Lekwa Local Municipality
Annual Financial Statements
for the year ended 30 June 2021

General Information

Nature of business and principal activities	Providing municipal services and maintaining the best interests of the local community
Executive Mayor	Cllr. LBR Dhlamini
Speaker	Cllr. HM Khota
Chief Whip	Cllr. BP Mollo
Member of Mayoral Committee: Technical Services	Cllr. MS Khumalo
Member of Mayoral Committee: Corporate Sevices and Planning and Development	Cllr SS TP Motloung
Member of Mayoral Committee: Community services and Safety	Cllr. ML Molaba
Councillors	Cllr ENK Shabangu Cllr F Sarang Cllr JL Jansen Van Rensburg Cllr NL Nkosi Cllr SM Zacarias Cllr JR De Ville Cllr MS Mngomezulu Cllr MB Mosikedi Cllr XM Tshabalala Cllr PJ Dhlamini Cllr B Ndlebe Cllr JQ Khumalo Cllr RV Solontsi Cllr TJ Kambule Cllr MM Sibanyoni Cllr LP Selepe Cllr FE Mhlapo Cllr VM Mahlangu Cllr NS Selepe Cllr JW Ngubeni Cllr PC Mahlaba Cllr SJ Nkosi Cllr SM Ngwenya Cllr SA Silonsini Cllr SM Moraja Council was desolved on the 12 May 2021 and Mr Johan Mettler was appointed as the administrator interms of section 139(7) of the constitution.
Grading of local authority	Grade 4
Accounting Officer	Mrs GP Mhlongo-Ntshangase- resigned on the 18 June 2021. Mr Mokgatsi J.M was appointed from 18 June 2021.
Acting Chief Finance Officer	Mr K Duba (appointment lapsed at 14 June 2020), Mr DL Shabangu (Seconded by MEC COGTA effective 15 June 2020)
Registered office	C/O Mbonani Mayisela and Dr Beyers Naude Street Standerton 2430

General Information

Business address	PO Box 66 Standerton
Bankers	Nedbank (Primary bank account) First National Bank
Auditors	Auditor General South Africa

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2022 -01- 31
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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

Accounting Officer
Mr J Mokgatsi

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Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2021.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interests of the local community and operates principally in South Africa and [state other countries].

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

Net deficit of the municipality was R 329 983 528 (2020: deficit R 516 018 725).

2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R (1 169 480 034) and that the municipality's total liabilities exceed its assets by R (1 169 480 034).

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

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

The Municipality has been unable to meet all its current obligations by not paying service providers within 30 days on receipts of invoice in accordance with Section 65 of the Municipal Finance Management Act No 56 of 2003. Interest incurred from paying of suppliers late have been disclosed as fruitless and wasteful expenditure in this financial statement. Payments arrangement have been made with some of the creditors given the financial constraints of the Municipality.

The municipality was placed under administration interms of section 139(7) of the constitution. National Treasury is drafting the financial recovery plan.

The Municipality is currently implementing the financial recovery an all relevant oversight committees and stakeholder will be monitoring the implementation of the plan on regular basis whilst the financial recovery plan is being drafted.

The Municipality continues to aggressively implement the financial interventions and revenue collection strategies in order to improve its financial sustainability.

3. Subsequent events

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

4. Accounting Officer's interest in contracts

The Accounting Officer does not have any interest in contracts, either direct or indirect.

5. Accounting policies

The annual financial statements prepared 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.

Accounting Officer's Report

6. Corporate Governance

General

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

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

Audit Committee

The audit committe members for the year ended 30 June 2021 were as follows:

Mr F Mkhabela	Member (appointed as of 01 March 2020)
Mr G Mello	Member (appointed as of 01 March 2020)
Mr S Dube	Member (appointed as of 01 March 2020)

Internal audit

The municipality has a fully functional internal audit unit. This is in compliance with the Municipal Finance Management Act, 2003.

7. Bankers

First National Bank and Nedbank are being used for daily operations as well as investing of grant funding.

8. Auditors

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

Accounting Officer
Mr J Mokgatsi

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Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	3	69 024 337	71 004 000
Value Added Tax	4	74 654 728	62 508 324
Receivables from exchange transactions	5&6	133 409 004	139 644 644
Receivables from non-exchange transactions	7&6	37 679 155	27 782 070
Cash and cash equivalents	8	-	43 106 713
		314 767 224	**344 045 751**
Non-Current Assets			
Investment property	9	1 374 355	1 448 645
Property, plant and equipment	10	1 140 923 121	1 176 096 245
Other financial assets	11	29 444 932	28 309 506
Receivables from exchange transactions	5	21 692 150	28 355 941
		1 193 434 558	**1 234 210 337**
Total Assets		**1 508 201 782**	**1 578 256 088**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	1 934 055 034	1 837 524 862
Consumer deposits	13	1 485 770	1 731 934
Employee benefit obligation	16	4 106 000	4 555 000
Unspent conditional grants and receipts	14	535 020	1 776 467
Bank overdraft	8	139 448 070	-
		2 079 629 894	**1 845 588 263**
Non-Current Liabilities			
Employee benefit obligation	16	79 401 000	67 662 000
Provisions	15	518 650 927	504 502 290
		598 051 927	**572 164 290**
Total Liabilities		**2 677 681 821**	**2 417 752 553**
Net Assets		**(1 169 480 039)**	**(839 496 465)**
Accumulated surplus		(1 169 480 034)	(839 496 465)

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* See Note 48 & 47

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	481 061 408	441 268 618
Rental income		1 665 559	1 690 036
Operational income	20	1 232 060	1 333 343
Interest received	21	49 159 735	55 944 721
Total revenue from exchange transactions		**533 118 762**	**500 236 718**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	156 420 892	98 384 683
Revenue from non - exchange transctions			
Government grants & subsidies	23	191 089 597	154 084 096
Ladfill provision gain	24	-	15 162 190
Public contributions and donations		14 683 489	-
Fines, Penalties and Forfeits	19	1 114 116	3 202 603
Total revenue from non-exchange transactions		**363 308 094**	**270 833 572**
Total revenue	17	**896 426 856**	**771 070 290**
Expenditure			
Employee related costs	25	239 008 706	238 546 596
Remuneration of councillors	26	12 089 504	20 882 625
Depreciation and amortisation	27	94 925 591	87 252 484
Finance costs	29	99 693 200	121 999 125
Debt Impairment	30	210 631 862	189 236 596
Bulk purchases	31	456 650 679	426 712 192
Contracted services	32	55 317 964	67 780 028
Inventory consumed	33	16 145 057	12 585 473
Operational Costs	34	41 947 821	122 093 896
Total expenditure		**1 226 410 384**	**1 287 089 015**
Deficit for the year		**(329 983 528)**	**(516 018 725)**

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* See Note 48 & 47

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2019	**(291 177 482)**	**(291 177 482)**
Changes in net assets		
Prior period error	(32 300 258)	(32 300 258)
Net income (losses) recognised directly in net assets	(32 300 258)	(32 300 258)
Surplus for the year	(516 018 725)	(516 018 725)
Total recognised income and expenses for the year	(548 318 983)	(548 318 983)
Total changes	(548 318 983)	(548 318 983)
Restated* Balance at 01 July 2020	**(839 496 506)**	**(839 496 506)**
Changes in net assets		
Surplus for the year	(329 983 528)	(329 983 528)
Total changes	(329 983 528)	(329 983 528)
Balance at 30 June 2021	**(1 169 480 034)**	**(1 169 480 034)**

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* See Note 48 & 47

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Property rates		146 610 618	81 319 014
Service charges		191 454 666	289 691 187
Government grants & subsidies		190 988 120	149 426 000
Interest income		-	55 944 721
Rental income		1 665 559	-
Operational revenue		1 232 060	-
Fines, Penalties and Forfeits		1 114 116	-
Public contributions and donations		1 480 000	-
		534 545 139	576 380 922
Payments			
Employee costs		(174 497 212)	(238 058 158)
Suppliers		(222 776 589)	(162 131 795)
Finance costs		(99 693 200)	(121 999 125)
Other cash item		-	54 321 026
		(496 967 001)	(467 868 052)
Net cash flows from operating activities	36	**37 578 138**	**108 512 870**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(46 474 685)	(82 080 038)
Net cash flows from investing activities		**(46 474 685)**	**(82 080 038)**
Net increase/(decrease) in cash and cash equivalents		**(8 896 547)**	**25 162 660**
Cash and cash equivalents at the beginning of the year		37 607 030	12 444 370
Cash and cash equivalents at the end of the year	8	**28 710 483**	**37 607 030**

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* See Note 48 & 47

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	715 159 407	(69 956 631)	**645 202 776**	481 061 408	**(164 141 368)**	N1
Rental income	4 139 404	(2 744 253)	**1 395 151**	1 665 559	**270 408**	N2
Operational revenue	9 764 859	45 186 280	**54 951 139**	1 232 060	**(53 719 079)**	
Interest received	60 154 378	(3 363 911)	**56 790 467**	49 159 735	**(7 630 732)**	N3
Total revenue from exchange transactions	**789 218 048**	**(30 878 515)**	**758 339 533**	**533 118 762**	**(225 220 771)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	139 336 000	48 432 000	**187 768 000**	156 420 892	**(31 347 108)**	N4
Transfer revenue						
Government grants & subsidies	194 361 000	(31 783 857)	**162 577 143**	191 089 597	**28 512 454**	N5
Public contributions and donations	-	-	-	14 683 489	**14 683 489**	
Fines, Penalties and Forfeits	542 000	-	**542 000**	1 114 116	**572 116**	N7
Total revenue from non-exchange transactions	**334 239 000**	**16 648 143**	**350 887 143**	**363 308 094**	**12 420 951**	
Total revenue	**1 123 457 048**	**(14 230 372)**	**1 109 226 676**	**896 426 856**	**(212 799 820)**	
Expenditure						
Employee Costs	294 270 484	21 936 828	**316 207 312**	239 008 706	**(77 198 606)**	N8
Remuneration of councillors	14 515 521	(1 527 527)	**12 987 994**	12 089 504	**(898 490)**	N9
Depreciation and amortisation	80 000 000	5 563 376	**85 563 376**	94 925 591	**9 362 215**	
Finance costs	96 229 331	(26 676 973)	**69 552 358**	99 693 200	**30 140 842**	N10
Debt Impairment	59 491 952	(15 679 660)	**43 812 292**	210 631 862	**166 819 570**	N12
Bulk purchases	370 230 663	70 608 710	**440 839 373**	456 650 679	**15 811 306**	N13
Contracted Services	71 697 190	17 239 336	**88 936 526**	55 317 964	**(33 618 562)**	N14
Inventory	11 628 000	(2 596 019)	**9 031 981**	16 145 057	**7 113 076**	N15
General Expenses	108 240 839	-	**108 240 839**	41 947 821	**(66 293 018)**	N16
Total expenditure	**1 106 303 980**	**68 868 071**	**1 175 172 051**	**1 226 410 384**	**51 238 333**	
Deficit	**17 153 068**	**(83 098 443)**	**(65 945 375)**	**(329 983 528)**	**(264 038 153)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**17 153 068**	**(83 098 443)**	**(65 945 375)**	**(329 983 528)**	**(264 038 153)**	
Capital Expenditure	51 623 400	-	**51 623 400**	41 138 970	**(10 484 430)**	N17

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

The accounting policies on pages 13 to 42 and the notes on pages 43 to 84 form an integral part of the annual financial statements.

N1 Service Charges: These was because of inadequate implementation of the revenue enhancement strategy.

N2 Rental Income: These was because of inadequate implementation of the revenue enhancement strategy.

N3 Interest Income: These was because of inadequate implementation of the revenue enhancement strategy.

N4 Property rates: These was because of inadequate implementation of the revenue enhancement strategy.

N5 Government Grant and Subsidies: Determined by treasury

N6: Landfill Site movement: Change in CPI, change in discount rate, change in unit costs, Change in management practices

N7: Fines: Improvement in implementation of debt collection

N9: Remuneration from CI: Variance due to dismissal of employees

N10: Finance cost: Increase in debt financing

N11: Lease operating lease: Change in management

N12 Debt Impairment: Variance is due to the economic pressure put on individuals due to the pandemic

N13Bulk purchases: Variance due to increase in electricity tariffs.

N14 Contracted service: Variance due to increase in use of internal services

N15 Inventory consumables: Change in management

N16 Operation cost: Change in management

N17 Capital expenditure: variance is due to the pandemic less activity on capital projects due to lockdown measures.

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Accounting Policies

Figures in Rand	Note(s)	2021	2020

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

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.

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

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

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

Effective interest rate

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

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

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

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

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

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

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Cost model

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

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

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

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

Accounting Policies

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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	30 years
Plant and machinery	Straight-line	2 -15 years
Furniture and fixtures	Straight-line	2 - 7 years
Motor vehicles	Straight-line	3 - 15 years
Office equipment	Straight-line	2- 10 years
IT equipment	Straight-line	2 - 5 years

Accounting Policies

1.6 Property, plant and equipment (continued)

Computer software	Straight-line	1 - 3 years
Infrastructure	Straight-line	1 - 65 years
Community	Straight-line	2 - 50 years
Workshop equipment	Straight-line	5 - 7 years
Specialised vehicles	Straight-line	10 - 20 years

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

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

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

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

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

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

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

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

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

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

Derecognition

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

1.7 Site restoration and dismantling cost

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

Accounting Policies

1.7 Site restoration and dismantling cost (continued)

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

If the related asset is measured using the revaluation model:
(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 Financial instruments

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

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

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

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

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1.8 Financial instruments (continued)

Classification

Other financial assets are financial assets measured at amortised cost.

Initial recognition - The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument. The municipality recognises financial assets using trade date accounting.

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

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value
VAT receivables	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
VAT payables	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent Conditional Grants	Financial liability measured at amortised cost
Employee benefit obligation	Financial liability measured at amortised cost
Provisions	Financial liability measured at fair value

Initial recognition

The Municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The Municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

1.8 Financial instruments (continued)

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

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

Reclassification

The Municipality does not reclassify a financial instrument while it is issued or held unless it is:

combined instrument that is required to be measured at fair value; or
an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the Municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The Municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original

effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an *event* occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed . The amount of the reversal is recognised in surplus or deficit.

1.8 Financial instruments (continued)

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting. The Municipality derecognises a financial asset only when:

the contractual rights to the cash flows from the financial asset expire, are settled or waived;

the Municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

the Municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has

transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

derecognise the asset; and

recognise separately any rights and obligations created or retained in the transfer.

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

Financial liabilities]

The Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another Municipality by way of a non-exchange

transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Statutory receivables

Identification

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

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

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

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

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1.9 Statutory receivables (continued)

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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

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

Accounting Policies

1.9 Statutory receivables (continued)

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

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

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

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

Derecognition

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

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

1.10 Leases

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

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

Operating leases - lessor

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

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

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

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

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

Accounting Policies

1.10 Leases (continued)

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.

1.11 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

1.12 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

1.12 Employee benefits (continued)

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

1.12 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.12 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.12 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

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 and contingencies

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.13 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and .

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

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Accounting Policies

1.13 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:
- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

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

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

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

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

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

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

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

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.

1.15 Revenue from exchange transactions (continued)

Measurement

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

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

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

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

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

Accounting Policies

1.16 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

1.16 Revenue from non-exchange transactions (continued)

Measurement

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.17 Comparative figures

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

1.18 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.

1.19 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.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is 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.

1.21 Budget information

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

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

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

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

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

1.21 Budget information (continued)

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

In terms of MFMA section 31 and Virement Policy of the municipality, the municipality can shift funds within budget parameters.

The changes between Schedule B (Final Approved Budget) and Final Budget were due to reallocation within budget parameters.

Materiality has been assumed to be all the variance which are 10% or more. Below are explanation of differences identified:

1.22 Related parties

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

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

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

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

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

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

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

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

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

1.23 Events after reporting date

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

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

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

1.23 Events after reporting date (continued)

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

1.24 Value Added Tax

The Municipality is registered with the South African Revenue Services as a VAT vendor in accordance with section 15(2) of the Value Added Tax Act (No. 89 of 1991).

The Municipality accounts for Value Added Tax on the payment basis as per the VAT Act.

1.25 General expenses

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

Recognition and measurement

Expenses are recognised on an accrual basis.

This means a basis of accounting under which transactions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate.

Figures in Rand	2021	2020

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods:

GRAP 104 (amended): Financial Instruments 01 April 2099 Unlikely there will be amaterial impact

Guideline: Guideline on the Application of Materiality to Financial Statements

01 April 2099 Unlikely there will be a material impact

IGRAP 20: Accounting for Adjustments to Revenue 01 April 2020 Unlikely there will be a material impact

GRAP 34: Separate Financial Statements 01 April 2020 Unlikely there will be a material impact

GRAP 35: Consolidated Financial Statements 01 April 2020 Unlikely there will be a material impact

GRAP 36: Investments in Associates and Joint Ventures 01 April 2020 Unlikely there will be a material impact

GRAP 37: Joint Arrangements 01 April 2020 Unlikely there will be a material impact

GRAP 38: Disclosure of Interests in Other Entities 01 April 2020 Unlikely there will be a material impact

GRAP 110 (as amended 2016): Living and Non-living Resources

01 April 2020 Unlikely there will be a material impact

Figures are presented in Rands

3. Inventories

Consumable stores	1 747 676	3 544 240
Water for distribution	96 726	279 825
Land for sale - RDP	67 179 935	67 179 935
	69 024 337	**71 004 000**

Inventory pledged as security

No inventory is pledged as security.

Water for distribution

Opening balance		279 825	279 825
Water losses	31	(183 099)	-
Closing balance		**96 726**	**279 825**

4. Value Added Tax

Value Added Tax Receivable	74 654 728	62 508 324

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020

5. Receivables from exchange transactions

Other receivables	21 692 150	28 355 941
Consumer debtors - Electricity	52 091 695	66 652 086
Consumer debtors - Water	43 571 806	35 670 233
Consumer debtors - Sewerage	10 717 001	9 836 116
Consumer debtors - Refuse	6 551 129	6 151 447
Consumer debtors - Other	20 477 373	21 334 762
	155 101 154	**168 000 585**

Non-current assets	21 692 150	28 355 941
Current assets	133 409 004	139 644 644
	155 101 154	**168 000 585**

Trade and other receivables not included in the age analysis

The amounts listed below indicates those accounts that are not part of the age analysis.

Prepayments and Advances : Maintenance Contracts	2 449 214	2 449 214
Service Charges : Sundries	13 895 015	13 881 669
Merchandising Jobbing and Contracts : Sundries	233 511	233 511
Property Rental Debtors : Sundries	38 543	38 543
Land Sale Debtors : Sundries	10 187 465	8 111 287
Abeyance	(6 686 076)	(6 626 419)

Trade and other receivables impaired

The amount of the provision was R (209 534 628) as of 30 June 2021 (2020: R 185 580 738).

6. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	343 116 628	262 623 732
Consumer debtors - Electricity	205 536 032	193 373 527
Consumer debtors - Water	375 584 142	311 156 649
Consumer debtors - Sewerage	178 635 303	146 657 087
Consumer debtors - Refuse	129 027 723	106 713 374
Consumer debtors - Other	174 900 671	174 557 849
	1 406 800 499	**1 195 082 218**

Less: Allowance for impairment		
Consumer debtors - Rates	(309 171 005)	(238 488 383)
Consumer debtors - Electricity	(153 444 337)	(126 721 441)
Consumer debtors - Water	(332 012 336)	(275 486 416)
Consumer debtors - Sewerage	(167 918 302)	(136 820 971)
Consumer debtors - Refuse	(122 476 594)	(100 561 927)
Consumer debtors - Other	(154 423 298)	(153 223 087)
	(1 239 445 872)	**(1 031 302 225)**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

6. Consumer debtors disclosure (continued)

Net balance		
Consumer debtors - Rates	33 945 623	24 135 349
Consumer debtors - Electricity	52 091 695	66 652 086
Consumer debtors - Water	43 571 806	35 670 233
Consumer debtors - Sewerage	10 717 001	9 836 116
Consumer debtors - Refuse	6 551 129	6 151 447
Consumer debtors - Other	20 477 373	21 334 762
	167 354 627	**163 779 993**

Included in above is receivables from exchange transactions		
Electricity	52 091 694	66 652 086
Water	43 571 806	35 670 223
Sewerage	10 717 001	9 836 116
Refuse	6 551 129	6 151 447
Other	20 477 372	21 334 762
	133 409 002	**139 644 634**

Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	33 945 623	24 135 349
Net balance	**167 354 625**	**163 779 983**

Rates		
Current (0 -30 days)	13 625 118	8 935 580
31 - 60 days	10 687 200	6 706 896
61 - 90 days	10 069 048	5 927 256
91 + days	308 734 221	241 057 608
Allowance for impairment	(309 169 964)	(238 491 991)
	33 945 623	**24 135 349**

Electricity		
Current (0 -30 days)	30 074 688	26 326 870
31 - 60 days	10 316 102	18 305 761
61 - 90 days	7 875 493	18 294 563
91 + days	157 273 119	130 450 563
Allowance for impairment	(153 447 707)	(126 725 671)
	52 091 695	**66 652 086**

Water		
Current (0 -30 days)	10 603 491	8 853 962
31 - 60 days	8 186 673	7 434 994
61 - 90 days	7 539 678	7 066 057
91+	349 193 343	287 803 492
Allowance for impairment	(331 951 379)	(275 488 272)
	43 571 806	**35 670 233**

Figures in Rand	2021	2020

6. Consumer debtors disclosure (continued)

Sewerage		
Current (0 -30 days)	4 905 529	4 063 242
31 - 60 days	3 786 201	3 258 524
61 - 90 days	3 533 291	2 958 864
91 + days	166 406 964	136 384 678
Allowance for impairment	(167 914 984)	(136 829 192)
	10 717 001	**9 836 116**

Refuse		
Current (0 -30 days)	2 974 873	2 775 659
31 - 60 days	2 435 712	2 175 467
61 - 90 days	2 314 845	2 061 956
91 + days	121 300 326	99 705 168
Allowance for impairment	(122 474 627)	(100 566 803)
	6 551 129	**6 151 447**

Consumer Debtors - Other		
Current (0 -30 days)	209 496	(346 404)
31 - 60 days	197 909	60 951
61 - 90 days	196 247	178 449
91 + days	159 251 081	154 785 891
Allowance for impairment	(155 813 126)	(153 222 651)
	4 041 607	**1 456 236**

Reconcilliation of allowance for impairment		
Balance at beginning of the year	(1 031 302 225)	(845 721 487)
Contributions to allowance	(209 534 628)	(185 580 738)
	(1 240 836 853)	**(1 031 302 225)**

Statutory receivables general information

Included in Trade and other Receivables - Other are the following amounts listed below Included in Trade and other Receivables - Other are the following amounts listed below

Pre payments and Advances : Maintenance Contracts	2 449 214	2 449 214
Service charges : Sundries	13 895 015	13 881 669
Merchandising Jobbing and Contracts : Sundries	233 511	233 511
Property Rental Sundries	38 543	38 543
Land sale Debtors: Sundries	10 187 465	8 111 287
Revisions to impairment losses	(6 686 076)	(6 686 076)
	20 117 672	**18 028 148**

7. Receivables from non-exchange transactions

Fines	3 428 874	3 342 063
Other receivables from non-exchange	304 658	304 658
Consumer debtors - Rates	33 945 623	24 135 349
	37 679 155	**27 782 070**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

8. Cash and cash equivalents (continued)

Cash on hand	1 091	3 555
Bank balances	(196 827 692)	33 449 920
Short-term deposits	57 378 531	9 653 238
	(139 448 070)	**43 106 71[illegible]**

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2021	Bank statement balances 30 June 2020	Cash book balances 30 June 2021	Cash book balances 30 June 2020
Nedbank Account - 37881151994	1 195	1 158	1 158	-
Nedbank Call Account - 1185919473	2 505 311	448 706	(279 303 521)	10 633 553
Nedbank - Call Account - 37881152087	69 728	67 825	69 728	10 077
Nedbank - Call Account - 37881152001	3 258 074	7 484	3 250 060	10 077
Nedbank - Call Account - 37881152028	327 404	1 548	327 404	1 084 709
Nedbank - Call Account - 37881152095	44 073	1 203	-	441 970
Nedbank - Call Account - 37881153059	1 298 886	3 354	1 298 886	3 022 890
Nedbank - Call Account - 37881152109	1 235	7 001 066	-	10 077
Account - 37881152079 Nedbank	120 339	121 881	120 339	-
Nedbank - Call Account - 37881152036	9 377 892	2 379 866	9 377 892	-
Nedbank Account - 37881152060	1 232	1 195	1 231	-
Nedbank Account Fixed deposit-37881152109	-	-	-	10 077
First National Bank - 62055246922	-	845	-	2 785 563
First National Bank - 62177556598	-	174	-	25 685
First National Bank - 62510563035	-	15 028	-	2 378 194
First National Bank - 62027040740	162 648	302 247	49 640 031	22 693 301
Nedbank - Call 1187876291	9 380 480	164 704	9 380 480	-
Nedbank - Call 1187895954	459 371	448 635	459 371	-
Nedbank - Call 37881151641	216 586	210 117	216 586	-
Total	**27 224 454**	**11 177 036**	**(205 160 355)**	**43 106 173**

Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	3 714 477	(2 340 122)	1 374 355	3 714 477	(2 265 832)	1 448 645

Reconciliation of investment property - Contingent assets and liabilities disclosure

	Opening balance	Depreciation	Total
Investment property	1 448 645	(74 290)	1 374 355

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	1 522 935	(74 290)	1 448 645

Pledged as security

No assets are pledged as security.

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

Notes to the Annual Financial Statements

Figures in Rand

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10. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	136 630 450	-	136 630 450	136 630 450	-	136 630 450
Buildings	18 902 301	5 165 925	24 068 226	18 902 301	(7 565 005)	11 337 296
Plant and machinery	4 540 394	(400 775)	4 139 619	4 540 394	285 020	4 825 414
Furniture and fixtures	8 465 807	(8 034 930)	430 877	8 465 807	(6 640 595)	1 825 212
Transport assets	96 113 250	(52 747 398)	43 365 852	86 037 615	(43 651 293)	42 386 322
IT equipment	8 712 857	(5 715 441)	2 997 416	8 474 282	(4 516 594)	3 957 688
Work in progress	201 579 052	-	201 579 052	183 129 239	-	183 129 239
Roads network	1 403 528 508	(1 081 834 099)	321 694 409	1 401 571 134	(1 020 189 341)	381 381 793
Community	33 597 157	(5 499 102)	28 098 055	33 597 157	(4 964 390)	28 632 767
Electricity network	332 891 414	(208 347 697)	124 543 717	322 917 977	(201 281 475)	121 636 502
Wastewater network	260 832 416	(128 532 653)	132 299 763	255 773 440	(120 838 810)	134 934 630
Water network	228 977 222	(107 901 537)	121 075 685	228 977 222	(103 558 290)	125 418 932
Total	**2 734 770 828**	**(1 593 847 707)**	**1 140 923 121**	**2 689 017 018**	**(1 512 920 773)**	**1 176 096 245**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Contingent assets and liabilities disclosure

	Opening balance	Additions	Transfers	Depreciation	Total
Land	136 630 450	-	-	-	136 630 450
Buildings	11 337 296	13 203 488	-	(472 558)	24 068 226
Plant and machinery	4 825 414	-	-	(685 795)	4 139 619
Furniture and fixtures	1 825 212	-	-	(1 394 335)	430 877
Transport assets	42 386 322	10 206 198	-	(9 226 668)	43 365 852
IT equipment	3 957 688	238 575	-	(1 198 847)	2 997 416
Work in progress	183 129 239	35 820 112	(17 370 299)	-	201 579 052
Roads network	381 381 793	-	1 957 374	(61 644 758)	321 694 409
Community	28 632 767	-	-	(534 712)	28 098 055
Electricity network	121 636 502	-	10 694 316	(7 787 101)	124 543 717
Wastewater network	134 934 630	-	4 718 609	(7 353 476)	132 299 763
Water network	125 418 932	-	-	(4 343 247)	121 075 685
	1 176 096 245	**59 468 373**	**-**	**(94 641 497)**	**1 140 923 121**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Corrections	Depreciation	Total
Land	136 630 450	-	-	-	136 630 450
Buildings	6 141 206	-	5 668 648	(472 558)	11 337 296
Plant and machinery	4 231 903	17 993	810 551	(235 033)	4 825 414
Furniture and fixtures	1 816 941	-	588 368	(580 097)	1 825 212
Transport assets	38 906 473	8 898 130	3 496 602	(8 914 883)	42 386 322
IT equipment	5 461 525	-	-	(1 503 837)	3 957 688
Work in progress	186 671 565	-	(3 542 326)	-	183 129 239
Roads network	549 480 448	-	(111 586 174)	(56 512 481)	381 381 793
Community	29 583 911	-	-	(951 144)	28 632 767
Electricity network	126 297 171	-	3 033 867	(7 694 536)	121 636 502
Wastewater network	80 898 837	-	59 799 474	(5 763 681)	134 934 630
Water network	129 396 723	-	-	(3 977 791)	125 418 932
	1 295 517 153	**8 916 123**	**(41 730 990)**	**(86 606 041)**	**1 176 096 245**

Pledged as security

No assets are pledged as security.

Reconciliation of Work-in-Progress Contingent assets and liabilities disclosure

	Included within Infrastructure	Total
Opening balance	183 129 239	183 129 239
Additions/capital expenditure	35 820 112	35 820 112
Transferred to completed items	(17 370 299)	(17 370 299)
	201 579 052	**201 579 052**

Figures in Rand	2021	2020

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Total
Opening balance	186 671 568	186 671 568
Additions/capital expenditure	15 310 553	15 310 553
Transferred to completed items	(18 852 882)	(18 852 882)
	183 129 239	**183 129 239**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Maintenance of Buildings and Facilities	48 771	75 247
Maintenance of Equipment	15 960 928	15 952 760
Maintenance of Unspecified Assets	16 162	15 780
	16 025 861	**16 043 787**

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.

11. Other financial assets

Residual interest at cost		
Eskom SOC Ltd	29 444 932	28 309 506
Eskom SOC Ltd		
The amount held is a deposit paid to Eskom. The deposit bears interest at a linked rate. The increase in the amount of the deposit related to interest accured at an amount of R1 135 426.		

Non-current assets		
At amortised cost	29 444 932	28 309 506

12. Payables from exchange transactions

Payments received in advance	22 474 198	16 888 307
Retentions and gurantees	8 784 763	10 049 006
Salaries accruals	4 716 252	20 708 544
Accrued leave pay	22 177 845	24 896 354
Accrued bonus 13th cheque	6 084 913	5 606 077
Other accruals	1 869 817 063	1 759 376 574
	1 934 055 034	**1 837 524 862**

13. Consumer Deposits

Deposits held from consumer debtors	(1 573 594)	(1 317 596)
Electricity	3 036 345	3 037 814
Water	23 217	11 716
	1 485 968	**1 731 934**

Figures in Rand	2021	2020

14. Unspent conditional grants and receipts

The municipality complied with the conditions attached to the grants received to the extend of revenue recognised. Unspent portions of conditional grants are cash backed.

Unspent conditional grants and receipts comprises of:

	2021	2020
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	-	1 058 996
Expanded Public Works Programme Integrated Grant	535 020	-
Municipal Disaster Relief Grant	-	717 471
	535 020	**1 776 467**

Movement during the year

	2021	2020
Balance at the beginning of the year	1 776 467	6 734 563
Additions during the year	189 848 000	149 126 000
Income recognition during the year	(189 935 813)	(125 249 096)
Withheld due to Unspent	(1 153 634)	(28 835 000)
	535 020	**1 776 467**

See note 23 for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

15. Provisions

Reconciliation of provisions - Contingent assets and liabilities disclosure

	Opening Balance	Additions/Reductions	Change in discount factor	Total
Environmental rehabilitation provision	49 700 290	10 582 286	3 566 351	63 848 927
Department of water and sanitation	454 765 804	-	-	454 765 804
Leave payout - deceased	36 196	-	-	36 196
	504 502 290	**10 582 286**	**3 566 351**	**518 650 927**

Reconciliation of provisions - 2020

	Opening Balance	Additions/Reductions	Change in discount factor	Total
Environmental rehabilitation provision	59 984 598	(15 162 190)	4 877 882	49 700 290
Department of water and sanitation	538 201 759	(83 435 955)	-	454 765 804
Leave payout - deceased	36 196	-	-	36 196
	598 222 553	**(98 598 145)**	**4 877 882**	**504 502 290**

Environmental rehabilitation provision

The General Landfill Closure Costing Model (GLCCM) standardises the determination of landfill closure costs between different landfills and for the same landfill over time. The GLCCM is based on the Minimum Requirements for Waste Disposal by Landfill of the Department of Water Affairs (1998), as amended by more recent regulations. The GLCCM provides a reliable best possible estimate of closure costs in terms of paragraph .49 of GRAP 19 or paragraph 36 of IAS 37.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

15. Provisions (continued)

The liability calculated using the GLCCM includes costs associated with:
- Pre-closure planning and approvals (four cost elements)
- Final rehabilitation and closure (seven cost elements)
- 30 years 1 post-closure monitoring (seven costs elements).

Financial Assumptions Used

Unit costs

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

CPI

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last quarter amounted to 2.4107o/o.

Discount Rate

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

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

For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.
For landfills with an expected remaining life of four of five years, the rate associated with a maximum period of 5 years is used.
For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 1 O years is used.

Key financial assumptions used.

Assumptions

CPI
Discount rate
Net Effective discount rate

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

16. Employee benefit obligations

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

Carrying value		
Present value of the defined benefit obligation-post employment medical benefit plan	69 663 000	59 605 000
Present value of the defined benefit obligation-long service award	13 844 000	12 612 000
	83 507 000	**72 217 000**

Non-current liabilities	(79 401 000)	(67 662 000)
Current liabilities	(4 106 000)	(4 555 000)
	(83 507 000)	**(72 217 000)**

Net expense recognised in the statement of financial performance

Current service cost	3 008 000	3 391 186
Interest cost	6 834 000	6 658 836
Actuarial (gains) losses	5 263 910	(8 451 689)
Actual benefits vested	(1 633 684)	(1 673 355)
Employer benefit payments	(2 182 226)	(2 367 820)
	11 290 000	**(2 442 842)**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Post employment Benefit Plan	4 237 226	(8 678 001)
Actuarial (gains) losses - Long Service Awards	1 026 684	226 312
	5 263 910	**(8 451 689)**

Figures in Rand	2021	2020

16. Employee benefit obligations (continued)

Key assumptions used

Post Employment Benefit Plan : General description of the type of plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme

	2021	2020
Discount rates used	10,05 %	10,29 %
Proportion for eligible current non member employees joining the scheme by retirement	15,00 %	15,00 %
Health care cost inflation rate	6,81 %	6,37 %
Net discount rate - health care cost inflation	3,03 %	3,69 %
Maximum subsidy inflation rate	4,73 %	4,40 %
Net discount rate - maximum subsidy inflation	5,08 %	5,64 %
Continuation of membership at retirement	75,00 %	75,00 %
Proportion with a spouse dependent at retirement	60,00 %	60,00 %
Average retirement age	62,00 %	62,00 %

Withdrawal from service (PEMA and LSA):

Age	Females	Males
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55+	0%	0%

Sensitivity Analysis

The table below indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 9% higher than that shown.
(R millions)

Assumption	Change	Eligible Employees	Continuation members	Total	% change
Central assumptions		39.938	29.725	69.663	

Notes to the Annual Financial Statements

16. Employee benefit obligations (continued)

Health care inflation rate	+1%	44.032	31.642	75.674	9%
	- 1%	35.007	27.928	62.935	-10%
Discount rate	+1%	33.782	27.494	61.276	-12%
	-1%	47.771	32.323	80.094	15%
Post-employment mortality	-1 yr	38.967	28.679	67.646	3%
		40.891	30.780	71.671	3%
Average retirement age	-1 yr	43.106	29.725	72.831	5%
Continuation of membership at retirement	-10%	35.044	29.725	64.769	-7%

Sensitivity Analysis Continued

The table below summarises the results of this analysis on the Current-service and Interest Costs for the year ending 30 June 2021.

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
Central assumptions		2,015,000	5,988,000	8,003,000	
Health care inflation rate	+1%	2,259,000	6,537,000	8,796,000	10%
	- 1%	1,724,000	5,392,000	7,116,000	-11%
Discount rate	+1%	1,690,000	5,795,000	7,485,000	-6%
	-1%	2,431,000	6,193,000	8,624,000	8%
Post-employment mortality	-1 yr	2,058,000	6,156,000	8,214,000	3%
Average retirement age	-1 yr	2,113,000	6,260,000	8,373,000	5%
Continuation of membership at retirement	-10%	1,622,000	5,331,000	6,953,000	-13%

Figures in Rand	2021	2020

16. Employee benefit obligations (continued)

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.The sensitivities in table above may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected health care cost inflation rate, or an increase in the discount rate, or a reduction in expected longevity ("+1 yr" in the tables).

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

PEMA Liability Reconciliation	Year ending 30/06/2021	Year ending 30/06/2020
Opening accrued liability	59 605 000	62 545 794
Plus Service Cost	2 015 000	2 354 578
Plus Interest / Finance Cost	5 988 000	5 750 449
Contributions (benefits paid)	(2 182 226)	(2 367 820)
Actuarial (Gain)/Loss	4 237 226	(8 678 001)
Total annual expense	-	-
	69 663 000	**59 605 000**

Provision for Long Service Awards

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical schem

Long Service Awards	Year ending 30/06/2021	Year ending 30/06/2020
Opening accrued liability	12 612 000	12 114 048
Plus Service Cost	993 000	1 036 608
Plus Interest / Finance Cost	846 000	908 387
Contributions (benefits vested)	(1 633 684)	(1 673 355)
Actuarial (Gain)/Loss	1 026 684	226 312
Expected Employer Benefit Payments	-	-
	13 844 000	**12 612 000**

General description of the type of plan

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

Principal assumptions used as at the balance sheet date

Discount rates used	10,05 %	10,29 %
Proportion for eligible current non member employees joining the scheme by retirement	15,00 %	15,00 %
Health care cost inflation rate	6,81 %	6,37 %
Net discount rate - health care cost inflation	3,03 %	3,69 %
Maximum subsidy inflation rate	4,73 %	4,40 %
Net discount rate - maximum subsidy inflation	5,08 %	5,64 %
Continuation of membership at retirement	75,00 %	75,00 %
Proportion with a spouse dependent at retirement	60,00 %	60,00 %
Average retirement age	62,00 %	62,00 %

16. Employee benefit obligations (continued)

Sensitivity Analysis

The table below summarises the results of the sensitivity analysis.

Sensitivity Analysis on the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability	% change
Central assumptions		13,844,000	
General earnings inflation	+1%	14,616,000	6%
	-1%	13,136,000	-5%
Discount rate	+1%	13,106,00	-5%
	-1%	14,663,000	6%
Average retirement age	-2 yrs	15,188,000	-10%
	2-yrs	12,334,000	-11%
Withdrawal rates	x2%	11,459,000	-17%
	-0.5%	15,402,000	11%

The table above indicates, for example, that if earnings inflation is one percentage point greater than the long-term assumption made, the liability will be 6% higher.

The table below summarises the results of this analysis on the Current-service and Interest Costs for the year ending 30 June 2021.

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
Central assumptions		993,000	846,000	1,839,000	
General earnings inflation rate	+1%	1,064,000	898,000	1,962,000	7%
	- 1%	928,000	798,000	1,726,000	-6%
Discount rate	+1%	934,000	908,000	1,842,000	0%
	-1%	1,057,000	776,000	1,833,000	0%
Average retirement age	-2 yrs	1,075,000	931,000	2,006,000	9%
	-2 yrs	906,000	750,000	1,656,000	-10%
Withdrawal rates	X2	754,000	685,000	1,439,000	17%
	-0.5%	1,158,000	952,000	2,110,000	15%

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

16. Employee benefit obligations (continued)

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

The sensitivities in table above may be used to understand the potential impacts on the liability (and expenses) of, for example, an increase in the expected general earnings inflation rate, or an increase in the discount rate, or an increase in the withdrawal rates.

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

17. Revenue

Service charges	481 061 408	441 268 618
Rental income	1 665 559	1 690 036
Operational revenue	1 232 060	1 333 343
Interest received	49 159 735	55 944 721
Property rates	156 420 892	98 384 683
Government grants & subsidies	191 089 597	154 084 096
Landfill site gain	-	15 162 190
Public contributions and donations	14 683 489	-
Fines, Penalties and Forfeits	1 114 116	3 202 603
	896 426 856	**771 070 290**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	481 061 408	441 268 618
Rental income	1 665 559	1 690 036
Operational revenue	1 232 060	1 333 343
Interest received - investment	49 159 735	55 944 721
	533 118 762	**500 236 718**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	156 420 892	98 384 683
Transfer revenue		
Government grants & subsidies	191 089 597	154 084 096
Landfillsite gain	-	15 162 190
Public contributions and donations	14 683 489	-
Fines, Penalties and Forfeits	1 114 116	3 202 603
	363 308 094	**270 833 572**

18. Service charges

Sale of electricity	328 976 017	302 991 921
Sale of water	84 738 699	80 014 733
Sewerage and sanitation charges	40 882 123	34 660 077
Refuse removal	26 464 569	23 601 887
	481 061 408	**441 268 618**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

19. Fines, Penalties and Forfeits

Traffic Fines	1 099 150	2 066 830
Illegal Connections Fines	14 938	1 135 192
Overdue Books Fines	28	581
	1 114 116	**3 202 603**

20. Operational revenue

Tender deposits received	37 165	10 783
Cemetery fees	79 632	105 406
Building plan charges	165 889	56 737
Clearance certificates	135 287	120 130
Rezoning fees	241 620	293 292
Miscellaneous income	377 173	467 965
Connection and reconnection fees	198 950	279 030
Skills development levy fund	(3 656)	-
	1 232 060	**1 333 343**

21. Investment revenue

Interest revenue		
Bank	2 229 683	1 978 277
Interest charged on trade and other receivables	46 930 052	53 966 444
	49 159 735	**55 944 721**

22. Property rates

Rates received

Residential	104 671 021	64 675 176
Commercial	34 375 708	18 053 345
State	3 741 036	3 466 371
Small holdings and farms	13 633 127	12 189 791
	156 420 892	**98 384 683**

Valuations

Residential	5 366 794 123	5 267 479 023
Business and Commercial	985 466 180	1 166 983 580
State	1 819 939 451	1 792 012 951
Municipal	543 679 687	545 906 887
Small holdings and farms	4 051 323 800	4 014 677 800
	12 767 203 241	**12 787 060 241**

Valuations on land and buildings are performed every 4 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.

The new general valuation will be implemented on 01 July 2023.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

23. Government grants and subsidies

Operating grants		
Equitable share	149 432 617	118 688 563
Expanded publics works grants	736 980	1 000 000
	150 169 597	**119 688 563**
Capital grants		
Municipal Infrastructure Grant	28 320 000	27 785 004
Financial management grant	2 600 000	2 235 000
Municipal Disaster Grant	-	325 529
Integrated National Electrification Programme Grant	10 000 000	4 050 000
	40 920 000	**34 395 533**
	191 089 597	**154 084 096**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	42 192 000	32 079 000
Unconditional grants received	147 656 000	118 689 000
	189 848 000	**150 768 000**

Equitable Share

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

Energy Efficient and Demand Side Management Grant

Balance unspent at beginning of year	-	21 077
Current-year receipts	531 892	-
Conditions met - transferred to revenue	(531 892)	(21 077)
	-	-

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

Water Services Infrastructure Grant

Balance unspent at beginning of year	-	6 713 485
Conditions met - transferred to revenue	-	(6 713 485)
	-	-

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

The Water Services Infrastructure grant is to provide specific capital finance for basic municipal water infrastructure micro enterprises and social institutions servicing poor communities..

Financial Management Grant

Current-year receipts	2 600 000	2 235 000
Conditions met - transferred to revenue	(2 600 000)	(2 235 000)
	-	-

Figures in Rand	2021	2020

23. Government grants and subsidies (continued)

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

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

Expanded public works grants

Current-year receipts	1 272 000	1 000 000
Conditions met - transferred to revenue	(736 980)	(1 000 000)
	535 020	**-**

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

IIncentive paid to public bodies to incentivise work creation. The incentive is paid per quantum of employment created for the Expanded Public Works Grant (EPWP) target group and can be measured in person-days of work or full time equivalent jobs.

Municipal Infrastructure Grant

Balance unspent at beginning of year	1 058 996	-
Current-year receipts	28 320 000	28 844 000
Conditions met - transferred to revenue	(29 378 996)	(27 785 004)
	-	**1 058 996**

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

The Municipal Infrastructure Grant (MIG) is a conditional grant directed to selected Local and District municipalities. The purpose of the grant is to support municipalities by provision of grant finance to cover costs of basic infrastructure for the poorn.

Intergrated National Electrification Programme Grant

Current-year receipts	10 000 000	4 050 000
Conditions met - transferred to revenue	(10 000 000)	(4 050 000)
	-	-

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

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

Municipal Disaster Grant (MDG)

Balance unspent at beginning of year	717 471	-
Current-year receipts	-	1 043 000
Conditions met - transferred to revenue	(717 471)	(325 529)
	-	**717 471**

24. Landfillsite gain

Landfill site gain	-	15 162 190

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

25. Employee related costs

Basic	129 609 443	137 687 481
Bonus	9 860 371	10 434 166
Medical aid - company contributions	11 542 242	13 004 934
UIF	911 871	917 184
Other payroll levies	6 599 732	6 584 779
Leave pay provision charge	2 863 211	2 942 811
Defined contribution plans	13 781 709	1 074 369
Pension	27 598 615	23 234 572
Travel, motor car, accommodation, subsistence and other allowances	9 601 203	11 845 938
Overtime payments	15 315 951	19 082 203
Long-service awards	1 630 914	1 499 014
Acting allowances	1 193 904	3 478 575
Housing benefits and allowances	671 323	630 835
Allowance telephone and cellur services	1 914 707	1 762 106
	233 095 196	**234 178 967**

Remuneration of municipal manager - Ms GPN Mhlongo Ntshangase

Annual Remuneration	1 650 621	1 205 824
Allowances	139 489	144 000
Contributions to UIF, Medical and Pension Funds	17 301	14 004
	1 807 411	**1 363 828**

During the current financial year Ms GPN Mhlongo Ntshangase was the Municipal Manager from the period 01 July 2020 till 31 May 2021.

Remuneration of Chief Finance Officer - KD Duba

Annual Remuneration	802 748	724 912
Other Allowances	90 000	8 800
Performance Bonuses	-	149
Contributions to UIF, Medical and Pension Funds	9 339	-
	902 087	**733 861**

During the current financial year Mr KD Duba was the Chief Finance Officer from the period 01 February 2021 till 30 June 2021.

Remuneration of Acting Chief Finance Officer - Mr DL Shabangu

Annual Remuneration	551 271	-
Other Allowances	39 776	-
Contributions to UIF, Medical and Pension Funds	4 643	-
	595 690	**-**

During the current financial year Mr DL Shabangu was the Acting Finance Officer from the period 01 July 2020 till 31 December 2020.

Remuneration of Acting Chief Finance Officer - Mr Hlatshwayo

Acting allowance remuneration	85 063	-

During the current financial year Mr Hlatshwayo was the Acting Chief Finance Officer from the period 01 January 2021 till 28 February 2021.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

25. Employee related costs (continued)

Rumuneration of Acting Corporate Services Executive Manager - Mr VJC Maseko

Annual Remuneration	133 598	-
Allowances	5 197	-
Contributions to UIF, Medical and Pension Funds	603	-
	139 398	**-**

During the current financial year Mr VJC Maseko was the Acting Manager Corparate Services from the period 01 January 2021 till 28 February 2021.

Rumuneration of Acting Corporate Services Manager - Mr SB Mkwanazi

Annual Remuneration	293 139	787 921
Allowances	-	7 300
Contributions to UIF, Medical and Pension Funds	-	149
	293 139	**795 370**

During the current financial year Mr SB Mkwanazi was the Acting Corporate Services from the period 01 January 2021 till 28 February 2021.

Remuneration of Development and Planning - Mr MP Phosa

Annual Remuneration	871 229	-
Allowance	360 000	-
Contributions to UIF, Medical and Pension Funds	10 670	-
	1 241 899	**-**

Remuneration of Executive Manager Community Services & Safety - Ms ME Radebe

Annual Remuneration	659 666	992 397
Allowances	30 000	60 000
Contributions to UIF, Medical and Pension Funds	86 780	146 715
	776 446	**1 199 112**

Remuneration of Executive Manager Community Services and Safety - Ms T Mtshiselwa

Annual Remuneration	146 247	-

During the current financial year Ms T Mtshiselwa was appoited as the Acting Community Services and Safety Manager from the period 01 January 2021 till 28 February 2021.

Remuneration of Executive Manager Community Services and Safety - Mr RM Jackson

Annual Remuneration	171 594	-

Remuneration of Acting Manager Technical Services - Mr TK Sithole

Annual Remuneration	512 902	-
Allowances	41 537	-
Contributions to UIF, Medical and Pension Funds	4 390	-
	558 829	**-**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

25. Employee related costs (continued)

Remuneration of Acting Manager Technical Services - Ms ZP Mngadi

Annual Remuneration	365 193	-

Remuneration of Acting Manager Technical Services - Mr GJ Du Plooy

Annual Remuneration	25 553	719 596
Allowance	33 563	244 243
Contributions to UIF, Medical and Pension Funds	-	7 358
	59 116	**971 197**

26. Remuneration of councillors

Executive Mayor	810 853	1 294 683
Mayoral Committee Members	1 773 807	2 149 466
Speaker	666 377	1 178 110
Councillors	7 533 383	14 994 733
Councillors' pension contribution	1 305 085	1 265 633
	12 089 505	**20 882 625**

27. Depreciation and amortisation

Property, plant and equipment	94 851 301	87 178 194
Investment property	74 290	74 290
	94 925 591	**87 252 484**

28. Impairment of assets

29. Finance costs

Trade and other payables	85 544 563	117 121 243
Interest cost - LSA, PEMA and Landfillsite provision	14 148 637	4 877 882
	99 693 200	**121 999 125**

30. Debt impairment

Debt impairment	70 686 774	44 645 411
Contributions to debt impairment provision	139 650 476	142 686 625
Bad debts written off	294 612	1 904 560
	210 631 862	**189 236 596**

31. Bulk purchases

Electricity - Eskom	363 480 639	360 424 712
Water	93 170 040	66 287 480
	456 650 679	**426 712 192**

Electricity losses

Electricity Losses	-	-	124 403 915	122 300 429

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31. Bulk purchases (continued)

Water losses

Water losses	-	-	77 970 922	60 316 516

32. Contracted Services

	2021	2020
Outsourced services		
Meter Management	-	3 139 710
Security services	23 604 080	31 504 674
Consultants and Professional Services		
Business and Advisory	4 601 336	10 349 036
Legal Cost	9 603 928	6 277 517
Contractors		
Maintenance of Building and Facilities	48 771	75 247
Maintenance Of Equipment	16 036 825	15 990 744
Maintenance of Unspecified Assets	16 163	15 780
Medical Services	268 499	33 466
Sewerage services	1 138 362	393 854
	55 317 964	**67 780 028**

33. Inventory consumed

	2021	2020
Consumables	16 145 057	12 585 473

34. Operational Costs

	2021	2020
Advertising	1 666 553	1 578 847
Auditors remuneration	6 460 465	5 570 406
Bank charges	1 121 978	1 391 926
Skills development levy	1 499 908	63 018
Commission paid	10 486 739	4 052 344
Workmans Compensation Fund	1 277 631	2 001 385
Licences	761 437	85 965 947
Entertainment	37 943	112 248
Remuneration to Ward Committees	2 445 000	2 525 000
Hire	646 000	2 699 905
Insurance	2 950 257	2 715 776
Conferences and seminars	60 517	206 544
IT expenses	5 989 769	4 823 354
Postage and courier	73 320	57 957
Protective clothing	170 380	865 515
Subscriptions and membership fees	2 405 813	2 170 424
Telephone and fax	2 460 852	2 150 278
Travel - local	1 433 259	3 143 022
	41 947 821	**122 093 896**

35. Auditors' remuneration

	2021	2020
Fees	6 460 465	5 570 406

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

36. Cash generated from operations

Deficit	(346 586 661)	(516 038 727)
Adjustments for:		
Depreciation and amortisation	94 925 591	87 252 484
Debt impairment	210 631 862	189 236 596
Movements in retirement benefit assets and liabilities	11 290 000	-
Movements in provisions	14 148 637	-
Movement in tax receivable and payable	-	-
Changes in working capital:		
Inventories	2 332 711	296 109
Receivables from exchange transactions	(9 820 983)	(43 008 285)
Consumer debtors	(246 164)	412 475
Other receivables from non-exchange transactions	(6 499 053)	(9 427 308)
Payables from exchange transactions	78 233 061	409 867 351
VAT	(12 155 346)	(9 838 217)
	36 253 655	**108 512 870**

37. Related parties

Relationships
Accounting Officer — Refer to accounting officer's report note

Key management information

Class	Description	Number
Municipal Manager	Mrs GPN Mhlongo Ntshangase	R 1 807 422
Acting Municipal Manager	Mr J Mokgatsi	
Acting Chief Finance Officer (period : 01 July 2019 till 14 June 2020)	Mr KN Duba	R 902 086
Acting Chief Finance Officer (period : 15 June 2020)	Mr DL Shabangu	R 595 688
Acting Chief Finance Officer	MR BT Hlatshwayo	R 85 062
Acting executive Manager Corparate Service (period : from 15 June 2020)	Mr VJC Maseko	R 139 398
Acting executive Manager Corparate Service	Mr SB Mkwananzi	R 293 139
Executive Manager Community Services & Safety	Ms ME Radebe	R 776 445
Acting executive Manager Community Services & Safety	MR RM Jackson	R 171 593
Acting executive Manager Community Services & Safety	MS T Mtshiselwa	R 146 246
Acting Executive Manager Technical Services	Mr TK Sithole	R 558 827
Acting Executive Manager Technical Services (period : 01 April 2020 till 19 April 2020)	Ms ZP Mngadi	R 365 193
Acting Executive Manager Technical Services (period : from 20 April 2020)	Mr GJ DU Plooy	R 59 115
Executive Manager Development and Planning (period : from 01 October)	Mr Phosa	R 1 241 899

Remuneration of management

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37. Related parties (continued)

Councillors

2021

Name	Basic salary	Car Allowance	Cellphone Allowance	Contribution to Medical and Pension Funds	Other benefits received	Total
Executive Mayor - Cllr. LBR Dhlamini	552 686	211 519	40 700	80 178	5 947	891 031
Speaker - Cllr. HM Khota	451 458	169 393	40 700	56 225	-	717 776
Chief Whip - Cllr. ML Molaba/BP Mollo	376 789	158 853	40 700	97 419	4 025	677 786
Technical Services- Cllr. MS Khumalo	222 188	83 482	40 700	39 486	2 330	388 187
Community services and safety - Cllr. MM Molaba	540 391	-	40 700	96 045	3 915	681 053
Corporate Services and Planning and Development - Cllr TP Motloung	363 772	156 619	40 700	104 477	4 147	669 711
	2 507 284	**779 866**	**244 200**	**473 830**	**20 364**	**4 025 544**

2020

Name	Basic salary	Car Allowance	Cellphone Allowance	Contribution to Medical and Pension Funds	Other benefits received	Total
Executive Mayor - Cllr. LBR Dhlamini	457 636	153 132	42 013	72 610	5 528	730 919
Speaker - Cllr. HM Khota	388 498	121 338	44 400	53 568	4 656	612 460
Chief Whip - Cllr. ML Molaba/BP Mollo	532 832	13 429	44 400	96 690	4 617	691 968
Technical Services- Cllr. MS Khumalo	343 397	108 109	44 400	47 751	4 183	547 840
Community services and safety - Cllr. MM Molaba	45 659	-	3 700	8 058	-	57 417
Corporate Services and Planning and Development - Cllr TP Motloung	184 225	74 725	44 400	40 309	2 299	345 958
	1 952 247	**470 733**	**223 313**	**318 986**	**21 283**	**2 986 562**

Management class: Executive management

2021

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37. Related parties (continued)

Name	Basic salary	Car Allowance	Cellphone Allowance	Contribution to Medical and Pension Funds	Other benefits received	Total
Cllr ENK Shabangu	239 756	86 682	40 700	19 503	2 613	389 254
Cllr F Sarang	172 238	67 544	40 700	29 171	1 890	311 543
Cllr JL Jansen Van Rensburg	171 014	67 544	40 700	30 395	1 890	311 543
Cllr ML Khosi	163 021	69 152	40 700	62 530	2 071	337 474
Cllr MR S JQ Khumalo	222 187	83 482	40 700	39 487	2 330	388 186
Cllr SM Zacarias	242 717	83 482	40 700	19 743	2 615	389 257
Cllr JR De Ville	160 834	63 552	38 194	27 743	1 757	292 080
Cllr MS Mngomezulu	171 014	67 544	40 700	30 395	1 891	311 544
Cllr MB Mosikedi	197 231	83 482	40 700	65 229	2 615	389 257
Cllr XM Tshabalala	184 568	55 758	40 700	28 627	1 946	311 599
Cllr PJ Dlamini	197 893	74 161	40 700	16 075	238	329 067
Cllr B Ndlebe	171 014	67 544	40 700	30 395	1 831	311 484
Cllr RV Solontsi	7 480	2 493	-	-	-	9 973
Cllr Tj Kambule	171 014	67 544	40 700	30 395	1 891	311 544
Cllr MM Sibanyoni	111 376	44 157	26 012	19 787	1 058	202 390
Cllr LP Selepe	162 838	61 841	37 119	35 861	2 615	300 274
Cllr NS Selepe	171 014	67 544	40 700	30 395	1 891	311 544
Cllr. JW Ngubeni	171 014	67 544	40 700	30 395	-	309 653
Cllr. ENK Shabangu	419 966	158 351	40 700	53 833	4 544	677 394
Cllr. SN Moraja	155 744	66 199	41 563	35 748	2 352	301 606
Cllr. FE Nhlapo	226 599	83 482	40 700	35 861	2 614	389 256
Cllr. VM Mahlangu	194 718	49 865	40 700	49 085	2 183	336 551
Cllr. P C Mahlaba	171 014	67 544	40 700	30 395	1 891	311 544
Cllr. P C Molaba	540 392	-	40 700	96 046	391	677 529
Cllr SS TP Motloung	363 772	156 619	40 700	104 472	4 147	669 710
Cllr SJ Nkosi	164 690	67 544	40 700	36 474	1 943	311 351
Cllr SM Ngwenya	164 690	67 544	40 700	36 474	1 943	311 351
Cllr SA Silonsini	132 296	67 544	40 700	68 868	1 943	311 351
	5 622 104	**1 965 742**	**1 078 988**	**1 093 382**	**55 093**	**9 815 309**

Notes to the Annual Financial Statements

Figures in Rand

37. Related parties (continued)

2020

Name	Basic salary	Car Allowance	Cellphone Allowance	Contribution to Medical and Pension Funds	Other benefits received	Total
Cllr ENK Shabangu	242 167	87 253	44 400	19 635	3 087	396 542
Cllr F Sarang	173 394	67 998	44 400	30 599	2 238	318 629
Cllr JL Jansen Van Rensburg	173 394	67 998	44 400	30 599	2 238	318 629
Cllr ML Khosi	146 635	67 998	44 400	57 358	2 238	318 629
Cllr MS Khumalo	343 397	108 109	44 400	47 751	4 183	547 840
Cllr SM Zacarias	242 157	87 264	44 400	19 364	3 087	396 272
Cllr JR De Ville	173 394	67 998	44 400	30 599	2 238	318 629
Cllr MS Mngomezulu	173 394	67 998	44 400	30 599	2 238	318 629
Cllr MB Mosikedi	195 227	87 264	44 400	66 964	3 087	396 942
Cllr XM Tshabalala	173 394	67 998	44 400	30 599	2 238	318 629
Cllr PJ Dlamini	187 418	67 998	44 400	16 574	2 472	318 862
Cllr B Ndlebe	173 394	67 998	44 400	30 599	2 225	318 616
Cllr JQ Khumalo	222 523	87 264	44 400	39 268	2 757	396 212
Cllr RV Solontsi	145 368	67 998	44 400	58 625	2 238	318 629
Cllr Tj Kambule	173 394	67 998	44 400	30 599	2 238	318 629
Cllr MM Sibanyoni	173 394	67 998	44 400	30 599	2 238	318 629
Cllr LP Selepe	188 693	67 998	44 400	15 299	2 495	318 885
Cllr FE Mhlapo	225 453	87 264	44 400	36 338	3 087	396 542
Cllr VM Mahlangu	153 298	67 998	44 400	50 694	2 238	318 628
Cllr NS Selepe	173 394	67 998	44 400	30 599	2 238	318 629
Cllr JW Ngubeni	173 394	67 998	44 400	30 599	-	316 391
Cllr SS TP Motloung	184 225	74 725	44 400	40 309	2 299	345 958
Cllr PC Mahlaba	173 394	67 998	44 400	30 599	2 238	318 629
Cllr SJ Nkosi	167 274	67 998	44 400	36 719	2 299	318 690
Cllr SM Ngwenya	167 274	67 998	44 400	36 719	2 299	318 690
Cllr SA Silonsini	133 851	67 998	44 400	70 141	2 299	318 689
	4 852 294	**1 911 105**	**1 154 400**	**948 347**	**62 532**	**8 928 678**

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38. Risk management

Financial 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.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	Contingent assets and liabilities disclosure	2020
Receivables from non-exchange transactions	37 679 155	27 782 070
Receivables from exchange transactions	133 409 004	139 644 644
Cash and cash equivalents	(140 517 828)	43 106 713
Non-current assets : Receivables form exchange transactions	21 692 150	21 692 150

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.

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.At year end (June 2021) , the financial instruments exposed to interest rate risk were as follows:

Financial instrument	Contingent assets and liabilities disclosure	2020
Nedbank Call Account	37 679 155	27 782 070
Nedbank Call Account	133 409 004	139 644 644

39. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R (1 169 480 034) and that the municipality's total liabilities exceed its assets by R (1 169 480 034).

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39. Going concern (continued)

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

The Municipality with the assistance of Cooperative Governance and Traditional Affairs have prepared an Integrated Municipal Support Plan (IMSP) which was tabled in Council. The Integrated Municipal Support Plan (IMSP), constitutes commitments made by various stakeholders and activities aimed at turning around the municipality.

The Municipality with the assistance of Cooperative Governance and Traditional Affairs and Provincial Treasury have drafted a financial recovery plan as part of the section 139 of the Municipal Finance Management Act of 2003.

The Municipality is currently implementing the financial recovery an all relevant oversight committees and stakeholder will be monitoring the implementation of the plan on regular basis.

The Municipality continues to aggressively implement the financial interventions and revenue collection strategies in order to improve its financial sustainability.

40. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.The outbreak of the Coronavirus (COVID-19) pandemic has aggravated the financial situation of the municipality with the uncertainty and complexity impacting the global economy. The COVID-19 disruption has affected all c ountries and all sectors including private and public sector. The impact of the pandemic has taken its toll on not just human lives, but industries and financial markets too, the extent of which is currently indeterminate. The municipality has carefully considered our unique circumstances, risk exposures and considered the impact the outbreak may have on our financial reporting.

41. Unauthorised expenditure

	2021	2020
Opening balance as previously reported	1 106 342 265	818 230 700
Opening balance as restated	**1 106 342 265**	**818 230 700**
Add: Expenditure identified - current	233 469 317	288 111 565
Closing balance	**1 339 811 582**	**1 106 342 265**

The Unauthorised, Irregular and Fruitless and Wasteful expenditure was investigated and submitted and to Council for for further processing.

42. Fruitless and wasteful expenditure

	2021	2020
Opening balance as previously reported	450 405 866	330 624 233
Opening balance as restated	**450 405 866**	**330 624 233**
Add: Interest on Arrear Eskom accounts	-	107 966 313
Add: Interest on Arrear Accounts	11 518 648	9 970 421
Add: Interest on Arrear accounts additions	-	1 844 899
Closing balance	**461 924 514**	**450 405 866**

The interest on arrear accounts consists of interest and penalties of the following suppliers 2021:SARS; 2020:Department of Water Affairs AGSA, SARS, Pension and Munsoft.

The Unauthorised, Irregular and Fruitless and Wasteful expenditure was investigated and submitted and to Council for for further processing.

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43. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	6 247 165	8 368 729
Total capital commitments		
Already contracted for but not provided for	6 247 165	8 368 729

Total commitments

Total commitments		
Authorised capital expenditure	6 247 165	8 368 729

This committed expenditure relates to plant and equipment and will be financed by revenue from conditional grants as in Division of Revenue Act.

44. Irregular expenditure

Opening balance as previously reported	461 416 062	388 916 517
Opening balance as restated	**461 416 062**	**388 916 517**
Expenditure Non-Compliant	2 278 473	6 369 167
Deviations	-	13 570 595
Appointment of Service providers	38 472 623	55 276 731
Less: Prior period	-	(2 716 948)
Closing balance	**502 167 158**	**461 416 062**

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44. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Supply chain management process not followed	No disciplinary steps or investigations was done regarding supply chain management processes not followed	550 539	3 840 000

Analysis of expenditure awaiting condonation per age classification

Current year	-	17 820 130
Prior years	354 900 371	337 080 241
	354 900 371	**354 900 371**

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44. Irregular expenditure (continued)

Amounts recoverable

The Unauthorised, Irregular and Fruitless and Wasteful expenditure was investigated and submitted and to Council for for further processing.

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45. Deviation from supply chain management regulations

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

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

Order Number	Date	Supplier	Amount	Description	Reason
N/A - Direct Payment No order issued	2020/04/01	GP Hlongwane	R 1 920 000	Hiring of trucks 60 days	Immediate assistance was needed due to sewer spillages that affected households.
N/A - Direct Payment No order issued	2020/06/04	GP Hlongwane	R 1 920 000	Hiring of trucks 60 days	Immediate assistance was needed due to sewer spillages that affected households.
41393	2020/12/02	Millennium pumps	R 73 151,50	Supply and install motor at concor reservoir	Emergency, water supply to flora and Kosmos park
280607	2020/08/20	GP Hlongwane	R 303 600	Hiring of trucks	Immediate assistance was needed due to sewer spillages that affected households.
41577	2021/06/21	RISE fm	R 119 370	IDP and Budget Consultation Interviews	Emergency
280608	2020/08/20	GP Hlongwane	R 662 400	Hiring of trucks	Immediate assistance was needed due to sewer spillages that affected households.

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46. Contingencies

Contingencies	2021	2020
Lekwa Local Municipality // SALGBC, J Mashika N.O & M.X Nkonyane Case: JR 1069/14.	1 694 149	1 694 149
Lethusang Michael Mothobi// Moshoantle John Moboea.	84 128	84 128
Hayes Matkovich Development (Pty) Ltd // Lekwa Local Municipality. Case no.34401/12.	65 756 794	65 756 794
Phumi Trading JV Masallo Zwane Construction Lekwa.	2 903 683	2 903 683
Pheela Abraham Motaung & Others/ Lekwa Local Municipality.	750 000	750 000
Thulani Karabo Shongwe/ Lekwa Local Municipality.	6 000 000	6 000 000
El Gondor//Lekwa Local Municipality. Case number (2657/2017).	17 558 033	17 558 033
Afri-Infra Group// Lekwa Local Municipality.	747 246	747 246
Henry Jacobus Kruger //Lekwa Local Municipality.	860 000	860 000
Eskom Holdings LTD/Lekwa Local Municipality (126/2019).	215 859 677	215 859 677
Standerton Oil Mills Proprietary Ltd// Lekwa Local Municipality.	860 000	860 000
Tlou Consulting (Pty) Ltd// Lekwa Local Municipality, Case number (711/2020).	564 980	564 980
Anglo Operations (Pty) Ltd/Mmanang Ephraim Masoma//Lekwa Local Municipality. Case number (4198/18).	200 000	200 000
J Kotze and others//Lekwa Local MunicipalityCase Number: 671/ 2021.	19 200 000	
Zamangwane Water Technology// Lekwa L.M	1 900 295	
TFM Sekhato(Pty) Ltd// Kwane Capital (Pty) Ltd and 5 others Lekwa L.M	850 000	
Total	**335 788 985**	**313 838 690**

It was impracticable to disclose a brief description of the nature of contingencies disclosed above as some cases are sensitive.

47. Prior period errors

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

Effect of errors on the Accumulated Surplus		
Increase in Accumulated surplus due to Error 2	-	32 300 258
Statement of financial position		
Decrease in Property Plant and Equipment due to Error 2	-	(32 300 258)

47. Prior period errors (continued)

Commitments

Prior year balance	-	8 923 153
Adjustments made	-	(554 424)
Restated opening balance	**-**	**8 368 729**

During the preparation of commitmment register management identified an error raised during audit and management subsequently adjusted the register and annual financial statement disclosure.

48. Prior-year adjustments

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

Error 1: During the reconciliation of the VAT it was found that Vat Receivables was understated by R 9,835,597 as a result of input tax receivables from bulk expenditure invoices for Water and Electricity .

Error 2: During the reconciliation of Property Plant and Equipment it was found out that PPE was overstated by R 29 256 907 carrying value as a result of migration of opening balance from old system.

Error 3: During the reconciliation of the Bulk Purchases it was found out that not all Bulk Purchases Invoices for Water and Electricity was accounted for resulting in understatement of R 66 314 494 consequently trade payables were also understated and finace cost were understated..

Error 4: During the reconciliation of employees we noted that it was understated by 488 441 .

Error 5 - Contigent assets and liabilities
It was noted that we disclosed cases that had been concluded by the lawyers and were no longer contigent liabilities as at 30 June 2021. These cases have subsequently been removed from our register based on the confirmations received by the legal representatives. The adjustment has been disclosed below.

Statement of financial position

2020

	Note	As previously reported	Correction of error	Restated
Error 1. Value -added tax receivables		52 652 600	9 855 724	62 508 324
Error 2. Property Plant and Equipment		1 205 353 161	(29 256 907)	1 176 096 254
Error 3. Payables from exchange transactions		(1 758 728 058)	(78 796 804)	(1 837 524 862)
Error 4. Provision department of water		(612 318 838)	157 553 034	(454 765 804)
Accumulated Surplus		(741 298 469)	(98 197 996)	(839 496 465)
		(1 854 339 604)	**(38 842 949)**	**(1 893 182 553)**

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Restated
Error 4. Employee related costs		238 058 158	488 441	238 546 599
Error 2. Finance cost		119 983 004	2 016 121	121 999 125
Error 2. Bulk purchases		360 417 494	66 294 698	426 712 192
Surplus for the year		**718 458 656**	**68 799 260**	**787 257 916**

48. Prior-year adjustments (continued)

Contingent assets and liabilities disclosure

	Note	As previously reported	Correction of error	Restated
Lekwa Municipality // SAWMU OBO Nkonde DE		204 000	(204 000)	-
Phumi Trading JV Masallo Zwane Construction//Lekwa.		2 430 000	473 683	2 903 683
HC Schoeman HC // Lekwa		1 000 000	(1 000 000)	-
Disebo Lena Nkosi // Lekwa Municipality		194 254	(194 254)	-
Sibonga Intuthuko Construction CC // Lekwa Municipality		148 952	(148 952)	-
Thulane Karabo Shongwe/ Lekwa Local Municipality		1 750 000	4 250 000	6 000 000
Lourens Cornelius Nel /Lekwa Local Municipality Case number 816/2020		463 812	(463 812)	-
Ithemba Communications //Lekwa Local Municipality.		3 743 383	(3 743 383)	-
Standerton Oil Mills, COFCO// Lekwa L.M		670 000	190 000	860 000
Anglo Operations (Pty) Ltd/Mmanang Ephraim Masoma//Lekwa Local Municipality,		240 000	(40 000)	200 000
Henry Jacobus Kruger //Lekwa Local Municipality.		860 000	(860 000)	-
Total		**11 704 401**	**(1 740 718)**	**9 963 683**

49. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

	2021	2020
Opening balance	2 843 980	4 010 366
Current year subscription / fee	7 383 113	5 783 066
Amount paid - current year	(7 099 510)	(6 949 452)
	3 127 583	**2 843 980**

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PAYE and UIF

	2021	2020
Opening balance	79 738 099	46 919 964
Current year subscription / fee	36 271 508	38 794 044
Amount paid - current year	(25 302 621)	(4 102 259)
	90 706 986	**81 611 749**

Pension and Medical Aid Deductions

	2021	2020
Opening balance	35 064 346	35 083 978
Current year subscription / fee	62 138 667	59 591 182
Amount paid - current year	(61 645 869)	(59 610 814)
	35 557 144	**35 064 346**

VAT

	2021	2020
VAT receivable	76 154 654	62 488 197

VAT output payables and VAT input receivables are shown in note 4.

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. H.M. Khota (Acc. Holder: T.B. Nhleko)	761	4 634	5 395
Cllr B.P Mollo (Acc. Holder: B.P Mollo)	1 184	18 132	19 316
Cllr. M.L. Molaba (Acc. Holder: T.B. Mbale)	681	52 196	52 877
Cllr.E.N.K. Shabangu (Ace Holder:MziziCK Pensioner)	792	46 453	47 245
Cllr.N.L. Nkosi (Ace Holder Nkosi PE)	372	305	677
Cllr.M.S. Khumalo (Ace Holder: Dhlamini NM)	850	26 455	27 305
Cllr.S.M. Zacarias(Acc Holder:Hlatshwayo SM)	335	4 071	4 406
Cllr.M.S. Mngomezulu (Ace Holder: Mngomezulu MS)	908	846	1 754
Cllr. M.B. Mosikedi(Acc Holder:Mosikedi MB)	91	-	91
Cllr. S Morajane	490	49 604	50 094
Cllr.M.M. Sibanyoni (Ace Holder:MazibukoMA)	-	240	240
Cllr.L.P. Selepe (Ace Holder:SelepeFE)	845	2 542	3 387
Cllr.F.E. Mhlapo (Ace Holder: Mhlapo FE)	493	3 955	4 448
Cllr. VM Mahlangu	758	16 359	17 117
Cllr.N.S. Selepe (Ace Holder:SelepeNA)	1 719	177 016	178 735
Cllr. TP Motloung	49	1 829	1 878
Cllr. PC Mahlaba	871	95 163	96 034
Cllr. SJ Nkosi	75	1 699	1 774
Cllr.S.M.Ngwenya(Ace Holder:Ngwenya DA	1 584	828	2 412
	12 858	**502 327**	**515 185**

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. L.B.R. Dhlamini (Acc. Holder: S.Z. Dhlamini)	-	(141)	(141)
Cllr. H.M. Khota (Acc. Holder: T.B. Nhleko)	2 816	1 370	4 186
Cllr. M.L. Molaba (Acc. Holder: T.B. Mbale)	2 557	44 940	47 497
Cllr B.P Mollo (Acc. Holder: B.P Mollo)	4 577	11 357	15 934
Cllr. VM Mahlangu	2 803	8 381	11 184
Cllr. TP Motloung	178	1 316	1 494
Cllr. P.J. Dlamini(Acc Holder:Dhlamini E.V)	625	-	625
Cllr. J.L. van Rensburg	500	-	500
Cllr.T.J. Kambule (Ace Holder: T.J & M.Z.Kambule)	1 758	-	1 758
Cllr.S.M.Ngwenya(Ace Holder:Ngwenya DA	8 313	1 446	9 759
Cllr.J.Q. Khumalo (Ace Holder: Khumalo & Radebe-Khumalo LM & QJ)	2 412	-	2 412
Cllr.M.S. Khumalo (Ace Holder: Dhlamini NM)	1 810	18 804	20 614
Cllr.F.E. Mhlapo (Ace Holder: Mhlapo FE)	1 784	1 755	3 539
Cllr.M.S. Mngomezulu (Ace Holder: Mngomezulu MS)	2 348	-	2 348
Cllr. M.B. Mosikedi(Acc Holder:Mosikedi MB)	2 143	-	2 143
Cllr.J.W. Ngubeni(Acc Holder:ZwanaSJ)	737	-	737
Cllr.N.L. Nkosi (Ace Holder Nkosi PE)	-	(838)	(838)
Cllr.S.J. Nkosi(Acc Holder:Nkosi SN)	267	917	1 184
Cllr.F. Sarang (Ace Holder:Sarang RA)	1 261	-	1 261
Cllr.L.P. Selepe (Ace Holder:SelepeFE)	3 116	216	3 332
Cllr.N.S. Selepe (Ace Holder:SelepeNA)	6 558	158 594	165 152
Cllr.E.N.K. Shabangu (Ace Holder:MziziCK Pensioner)	2 955	38 188	41 143
Cllr.M.M. Sibanyoni (Ace Holder:MazibukoMA)	3	236	239
Cllr.R.V. Solontsi	2 119	17 722	19 841

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

Cllr. PC Mahlaba	3 351	85 796	89 147
Cllr.S.M. Zacarias(Acc Holder:Hlatshwayo SM)	1 188	585	1 773
	56 179	**390 644**	**446 823**