	-	4 596	-	12 917 312
Operational revenue	20 931	-	-	41 159 880	-	-	-	-	-	137 310	-	435 888
Interest income	-	-	-	58 494 505	-	-	-	-	-	-	-	41 159 880
Property rates	-	-	-	790 410	20 348 046	1 043 381	-	8 229 330	-	-	-	58 494 505
Government grants & subsidies	-	151 108 961	-	-	-	-	-	-	-	-	-	181 520 128
Fines, penalties and forfeits	135 812	-	-	-	-	-	-	-	690	373 420	-	509 922
Total segment revenue	57 536 710	151 108 961	94 559 879	20 493 814	11 564 818	17 647 630	46 340 908	138 000	20 585 404	420 076 124	420 076 124	420 076 124
Expenditure												
Employee related cost	(4 153 140)	(7 822 647)	(23 646 948)	(10 180 193)	(9 884 306)	(6 834 175)	(13 117 158)	(15 418 862)	(9 934 925)	(100 982 154)	(8 734 701)	(26 030 627)
Remuneration of councillors	-	(8 734 701)	-	-	(5 995 158)	-	(19 115 203)	(276 727)	-	-	-	(26 030 627)
Inventory consumed	-	(643 539)	-	-	(198 891)	(28 726 985)	(2 245 999)	(82 754)	(333 852)	(69 133 521)	(69 133 521)	(69 133 521)
Depreciation and amortisation	(11 001 749)	(2 072 898)	(198 891)	(28 726 985)	(2 245 999)	(24 470 393)	(82 754)	-	(333 852)	(69 133 521)	(69 133 521)	(69 133 521)
Finance cost	-	-	(6 603 604)	-	-	-	-	-	-	-	-	(6 603 604)
Lease rentals on operating leases	-	(59 192)	-	-	-	-	-	-	-	-	-	(59 192)
Debt Impairment	-	-	(109 999 080)	-	-	-	-	-	-	-	-	(109 999 080)
Bulk purchases	(73 574 292)	-	-	-	-	-	-	-	-	-	-	(73 574 292)
Contracted services	(4 592 549)	(849 358)	(23 364 014)	(3 095 047)	(4 969 350)	4 718 815	(3 853 394)	(5 109 478)	(2 913 927)	(44 028 302)	(44 028 302)	(44 028 302)
Operational cost	(1 235 154)	(3 476 904)	(17 951 988)	(206 109)	12 889	(42 054)	(14 159 905)	(190 082)	(2 535 933)	(39 885 240)	(39 885 240)	(39 885 240)
Impairments of non-current assets	-	-	(15 328 417)	-	-	-	-	-	-	-	-	(15 328 417)
Loss on disposals of assets and liabilities	-	-	(23 023 731)	-	-	-	-	-	-	-	-	(23 023 731)
Total segment expenditure	(94 556 884)	(23 659 239)	(220 116 673)	(42 208 334)	(23 081 924)	(26 627 807)	(50 328 414)	(20 994 949)	(15 818 637)	(517 392 861)	(517 392 861)	(517 392 861)
Total segmental deficit										(97 231 157)		

