



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

**Audited  
By**  
2022 -12- 15  
**Auditor General South Africa  
Mpumalanga Business Unit**

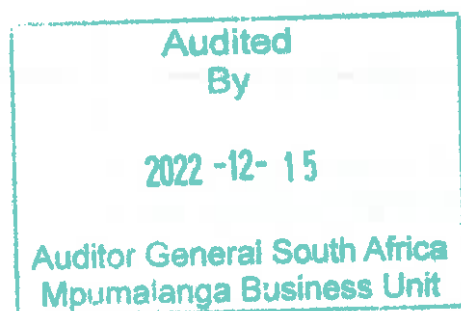
# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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<b>Nature of business and principal activities</b>	Providing municipal services and maintaining the best interests of the local community
Executive Mayor	Cllr. DL Thabethe appointed 1st of November 2021 Cllr. LBR Dhlamini term ended 12 May 2021
Speaker	Cllr. O Phiri appointed 1st of November 2021 Cllr. HM Khota term ended 12 May 2021
Chief Whip	Cllr. DJ Msibi appointed 1st of November 2021 Cllr. BP Mollo term ended 12 May 2021
Member of Mayoral Committee: Technical Services	Cllr. SA Majozi appointed 1st of November 2021 Cllr. MS Khumalo term ended 12 May 2021
Member of Mayoral Committee: Corporate Services and Planning and Development	Cllr PC Mahlaba appointed 1st of November 2021 Cllr SS TP Motloung term ended 12 May 2021
Member of Mayoral Committee: Community services and Safety	Cllr. SM Modise appointed 1st Of November 2021 Cllr. ML Molaba term ended 12 May 2021
Member of Mayoral Committee: Planning and Economic Development Councillors	Cllr. JT Sebilane appointed 1st of November 2021 Cllr ENK Shabangu term ended 12 May 2021 Cllr F Sarang term ended 12 May 2021 Cllr JL Jansen Van Rensburg term ended 12 May 2021 Cllr NL Nkosi term ended 12 May 2021 Cllr SM Zacarias term ended 12 May 2021 Cllr JR De Ville term ended 12 May 2021 Cllr MS Mngomezulu term ended 12 May 2021 Cllr MB Mosikedi term ended 12 May 2021 Cllr XM Tshabalala term ended 12 May 2021 Cllr PJ Dhlamini term ended 12 May 2021 Cllr B Ndlebe term ended 12 May 2021 Cllr JQ Khumalo term ended 12 May 2021 Cllr RV Solontsi term ended 12 May 2021 Cllr TJ Kambule term ended 12 May 2021 Cllr MM Sibanyoni term ended 12 May 2021 Cllr LP Selepe term ended 12 May 2021 Cllr FE Mhlapo term ended 12 May 2021 Cllr VM Mahlangu term ended 12 May 2021 Cllr NS Selepe term ended 12 May 2021 Cllr JW Ngubeni term ended 12 May 2021 Cllr PC Mahlaba term ended 12 May 2021 Cllr SJ Nkosi term ended 12 May 2021 Cllr SM Ngwenya term ended 12 May 2021 Cllr SA Silonsini term ended 12 May 2021 Cllr SM Moraja term ended 12 May 2021



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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Cllr Cao Franco appointed 9 November 2021  
Cllr DJ Msibi appointed 9 November 2021  
Cllr DJ Venter appointed 9 November 2021  
Cllr DI Thabethe appointed 9 November 2021  
Cllr Dr Manana appointed 9 November 2021  
Cllr FE Madela appointed 9 November 2021  
Cllr GJ Xulu appointed 9 November 2021  
Cllr JC Stoltz appointed 9 November 2021  
Cllr JD Nkuta appointed 9 November 2021  
Cllr JT Sebilane appointed 3 January 2022  
Cllr LM Marago appointed 1st of November 2021  
Cllr M Mthimkhulu appointed 1st of November 2021  
Cllr MI Molaba appointed 1st of November 2021  
Cllr MS Mngomezulu appointed 1st of November 2021  
Cllr NC Nhlapho appointed 5 November 2021  
Cllr NS Tlhakudi appointed 9 November 2021  
Cllr O Phiri appointed 9 November 2021  
Cllr PC Mahlaba appointed 9 November 2021  
Cllr PM Radebe appointed 9 November 2021  
Cllr PS Hlatshwayo appointed 9 November 2021  
Cllr RS Tsotetsi appointed 3 January 2021  
Cllr SA Maboea appointed 1st of November 2021  
Cllr SA Majosi appointed 3 January 2021  
Cllr SA Silosini appointed 1st of November 2021  
Cllr SA Tshabalala appointed 9 November 2021  
Cllr SB Ngqulungo appointed 9 November 2021  
Cllr SE Khumalo appointed 9 November 2021  
Cllr SL Nhlapo appointed 9 November 2021  
Cllr SM Modise appointed 9 November 2021  
Cllr SP Ngwenya appointed 9 November 2021  
Cllr SS MR Motloun appointed 9 November 2021  
Cllr SS NE Nombeje appointed 9 November 2021  
Cllr SS SW Masondo appointed 9 November 2021  
Cllr TC Motaung appointed 9 November 2021  
Cllr W Venter appointed 9 November 2021

Council was dissolved on the 12 May 2021 and Mr Johan Mettler was appointed as the administrator interims of section 139(7) of the constitution.

### Accounting Officer

Mr MJ Lamola was appointed as the Accounting Officer subsequent to year end

Mr LD Tsotetsi was appointed on 14 January 2021 term ended 11 July 2022

Mr Mokgatsi J.M was appointed from 18 June 2021 term ended 13 January 2022

Mrs GP Mhlongo-Ntshangase- resigned on the 18 June 2021

Mr K Duba

### Chief Finance Officer (CFO)

C/O Mbonani Mayisela and Dr Beyers Naude Street  
Standerton  
2430

### Registered office



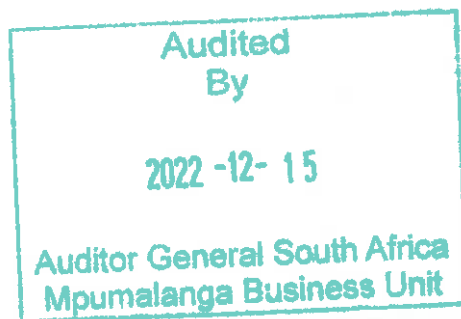
# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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<b>Business address</b>	PO Box 66 Standerton 2430
<b>Bankers</b>	Nedbank (Primary bank account) First National Bank
<b>Auditors</b>	Auditor General South Africa



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Index

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

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### Abbreviations used:

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



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Responsibilities and Approval

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The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are 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 officers 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 officers acknowledge that they are 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 officers 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 officers are 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 officers have reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

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

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Accounting Officer  
Mr MJ Lamola



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Report

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The accounting officers submit their report for the year ended 30 June 2022.

### 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.

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 345 210 976 (2021: deficit R 203 217 026).

### 2. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of R (921 093 462) and that the municipality's total liabilities exceed its assets by R (921 093 462).

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

### 3. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year. Mr LD Tsotetsi accounting officer was appointed on 14 January 2021 and his term ended 11 July 2022 post year end. Mr MJ Lamola was then appointed as the accounting officer who will sign off the annual financial statements.

### 4. Accounting Officers' interest in contracts

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

### 5. Accounting policies

The following International Financial Reporting Standards were applied prior to the commencement dates in the current year:

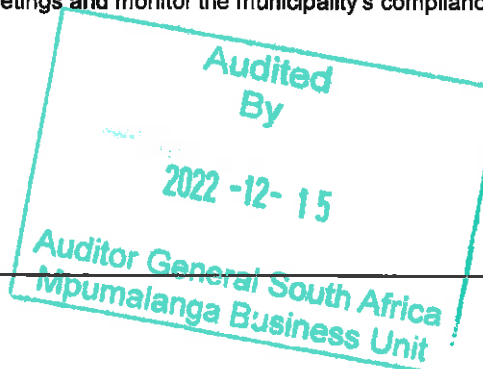
The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised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

### 6. Corporate Governance

#### General

The accounting officer are 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.



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Report

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### Audit Committee

The audit committee 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.

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

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Accounting Officer  
Mr MJ Lamola





# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	15 485 967	26 994 061
Inventories	4	3 283 353	1 844 398
Value added tax	5	16 219 634	32 967 278
Other receivables from exchange transactions	11&6	4 607 259	1 127 346
Receivables from non-exchange transactions	6	68 325 567	63 360 416
Receivables from exchange transactions	7	113 737 439	106 060 481
		<u>221 659 219</u>	<u>232 353 980</u>
<b>Non-Current Assets</b>			
Investment property	8	223 684 124	216 328 940
Property, plant and equipment	9	1 306 333 855	1 319 831 453
Heritage assets	10	106 187	106 187
Other financial assets	12	30 675 233	29 694 851
Other receivables from exchange transactions	11	3	3
		<u>1 560 799 402</u>	<u>1 565 961 434</u>
<b>Total Assets</b>		<u>1 782 458 621</u>	<u>1 798 315 414</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	13	2 398 136 045	2 131 634 522
Consumer deposits	14	3 273 692	3 260 313
Employee benefit obligation	16	4 165 000	4 106 000
Unspent conditional grants and receipts	15	35 373 864	535 020
		<u>2 440 948 601</u>	<u>2 139 535 855</u>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	16	82 193 000	79 401 000
Provisions	17	180 410 486	155 261 052
		<u>262 603 486</u>	<u>234 662 052</u>
<b>Total Liabilities</b>		<u>2 703 552 087</u>	<u>2 374 197 907</u>
<b>Net Assets</b>		<u>(921 093 466)</u>	<u>(575 882 493)</u>
Accumulated surplus		(921 093 462)	(575 882 487)
<b>Total Net Assets/(Liabilities)</b>		<u>(921 093 462)</u>	<u>(575 882 487)</u>

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\* See Note 41

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	507 885 782	479 755 460
Rental income	20	1 728 552	1 665 559
Other operational income	22	1 727 452	1 232 060
Interest received on trade and other receivables	23	65 431 374	46 930 052
Interest received bank and other financial assets	23	1 795 340	1 931 140
<b>Total revenue from exchange transactions</b>		<b>578 568 500</b>	<b>531 514 271</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	24	170 255 466	156 420 892
<b>Transfer revenue</b>			
Government grants & subsidies	25	164 886 330	191 089 597
Public contributions and donations	26	1 151 190	14 683 489
Fines, Penalties and Forfeits	21	2 982 889	1 180 716
<b>Total revenue from non-exchange transactions</b>		<b>339 275 875</b>	<b>363 374 694</b>
<b>Total revenue</b>	18	<b>917 844 375</b>	<b>894 888 965</b>
<b>Expenditure</b>			
Employee related costs	27	249 494 757	229 271 920
Remuneration of councillors	28	8 341 710	12 089 504
Depreciation and amortisation	29	79 740 275	78 497 091
Finance costs	31	94 206 417	41 409 940
Debt Impairment	33	231 747 037	235 602 826
Bulk purchases	35	471 393 458	410 132 962
Contracted services	36	100 407 321	53 541 227
Inventory consumed		13 547 438	16 138 754
Operational Costs	34	48 128 902	45 552 106
<b>Total expenditure</b>		<b>1 297 007 315</b>	<b>1 122 236 330</b>
<b>Operating deficit</b>		<b>(379 162 940)</b>	<b>(227 347 365)</b>
Fair value adjustments		7 355 184	9 315 600
Actuarial gains/(losses)	16	3 889 000	(4 237 226)
Reversal of impairments	30	22 707 780	19 051 965
		<b>33 951 964</b>	<b>24 130 339</b>
<b>Deficit for the year</b>		<b>(345 210 976)</b>	<b>(203 217 026)</b>

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\* See Note 41

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
<b>Balance at 01 July 2020</b>	<b>(372 665 461)</b>	<b>(372 665 461)</b>
Changes in net assets		
Surplus/(Deficit) for the year	(203 217 026)	(203 217 026)
Total changes	(203 217 026)	(203 217 026)
Opening balance as previously reported	(1 169 511 888)	(1 169 511 888)
Adjustments		
Prior year adjustments 41	593 629 402	593 629 402
<b>Restated Balance at 01 July 2021 as restated</b>	<b>(575 882 486)</b>	<b>(575 882 486)</b>
Changes in net assets		
Surplus/(Deficit) for the year	(345 210 976)	(345 210 976)
Total changes	(345 210 976)	(345 210 976)
<b>Balance at 30 June 2022</b>	<b>(921 093 462)</b>	<b>(921 093 462)</b>

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\* See Note 41

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property Rates		93 801 297	77 212 727
Service Charges		408 579 435	399 968 368
Rental of facilities		1 728 552	1 665 559
Interest income		1 795 340	1 931 140
Other receipts		(4 060 436)	118 653 110
Grants and subsidies received - Operational		139 418 174	153 301 489
Grants and subsidies received - Capital		60 307 000	38 320 000
Fines		1 923 327	(4 851 121)
		<u>703 492 689</u>	<u>786 201 272</u>
<b>Payments</b>			
Employee costs		(281 635 944)	(209 504 731)
Suppliers		(294 614 991)	(497 838 515)
Finance costs		(94 206 417)	(41 409 940)
		<u>(670 457 352)</u>	<u>(748 753 186)</u>
<b>Net cash flows from operating activities</b>	37	<b><u>33 035 337</u></b>	<b><u>37 448 086</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(44 543 431)	(53 560 738)
<b>Net cash flows from investing activities</b>		<b><u>(44 543 431)</u></b>	<b><u>(53 560 738)</u></b>
<b>Cash flows from financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(11 508 094)</b>	<b>(16 112 652)</b>
Cash and cash equivalents at the beginning of the year		26 994 061	43 106 713
<b>Cash and cash equivalents at the end of the year</b>	3	<b><u>15 485 967</u></b>	<b><u>26 994 061</u></b>

The accounting policies on pages 15 to 45 and the notes on pages 46 to 108 form an integral part of the annual financial statements.

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\* See Note 41

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	696 318 925	(154 750 566)	541 568 359	507 885 782	(33 682 577)	
Rental income	-	-	-	1 727 452	1 727 452	
Other revenue service charges	-	-	-	1 728 552	1 728 552	
Other own revenue	58 759 283	6 690 839	65 450 122	65 431 374	(18 748)	
Investment revenue	653 828	-	653 828	1 795 340	1 141 512	
<b>Total revenue from exchange transactions</b>	<b>755 732 036</b>	<b>(148 059 727)</b>	<b>607 672 309</b>	<b>578 568 500</b>	<b>(29 103 809)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	179 005 429	-	179 005 429	170 255 466	(8 749 963)	
<b>Transfer revenue</b>						
Government grants & subsidies	141 569 350	(867 077)	140 702 273	164 886 330	24 184 057	
Public contributions and donations	-	-	-	1 151 190	1 151 190	
Fines, Penalties and Forfeits	-	-	-	2 982 889	2 982 889	
<b>Total revenue from non-exchange transactions</b>	<b>320 574 779</b>	<b>(867 077)</b>	<b>319 707 702</b>	<b>339 275 875</b>	<b>19 568 173</b>	
<b>Total revenue</b>	<b>1 076 306 815</b>	<b>(148 926 804)</b>	<b>927 380 011</b>	<b>917 844 375</b>	<b>(9 535 636)</b>	
<b>Expenditure</b>						
Employee costs	(247 017 702)	(3 642 617)	(250 660 319)	(249 494 757)	1 165 562	
Remuneration of councillors	(12 663 145)	3 787 521	(8 875 624)	(8 341 710)	533 914	
Depreciation and amortisation	(85 587 976)	-	(85 587 976)	(79 740 275)	5 847 701	
Finance charges	(42 757 795)	(14 893 608)	(57 651 403)	(94 206 417)	(36 555 014)	
Debt Impairment	(67 593 784)	(140 000 000)	(207 593 784)	(231 747 037)	(24 153 253)	
Material and bulk purchases	(374 288 567)	(52 592 433)	(426 881 000)	(471 393 458)	(44 512 458)	
Contracted Services	-	-	-	(100 407 321)	(100 407 321)	
Inventory consumed	-	-	-	(13 547 438)	(13 547 438)	
Operational expenditure	(207 191 955)	(7 995 430)	(215 187 385)	(48 128 902)	167 058 483	
<b>Total expenditure</b>	<b>(1 037 100 924)</b>	<b>(215 336 567)</b>	<b>(1 252 437 491)</b>	<b>(1 297 007 315)</b>	<b>(44 569 824)</b>	
<b>Operating deficit</b>	<b>39 205 891</b>	<b>(364 263 371)</b>	<b>(325 057 480)</b>	<b>(379 162 940)</b>	<b>(54 106 460)</b>	
Fair value adjustments	-	-	-	7 355 184	7 355 184	
Actuarial gains/losses	-	-	-	3 889 000	3 889 000	
Reversal of impairments	-	-	-	22 707 780	22 707 780	
	-	-	-	33 951 964	33 951 964	
<b>Surplus /Deficit</b>	<b>39 205 891</b>	<b>(364 263 371)</b>	<b>(325 057 480)</b>	<b>(345 210 976)</b>	<b>(20 153 496)</b>	
<b>Surplus for the year</b>	<b>39 205 891</b>	<b>(364 263 371)</b>	<b>(325 057 480)</b>	<b>(345 210 976)</b>	<b>(20 153 496)</b>	
Capital expenditure	(40 407 000)	(648 273)	(41 055 273)	(53 560 738)	(12 505 466)	

2022-12-15

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# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Material differences between budget and actual amounts

The excess of the actual expenditure over the final budget of 10% is and amounts below explained below:

Contracted services -The increase in the actual expenditure is due to the increased security costs required by the municipality.

Finance Charges - The increase in the actual expenditure is due to interest being incurred due to late payment of accounts

Other expenditure - Decrease in spending due to Covid-19 lockdown during the 2020/2021 financial year, including level 4 lockdown.

Contribution recognised - capital donated assets - During the financial year under review, assets were donated to the municipality.

Remuneration of Councillors – The expenditure was lower than budget as a new council was appointed for a term less than a year.

Debt Impairment – A smaller contribution to debtors impairment were required than anticipated, due to traffic fine and consumer debtors.

Capital Expenditure - This was as a result of non-implementation of decisions with a financial impact by the Municipality after the decision was announced to place Municipality under administration. This inevitably affected implementation of procurement processes in the first half of the financial year. Two planned bids for the projects of Upgrading of the Standerton Bulk Water Supply System phase 2 (Construction of Kieser Reservoir and Pressure Tower) and the Upgrade of the Coligny sewer line were advertised on the 30th of January 2022 and on the 13th of February 2022 respectively were unresponsive and had to be re-advertised on the 15th of May 2022.

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The accounting policies on pages 15 to 45 and the notes on pages 46 to 108 form an integral part of the annual financial statements.

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# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

Figures in Rand	Note(s)	2022	2021
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### 1. Presentation of Annual Financial Statements

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

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





# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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 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 17 - 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.

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By  
2022 -12- 15  
Auditor General South Africa  
Mpumalanga Business Unit

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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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Mpumalanga Business Unit

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.5 Investment property (continued)

#### Fair value

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

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

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

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

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

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.

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

Property intended for sale in the ordinary course of operations or in the process of construction or development from such sale;

Property being constructed or developed on behalf of third parties;

Owner occupied property, including among other things property held for future use as owner occupied property, property held for future developments and subsequent use as owner occupied property, property occupied by employees such as housing personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal;

Property that is being constructed for future use as investment property;

Property that is leased to another entity as investment property;

Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and

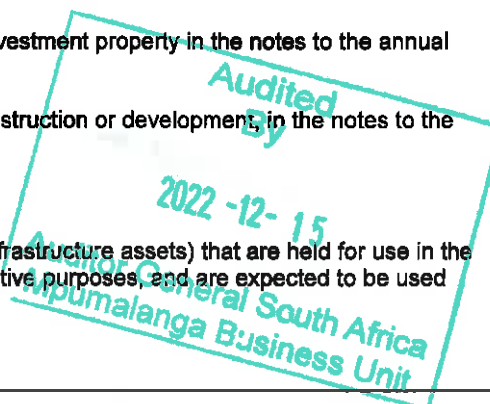
Property held for strategic purposes or service delivery.

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

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

### 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.



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

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 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.

#### Subsequent measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it meets the recognition criteria of Property, Plant and equipment.

#### Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives to their estimated residual values. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life.

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

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Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite

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# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.6 Property, plant and equipment (continued)

Buildings	Straight-line	15 - 50 years
Water network	Straight-line	15 - 50 years
Plant and machinery	Straight-line	5 - 15 years
Furniture and fixtures	Straight-line	5 - 15 years
Motor vehicles	Straight-line	3 - 15 years
Office equipment	Straight-line	5 - 15 years
IT equipment	Straight-line	5 - 15 years
Electricity Network	Straight-line	15 - 50 years
Wastewater network	Straight-line	15 - 50 years
Roads network	Straight-line	15 - 50 years
Community Assets - Buildings and other assets	Straight-line	15 - 50 years
Landfill sites	Straight-line	20 - 40 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 ).

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

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

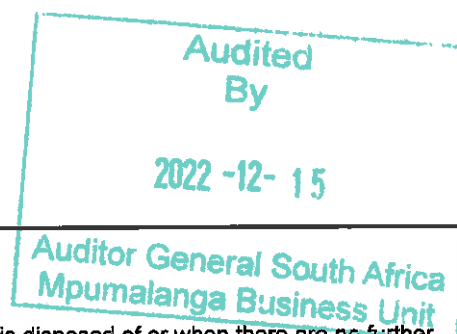
Derecognition



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.6 Property, plant and equipment (continued)

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.

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 Heritage assets

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

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

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

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

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

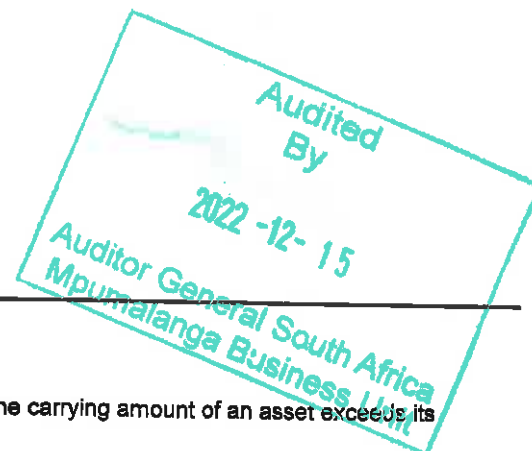
An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.8 Heritage assets (continued)

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets 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 ).

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

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

#### Impairment

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

#### Derecognition

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

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

### 1.9 Financial instruments

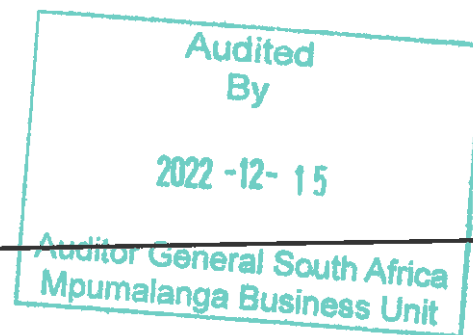
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

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

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.9 (continued)

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

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

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

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

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

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

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

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

A financial asset is:

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



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.9 (continued)

#### Classification

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

Class	Category
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
Value Added Tax receivables	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at fair value

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
Value Added Tax 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 asset 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.

#### 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.

#### 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.

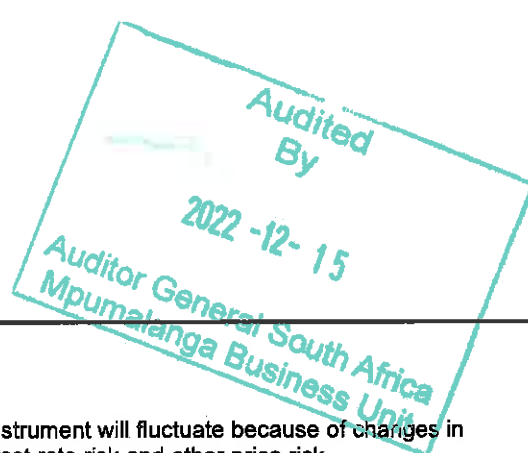
#### Impairment of Financial Instruments

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.9 (continued)

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.

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.

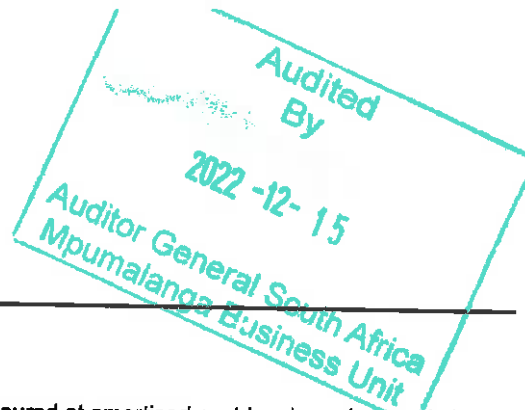
Financial instruments at fair value comprise financial assets or financial liabilities that are:

- 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.

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.9 (continued)

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.

#### Offsetting

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

- 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 shall not offset the transferred asset and the associated liability.

#### Derecognition

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, 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 entity :
  - 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.

An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

### 1.10 Statutory receivables

#### Identification

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

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

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

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

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

#### Recognition

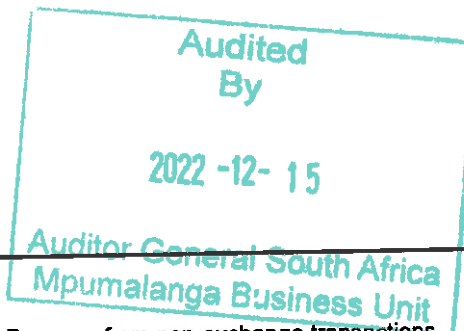
The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.10 Statutory receivables (continued)

- 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.

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.

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.10 Statutory receivables (continued)

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.

### 1.11 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.

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process. Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired (including land held for sale).

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.

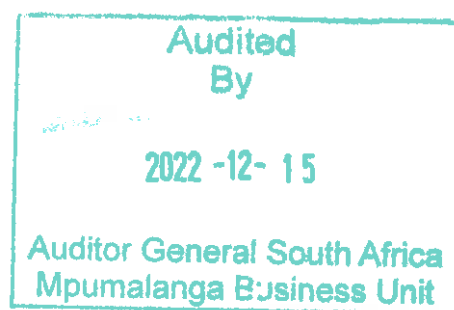
The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.11 Inventories (continued)

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.

Redundant and slow-moving inventories are identified and written down in this way. 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.

#### Derecognition

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

### 1.12 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

### 1.13 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.

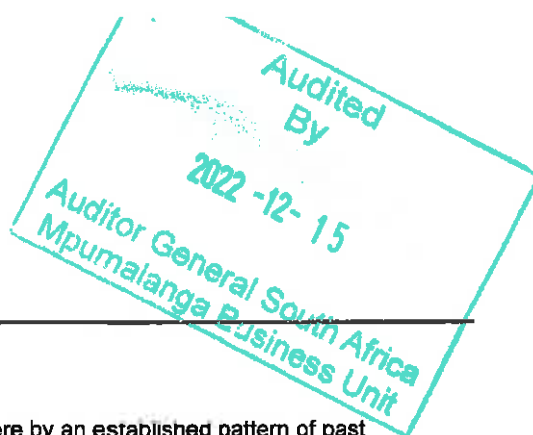
Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.13 Impairment of non-cash-generating assets (continued)

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.

#### Bonus, incentive and performance related payments

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 payment

#### 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.

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.13 Impairment of non-cash-generating assets (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.

Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions. In order to be classified as a defined contribution plan a post-employment benefit plan must require the entity to pay fixed contributions into a separate entity.

#### Recognition and measurement

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.

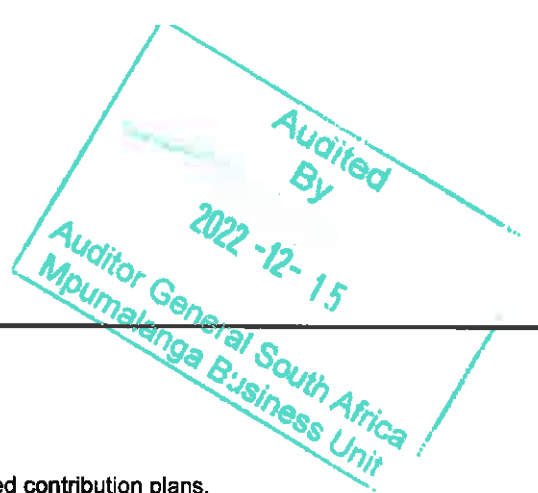




# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.13 Impairment of non-cash-generating assets (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:

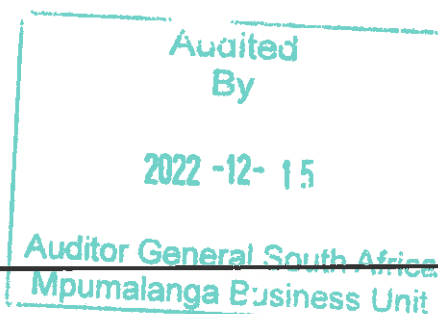
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.13 Impairment of non-cash-generating assets (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-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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

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

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.13 Impairment of non-cash-generating assets (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 long-term employee benefits

Other long-term employee benefits may include, for example:

- long-term compensated absences such as long service or sabbatical leave;
- other long service benefits;
- long-term disability benefits;
- bonus, incentive and performance related payments payable twelve months or more after the end of the reporting period in which the employees render the related service;
- deferred compensation paid twelve months or more after the end of the reporting period in which it is earned; and
- compensation payable by the entity until an individual enters new employment.

#### Recognition and measurement

The amount recognised as a liability for other long-term employee benefits shall be 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

#### Other post retirement obligations

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.

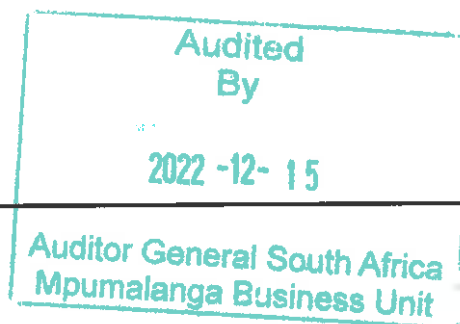
The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- 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.

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.13 Impairment of non-cash-generating assets (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.

### 1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

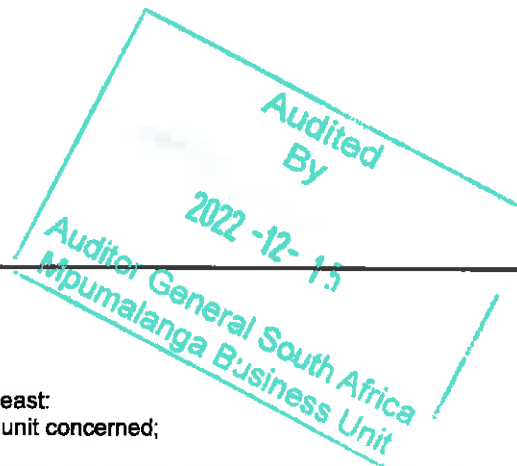
Provisions are not recognised for future operating surplus (deficit).

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

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

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.



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.14 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 .
- 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;

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.

### 1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

### 1.16 Revenue from exchange transactions

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

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

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

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.16 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.

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

### 1.17 Revenue from non-exchange transactions

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

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.17 Revenue from non-exchange transactions (continued)

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.



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.17 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.

#### Property rates

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

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

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

#### 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.

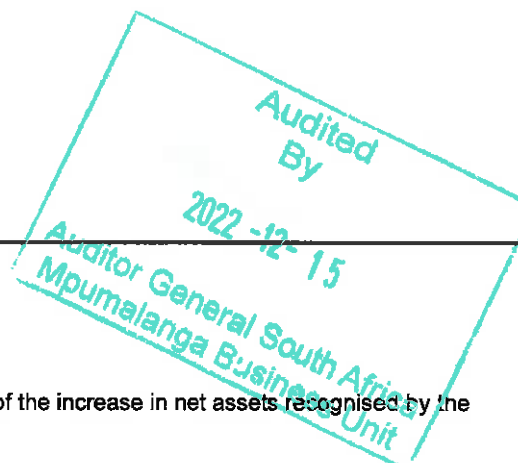
The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

#### Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

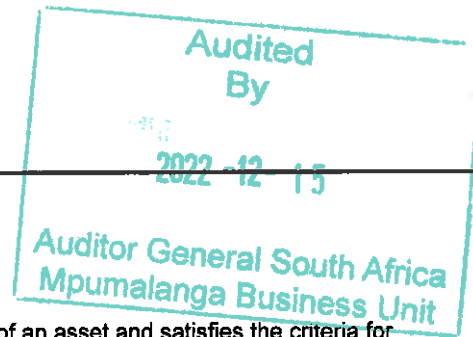
Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.17 Revenue from non-exchange transactions (continued)

#### Fines

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

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

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

#### Gifts and donations, including goods in-kind

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

#### Services in-kind

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

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

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

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

### 1.18 Comparative figures

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

When the presentation or classification of items in the financial statements is amended, comparative amounts are reclassified, unless the reclassification is impracticable. When comparative amounts are reclassified, the following is disclosed:

- the nature of the reclassification;
- the amount of each item or class of items that is reclassified; and
- the reason for the reclassification.

When it is impracticable to reclassify comparative amounts, the following is disclosed:

- the reason for not reclassifying the amounts; and
- the nature of the adjustments that would have been made if the amounts had been reclassified.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly, where there has been a change in accounting policy in

the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 1.19 Unauthorised expenditure

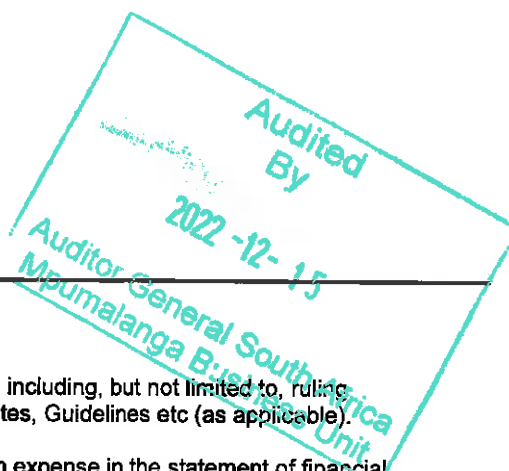
Unauthorised expenditure means:

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

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies



### 1.19 Unauthorised expenditure (continued)

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

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 Fruitless and wasteful expenditure

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

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

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

### 1.21 Irregular expenditure

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

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

### 1.22 Segment information

A segment is an activity of an entity:

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

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

#### Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

### 1.23 Budget Information

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

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.23 Budget information (continued)

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

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

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

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

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

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:

### 1.24 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.

The municipality discloses:

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.24 Related parties (continued)

- The aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration within this category, showing separately major classes of key management personnel and including a description of each class;
- The total amount of all other remuneration and compensation provided to key management personnel, and close members of the family of key management personnel, by the municipality.

### 1.25 Events after reporting date

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

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

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

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

### 1.26 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.

### 1.27 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.

### 1.28 Accumulated Surplus

The municipality's surplus or deficit for the year is accounted in the accumulated surplus reserve in the statement of changes in net assets.

### 1.29 Long term debtors

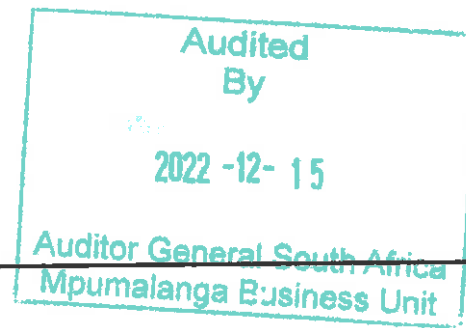
Long term debtors are debtors that are receivable for a period exceeding 12 months from year end.

## Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

### Accounting Policies

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#### 1.30 Errors

A prior period error is corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the opening balances of assets, liabilities and net assets are restated for the earliest period for which retrospective restatement is practicable (which may be the current period).

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the comparative information is restated to correct the error prospectively from the earliest date practicable.

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

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# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### STANDARDS APPROVED AND EFFECTIVE FOR 2021/22 FINANCIAL YEAR

The following GRAP standards have been approved and effective to the municipality for the 2021/22 financial year and are unlikely to be a material impact:

GRAP 1 Presentation of Financial Statements  
GRAP 2 Cash Flow Statements  
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors  
GRAP 4 The Effects of Changes in Foreign Exchange Rates  
GRAP 5 Borrowing Costs  
GRAP 9 Revenue from Exchange Transactions  
GRAP 10 Financial Reporting in Hyperinflationary Economies  
GRAP 11 Construction Contracts  
GRAP 12 Inventories  
GRAP 13 Leases  
GRAP 14 Events After the Reporting Date  
GRAP 16 Investment Property  
GRAP 17 Property Plant and Equipment  
GRAP 18 Segment Reporting  
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets  
GRAP 20 Related Party Disclosures  
GRAP 21 Impairment of Non -Cash Generating Assets  
GRAP 23 Revenue from Non- Exchange Transactions (Taxes and Transfers )  
GRAP 24 Presentation of Budget Information in Financial Statements  
GRAP 25 Employee Benefits  
GRAP 26 Impairment of Cash-Generating Assets  
GRAP 27 Agriculture  
GRAP 31 Intangible Assets  
GRAP 32 Service Concession Arrangements: Grantor  
GRAP 34 Separate Financial Statements  
GRAP 35 Consolidated Financial Statements  
GRAP 36 Investments in Associates and Joint Ventures  
GRAP 37 Joint Arrangements  
GRAP 38 Disclosure of Interests of Other Entities  
GRAP 100 Discounted Operations  
GRAP 103 Heritage Assets  
GRAP 104 Financial Instruments  
GRAP 105 Transfer of Functions Between Entities Under Common Control  
GRAP 106 Transfer of Functions Between Entities Not Under common Control  
GRAP 107 Mergers  
GRAP 108 Statutory Receivables  
GRAP 109 Accounting by Principals and Agents  
GRAP 110 Living and Non-Living resources



#### INTERPRETATIONS OF STANDARDS OF GRAP APPROVED AND EFFECTIVE FOR 2020/21 FINANCIAL YEAR

IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue  
IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities  
IGRAP 3 Determining whether an arrangement contains a lease  
IGRAP 4 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds  
IGRAP 5 Applying the restatement approach under the Standard of GRAP on financial reporting in hyperinflationary economies  
IGRAP 6 Loyalty Programmes  
IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction  
IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions

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# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

IGRAP 9 Distributions of Non-cash Assets to Owners

IGRAP 10 Assets Received from Customers

IGRAP 13 Operating Leases – Incentives

IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IGRAP 15 Revenue – Barter Transactions Involving Advertising Services

IGRAP 16 Intangible Assets – Website Costs

IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

IGRAP 18 Recognition and Derecognition of Land

IGRAP 19 Liabilities to Pay Levies

IGRAP 20 Accounting for Adjustments to Revenue

•

### 3. Cash and cash equivalents

Cash and cash equivalents consist of

	2022	2021
Cash on hand	3 991	1 091
Bank balances	6 423 528	2 522 364
Short-term deposits call accounts	8 848 003	14 461 063
Services and Utilities	75 202	9 380 480
Traffic	41 462	459 372
FNB Current account	93 781	169 691
	<b>15 485 967</b>	<b>26 994 061</b>

No cash and cash equivalents is pledged as collateral.

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# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Nedbank - Call Account MIG 37881152036	4 605 282	9 354 825	4 605 282	9 354 825
Nedbank - Call Account ELECTRIC RINGFENCE 37881152001	8 239	3 250 060	8 239	3 250 060
Nedbank - Call Account ELECTRICITY GRANTS 37881152087	72 050	69 728	72 050	69 728
Nedbank - Call Account INTERNAL PROJECTS 37881152109	11 451	2 478	11 451	2 478
Nedbank - Call Account INEP 37881152059	3 927 392	1 295 690	3 927 392	1 295 690
Nedbank - Call Account LGSETA 37881152079	124 067	121 371	124 067	121 371
Nedbank - Call Account EPWP 37881152028	97 319	326 599	97 319	326 599
Nedbank - Call Account FMG -37881152095	1 024	38 978	1 024	38 978
Nedbank - Call Account RETENTIONS 37881151994	3 850	1 195	3 850	1 195
Nedbank - Call Account WSIG 37881152060	1 270	1 229	1 270	1 229
Nedbank - Traffic Account 1187895954	41 462	459 372	41 462	459 372
Nedbank Services and Utilities -1187876291	75 202	9 380 481	75 202	9 380 481
Nedbank Current Account - 1185919473	6 423 528	2 522 364	6 423 528	2 522 364
First National Bank - 62027040740	93 781	169 691	93 781	169 691
<b>Total</b>	<b>15 485 917</b>	<b>26 994 061</b>	<b>15 485 917</b>	<b>26 994 061</b>

### 4. Inventories

Consumable stores	2 466 521	1 747 672
Water for distribution	816 832	96 726
	<b>3 283 353</b>	<b>1 844 398</b>

#### Inventory pledged as security

No inventory is pledged as security

#### Water for distribution

Opening balance	96 726	96 726
Authorised consumption	720 106	-
<b>Closing balance</b>	<b>816 832</b>	<b>96 726</b>

### 5. Valued added tax receivable

Value added tax	16 219 634	32 967 278
-----------------	------------	------------

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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2021

### 6. Receivables from non-exchange transactions

#### Gross balances

Property Rates

418 286 066 341 831 897

Fines debtors

10 771 205 9 373 900

**429 057 271 351 205 797**

#### Less: Allowance for impairment

Property Rates

(350 298 242) (278 932 263)

Fines debtors

(10 433 462) (8 913 118)

**(360 731 704) (287 845 381)**

#### Net balance

Property Rates

67 987 824 62 899 634

Fines debtors

337 743 460 782

**68 325 567 63 360 416**

#### Rates

Current (0 -30 days)

14 610 399 13 625 118

31 - 60 days

11 185 551 10 687 200

61 - 90 days

10 569 553 10 069 048

91 - 120 days

10 289 107 9 563 178

>120 days

371 631 456 297 887 353

Less impairment

(350 298 242) (278 932 263)

**67 987 824 62 899 634**

#### Fines debtors

Fines

10 771 205 9 373 900

Less impairment

(10 433 462) (8 913 118)

**337 743 460 782**

#### Reconciliation of provision for impairment for statutory receivables

##### Reconciliation of allowance for impairment

Balance at beginning of the year (property rates and fines)

(287 845 381) (212 787 492)

Contributions to allowance property rates

(71 365 979) (70 686 774)

Contributions to allowance fines

(1 377 814) (3 427 135)

Debt impairment written off

(142 530) (943 979)

**(360 731 704) (287 845 381)**



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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### 6. Receivables from non-exchange transactions (continued)

#### Statutory receivables general information

#### Discount rate applied to the estimated future cash flows

#### Statutory receivables are accounted for as follows:

Traffic fines are issued to offenders in terms of the Criminal Procedures Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates is levied in terms of the Municipal Property Rates Act, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council approved rates and charges against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable. Interest is applied on outstanding debt.

The basis of impairment takes into account the following:

The estimate were determined in accordance with the debt impairment policy of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt.

In assessing whether statutory receivables are impaired, management considered both individually receivables that may be impaired as well as groups of similar receivables that may be impaired.

The total debtors were further separated into groups of similar receivables with similar risk profiles and assessed for impairment.

### 7. Receivables from exchange transactions

#### Gross balances

Electricity	258 911 107	201 597 746
Water	429 417 132	375 331 660
Sewerage	207 346 173	178 649 157
Refuse	153 916 692	129 039 218
Other debtors	184 244 513	182 916 917
	<b>1 233 835 617</b>	<b>1 067 534 698</b>

#### Less: Allowance for impairment

Electricity	(196 074 044)	(147 145 299)
Water	(402 500 446)	(344 116 763)
Sewerage	(197 469 002)	(167 310 944)
Refuse	(147 378 358)	(123 214 543)
Other debtors	(176 676 328)	(179 686 668)
	<b>(1 120 098 178)</b>	<b>(961 474 217)</b>

#### Net balance

Electricity	62 837 063	54 452 447
Water	26 916 686	31 214 897
Sewerage	9 877 171	11 338 213
Refuse	6 538 334	5 824 675
Other debtors	7 568 185	3 230 249
	<b>113 737 439</b>	<b>106 060 481</b>



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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### 7. Receivables from exchange transactions (continued)

#### Electricity

Current (0 -30 days)	29 272 329	30 074 688
31 - 60 days	14 530 746	10 316 102
61 - 90 days	10 436 325	7 875 493
91-120 days	7 470 454	6 151 534
>120 days	197 201 253	147 179 929
Allowance for impairment	(196 074 044)	(147 145 299)
	<b>62 837 063</b>	<b>54 452 447</b>

#### Water

Current (0 -30 days)	8 897 917	10 603 491
31 - 60 days	7 395 030	8 186 673
61 - 90 days	6 950 192	7 539 678
91 - 120 days	7 076 679	6 895 418
>120 days	399 097 313	342 106 399
Allowance for impairment	(402 500 445)	(344 116 762)
	<b>26 916 686</b>	<b>31 214 897</b>

#### Sewerage

Current (0 -30 days)	4 481 721	4 905 529
31 - 60 days	3 715 554	3 786 201
61 - 90 days	3 402 397	3 533 291
91 - 120 days	3 469 908	3 183 835
>120 days	192 276 592	163 240 301
Allowance for impairment	(197 469 001)	(167 310 944)
	<b>9 877 171</b>	<b>11 338 213</b>

#### Refuse

Current (0 -30 days)	3 350 657	2 974 873
31 - 60 days	2 715 813	2 435 712
61 - 90 days	2 568 278	2 314 845
91 - 120 days	2 543 205	2 211 284
>120 days	142 738 739	119 310 083
Allowance for impairment	(147 378 358)	(123 422 122)
	<b>6 538 334</b>	<b>5 824 675</b>

#### Other debtors

Current (0 -30 days)	225 977	208 552
31 - 60 days	218 906	196 964
61 - 90 days	213 568	195 302
91 - 120 days	212 835	198 463
>120 days	175 383 045	169 678 753
Allowance for Impairment	(168 686 146)	(167 247 785)
	<b>7 568 185</b>	<b>3 230 249</b>

#### Reconciliation of allowance for impairment

Balance at beginning of the year	(931 664 694)	(791 951 528)
Contributions to allowance	(188 433 484)	(169 091 532)
Debt impairment written off against allowance	-	(431 157)
	<b>(1 120 098 178)</b>	<b>(961 474 217)</b>

#### Consumer debtors pledged as security

No consumer debtors were pledged as security.



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022

2021

### 8. Investment property

#### Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	216 328 940	7 355 184	223 684 124

#### Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	207 013 340	9 315 600	216 328 940

#### Pledged as security

No Investment Property is pledged as security.

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Orange Business Unit



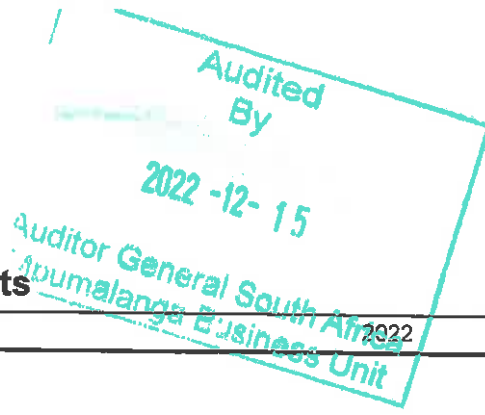
# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022 2021



### 8. Investment property (continued)

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.

The accounting method for the disclosure of investment properties within the Municipalities annual financial statements has changed from the Cost method to the Fair Value model, thus a restatement is applied.

As this method was applied at year end 2021, it was re-performed retrospectively from 2019 for purpose of financial statement reporting.

However, the method of accounting changed, the date of impairment which were disclosed in the previous financial years did not change apart from the costing method.

When valuing real estate, the Valuer must concern himself with placing a value on the rights attaching to the property and the benefits of occupation and/or ownership thereof. In the valuation process, cognisance must be taken of the purpose for which the property is capable of being used and the future income or amenities, which it is likely to produce. At the same time, however, the property must be compared with available substitutes and/or alternative investment opportunities. The object of the valuation process, therefore, is to arrive at a figure which will reflect the point of equilibrium between supply and effective demand at the time of valuing the property.

Investment properties comprise residential and commercial properties that are rented out, as well as vacant land held for a currently undetermined use.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal. The municipality applies the Fair Value model to value and measure investment properties.

The fair value of investment property was calculated as follows:

#### 2022:

"As recommend by GRAP 16.45 An entity is encouraged, but not required, to determine the fair value of investment property based on a valuation by a valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued."

The approved valuation roll was used as the municipality appointed a professional valuator to conduct the general valuation roll updated in 2021.

All SG parcels were considered, and after ownership was tested and applied, the rate was assigned to determine the 2021 fair value for each property.

#### 2021 - 2008:

As the house price indices is available and published, the municipality opted to rely on the FNB Economic report on house prices.

This report is performed by an Economist with qualified statisticians. The information can therefore be deemed reliable as the necessary qualifications and experience is presented to achieve a fair value (market) growth rate.

The fair value for each investment property was adjusted according to the factor as per the FNB barometer in the link below:

[PropertyBarometerOctober.pdf \(fmb.co.za\)](#)

Where required the following percentages were applied per year to determine adjustments over the said period if required

2008 (-2.9)  
2009 (-1.8)  
2010 (5.5)  
2011 (2.8)  
2012 (4.7)

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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### 8. Investment property (continued)

2013 (3.6)  
2014 (8.3)  
2015 (6.4)  
2016 (5.8)  
2017 (4.1)  
2018 (3.8)  
2019 (3.5)  
2020 (1.7)  
2021 (4.5)

#### Impairment:

In 2020 properties where control was deemed to be lost in terms of IGRAP 18 was impaired.

The municipality inspected each property to determine if the property is vacant as per the initial assumption of the valuator or is now occupied. In 2020 total R 325 492 198.571 properties was impaired as control could not be confirmed.

The fact that control is lost does not constitute in a disposal of the property, as the correct legal process was not followed. Until the legal process has been formalised, these properties will be accounted for but impaired.

No Fair value adjustment was applied to impaired properties.

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# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	21 988 989	-	21 988 989	21 988 989	-	21 988 989
Buildings	112 234 009	(42 733 894)	69 500 115	103 204 746	(39 207 968)	63 996 778
Plant and machinery	4 423 195	(3 922 415)	500 780	4 361 097	(3 798 371)	562 726
Furniture and fixtures	6 370 236	(5 013 027)	1 357 209	5 677 465	(4 741 247)	936 218
Motor vehicles	92 801 727	(67 020 060)	25 781 667	91 536 977	(64 665 265)	26 871 712
IT equipment	10 126 201	(8 890 032)	1 236 169	9 178 892	(8 513 800)	665 092
Work in progress	53 167 319	-	53 167 319	47 927 482	-	47 927 482
Roads Infrastructure	949 448 573	(492 825 036)	456 623 537	949 448 573	(472 155 665)	477 292 908
Community	110 241 078	(42 044 731)	68 196 347	110 241 078	(38 849 903)	71 391 175
Electricity network	367 303 232	(143 652 079)	223 651 153	356 780 223	(133 079 915)	223 700 308
Landfill Site Asset	32 150 206	(14 551 331)	17 598 875	32 364 936	(12 834 433)	19 530 503
Wastewater network	326 365 307	(97 489 086)	228 876 221	320 675 044	(91 168 372)	229 506 672
Water network	235 358 112	(97 502 638)	137 855 474	225 057 785	(89 596 895)	135 460 890
<b>Total</b>	<b>2 321 978 184</b>	<b>(1 015 644 329)</b>	<b>1 306 333 855</b>	<b>2 278 443 287</b>	<b>(958 611 834)</b>	<b>1 319 831 453</b>

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# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Transfers received	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	21 988 989	-	-	-	-	-	-	21 988 989
Buildings	63 996 778	147 122	8 882 141	-	(3 697 773)	(246 156)	418 003	69 500 115
Plant and machinery	562 726	62 098	-	-	(125 091)	(15 545)	16 592	500 780
Furniture and fixtures	936 218	692 771	-	-	(271 780)	-	-	1 357 209
Motor vehicles	26 871 712	1 264 751	-	-	(4 462 292)	-	2 107 496	25 781 667
IT equipment	665 092	947 309	-	-	(381 013)	(105 274)	110 055	1 236 169
Electricity network	47 927 482	37 948 843	(32 709 006)	-	-	-	-	53 167 319
Roads network	477 292 908	-	-	-	(38 168 175)	-	17 498 804	456 623 537
Community	71 391 175	-	-	-	(3 484 487)	-	289 659	68 196 347
Electricity network	223 700 308	3 288 467	7 234 542	-	(11 018 946)	(354 409)	801 191	223 651 153
Landfill site asset	19 530 503	-	-	(214 729)	(1 716 899)	-	-	17 598 875
Wastewater network	229 506 672	97 830	5 592 432	-	(7 514 262)	(415 206)	1 608 755	228 876 221
Water network	135 460 890	94 240	10 206 087	-	(8 899 561)	(717 697)	1 711 515	137 855 474
	<b>1 319 831 453</b>	<b>44 543 431</b>	<b>(793 804)</b>	<b>(214 729)</b>	<b>(79 740 279)</b>	<b>(1 854 287)</b>	<b>24 562 070</b>	<b>1 306 333 855</b>

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# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers received	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	21 988 989	-	-	-	-	-	-	21 988 989
Buildings	65 885 467	-	1 370 543	-	(3 544 393)	285 161	-	63 996 778
Plant and machinery	518 829	178 888	-	-	(122 319)	(32 473)	19 801	562 726
Furniture and fixtures	1 103 358	59 950	-	-	(276 178)	(14 480)	63 568	936 218
Motor vehicles	26 832 453	2 954 126	-	-	(4 382 498)	(377 700)	1 845 331	26 871 712
IT equipment	800 553	215 843	-	-	(405 126)	(66 480)	120 302	665 092
Electricity network	24 749 202	36 126 346	(12 948 066)	-	-	-	-	47 927 482
Roads network	501 499 529	172 950	-	-	(38 101 455)	(127 481)	13 849 365	477 292 908
Community	52 381 321	13 203 489	8 856 955	-	(3 288 074)	-	237 484	71 391 175
Electricity network	231 910 779	148 200	2 003 702	554 911	(10 931 674)	-	569 301	223 700 308
Landfill site asset	20 663 048	-	-	-	(1 687 456)	-	-	19 530 503
Wastewater network	235 406 386	198 689	-	-	(7 322 524)	(38 973)	1 263 094	229 506 672
Water network	142 088 792	302 257	-	-	(8 435 395)	(44 864)	1 550 100	135 460 890
	<b>1 325 828 706</b>	<b>53 560 738</b>	<b>(716 866)</b>	<b>554 911</b>	<b>(78 497 092)</b>	<b>(417 290)</b>	<b>19 518 346</b>	<b>1 319 831 453</b>

#### Pledged as security

There are no assets pledged as security.

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# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022      2021

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

#### Property, plant and equipment in the process of being constructed or developed

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

Community	3 594 082	3 556 927
Electricity network	7 495 067	9 301 057
Roads network	19 010 244	-
Waste water network	10 012 809	12 530 646
Water network	13 055 117	22 538 852
	<b>53 167 319</b>	<b>47 927 482</b>

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

Installation of Steel Elevated Tank - DTS 05 2018 2019	166 600	166 600
The design phase was the only part carried out and no tanks have been installed.	9 711 296	9 711 296
Reconstruction of Rooikoppen Pump Station 2 and construction of the booster pump station with pumping main - DTS 08 2017 2018		
Project not complete due to ongoing disputes regarding the land on which the pump station is being build		
	<b>9 877 896</b>	<b>9 877 896</b>

#### Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Total
Opening balance	47 927 482	47 927 482
Additions/capital expenditure	37 948 843	37 948 843
Transferred to completed items	(32 709 006)	(32 709 006)
	<b>53 167 319</b>	<b>53 167 319</b>

#### Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Total
Opening balance	24 749 202	24 749 202
Additions/capital expenditure	36 126 346	36 126 346
Transferred to completed items	(12 948 066)	(12 948 066)
	<b>47 927 482</b>	<b>47 927 482</b>

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#### Expenditure incurred to repair and maintain property, plant and equipment

Buildings	6 668	4 174
Plant and Machinery	70 092	13 172
Motor Vehicles	1 132 218	919 182
Electricity Network	708 908	1 505 493
Water network	466 328	21 130
	<b>2 384 214</b>	<b>2 463 151</b>

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.



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

**Notes to the Annual Financial Statements**

Figures in Rand

**10. Heritage assets**

	2022		2021			
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	106 187	-	106 187	106 187	-	106 187

**Reconciliation of heritage assets 2022**

Art Collections, antiquities and exhibits

Opening balance	106 187
Total	106 187

**Reconciliation of heritage assets 2021**

Art Collections, antiquities and exhibits

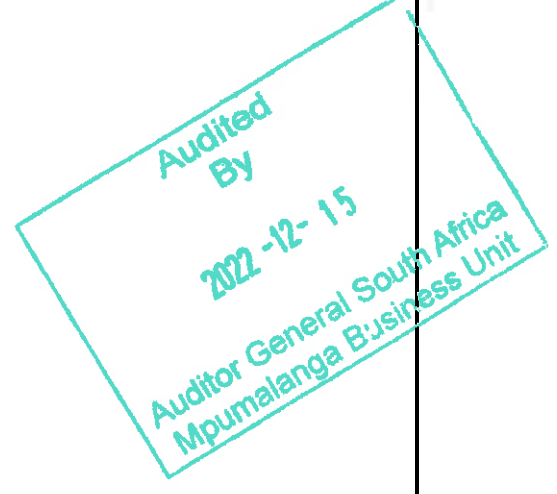
Opening balance	106 187
Total	106 187

**11. Other receivables from exchange transactions**

Other long term receivables from exchange transactions  
Other debtor

	3	3
	4 607 259	1 127 346
	<b>4 607 262</b>	<b>1 127 349</b>
	3	3
	4 607 259	1 127 346
	<b>4 607 262</b>	<b>1 127 349</b>

Non-current assets  
Current assets



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 11. Other receivables from exchange transactions (continued)

#### Other trade and other receivables Syntell, Lekwa Local Municipality is a party to principal-agent arrangement with Syntell

The entity is a party to principal-agent arrangements. The details of the arrangements are disclosed below:

#### Details of the arrangement is as follows:

Lekwa Local Municipality appointed Syntell (Pty) Ltd as an agent for selling and collecting of sales revenue from pre-paid electricity on behalf of the municipality. The duration of the agreement is from 12 December 2017. In terms of the agreement, Syntell (Pty) Ltd is entitled to a commission of 4.58% including VAT. Syntell withheld the commission from the cash collections and pays over the Net Amount to Lekwa Local Municipality. The commission withheld has been disclosed as an expense under Operational Expenses, which is disclosed under other income refer to note 16. As at 30 June 2022, Syntell had not paid over all the cash collections to Lekwa Local Municipality.

<b>Reconciliation: Syntell Receivable</b>	<b>2022</b>	<b>2021</b>
Opening balance	1 127 346	-
Total Sales Pre-Paid Electricity (Inc VAT)	58 586 944	59 361 539
Less Commission withheld	(2 683 282)	(2 728 527)
less : Allowance for impairment	(52 423 749)	(55 505 667)
	<b>4 607 259</b>	<b>1 127 346</b>

#### Agency Fees Reconciliation:

<b>Reconciliation: Agency Fees</b>	<b>2022</b>	<b>2021</b>
Agency fees raised	2 333 289	2 372 632
Agency fees paid	(2 333 289)	(2 372 632)
	-	-

Total amount receivable from Syntell (Pty) Ltd **2022** (R 4,607,259) and **2021** (R1,127,346). The outstanding amount is expected to be settled within 12 months. There are no other resources held on behalf of the municipality. There are no other expenditure in the relationship (except that of commission payable.)

#### Trade and other receivables impaired

Consumer debtors were impaired during the year and prior year refer to note 8 for the detailed impairment per consumer type.

Other long term receivables were impaired as below:

Gross balance : Other long term receivables from exchange transactions	21 692 150	21 692 150
less : Allowance for impairment	(21 692 147)	(21 692 147)
	<b>3</b>	<b>3</b>

#### Reconciliation of provision for impairment of long term trade and other receivables

Opening balance	(21 692 150)	-
Provision for impairment	-	(21 692 150)
	<b>(21 692 150)</b>	<b>(21 692 150)</b>

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<b>11. Other receivables from exchange transactions (continued)</b>		
The long term debt relates to a company that was contracted as debt collectors. They collected monies on behalf of municipality for electricity. The company then withheld monies collected and never handed it to Lekwa Local Municipality resulting in the long term receivable.		
Other debtor relates to monies owed to the Municipality from Syntell on prepaid electricity sales.		
<b>12. Other financial assets</b>		
<b>Residual interest at cost</b>		
Eskom SOC Ltd	30 451 433	29 478 265
Eskom SOC Ltd - The amount held is a deposit to Eskom. The deposit bears interest at a linked rate. The increase in the amount of the deposit related to interest accrued.		
Nedbank Fleet Facility	223 800	216 586
The deposit bears interest at a linked rate . the increase in the amount of the deposit related to interest accrued.		
	<b>30 675 233</b>	<b>29 694 851</b>
<b>Non-current assets</b>		
Residual interest at cost	30 675 233	29 694 851
<b>13. Payables from exchange transactions</b>		
Payments received in advance	28 247 234	21 794 348
Retentions	8 605 863	9 155 551
Salary accruals	16 254 210	39 277 684
Accrued leave pay	22 621 035	22 177 845
Accrued bonus	5 903 720	6 084 913
Accrued expense	2 299 100 066	2 026 052 384
Unallocated Deposits	17 403 917	7 091 797
	<b>2 398 136 045</b>	<b>2 131 634 522</b>
<b>Payments received in advance</b>		
Debtors with credit balance from consumers	20 042 798	13 431 100
Included in payments received in advance are debtors with credit balances.		
<b>14. Consumer deposits</b>		
Electricity	2 153 623	2 146 667
Water	1 120 069	1 113 646
	<b>3 273 692</b>	<b>3 260 313</b>
<b>15. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant	35 373 864	-
Expanded public works	-	535 020
	<b>35 373 864</b>	<b>535 020</b>



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

# Lekwa Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>16. Employee benefit obligations</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Present value of the defined benefit obligation medical benefit plan	(72 060 000)	(69 663 000)
Present value of the defined benefit obligation long service award	(14 298 000)	(13 844 000)
	<b>(86 358 000)</b>	<b>(83 507 000)</b>
Non-current liabilities	(82 193 000)	(79 401 000)
Current liabilities	(4 165 000)	(4 106 000)
	<b>(86 358 000)</b>	<b>(83 507 000)</b>
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	3 408 000	3 008 000
Interest cost	8 001 000	6 834 000
Actuarial (gains) losses	(3 889 000)	5 263 910
Employer benefit payments	(4 669 000)	(3 815 910)
	<b>2 851 000</b>	<b>11 290 000</b>
<b>Calculation of actuarial gains and losses</b>		
Actuarial (gains) losses – PEMA	(3 898 000)	4 237 226
Actuarial (gains) losses – LSA	9 000	1 026 684
	<b>(3 889 000)</b>	<b>5 263 910</b>

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### 16. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date

Mortality during employment 2022: SA 85-90

Mortality during employment 2021: SA 85-90

Discount rates used	11.80 %	10.05 %
Proportion for eligible current non member employees joining the scheme by retirement	15.00 %	15.00 %
Health care cost inflation rate	8.42 %	6.81 %
Net discount rate -health care cost inflation	3.12 %	3.03 %
Maximum subsidy infaltion rate	5.94 %	4.73 %
Net discount rate - maximum subsidy inflation	5.53 %	5.08 %
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 on the Accrued Liability (R Millions)

Assumption	Change	Eligible Employees	Continuation members	Total	% change
<b>Central assumptions</b>		<b>41.228</b>	<b>30.832</b>	<b>72.060</b>	
<b>Health care inflation rate</b>	+1%	44.868	32.727	77.595	8%
	-1%	35.704	29.068	65.772	-9%
<b>Discount rate</b>	+1%	35.069	28.606	63.675	-12%
	-1%	49.0021	32.409	82.411	14%

# Lekwa Local Municipality

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### 16. Employee benefit obligations (continued)

Post-employment mortality	+1 yr	40.274	29.740	70.014	-3%
	-1 yr	42.162	31.933	74.095	3%
Average retirement age	-1 yr	44.581	30.832	75.413	5%
Continuation of membership at retirement	-10%	36.162	30.832	66.994	-7%

The post-employment mortality adjustment "-1 yr", for example, assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is one percentage point greater than the long-term assumption made, the liability will be 8% higher than that shown.

### 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 2022.

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
<b>Central assumptions</b>		2,350,000	6,858,000	9,208,000	
Health care inflation rate	+1%	2,607,000	7,462,000	10,069,000	9%
	-1%	2,029,000	6,183,000	8,212,000	-11%
Discount rate	+1%	1,963,000	6,614,000	8,577,000	-7%
	-1%	2,848,000	7,120,000	9,968,000	8%
Post-employment mortality	+1 yr	2,295,000	6,156,000	8,951,000	3%
	-1 yr	2,404,000	7,060,000	9,464,000	3%
Average retirement age	-1 yr	2,420,000	7,177,000	9,597,000	4%
Continuation of membership at retirement	-10%	2,067,000	6,366,000	8,433,000	-8%

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### 16. Employee benefit obligations (continued)

#### Impact of COVID-19

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 30/06/2022	Year ending 30/06/2021
Opening accrued liability	69 663 000	59 605 000
Plus Service Cost	2 350 000	2 015 000
Plus Interest / Finance Cost	6 858 000	5 988 000
Contributions (benefits paid)	(2 913 000)	(2 182 226)
Actuarial (Gain)/Loss	(3 898 000)	4 237 226
Total annual expense	-	-
	<b>72 060 000</b>	<b>69 663 000</b>

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#### 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 scheme.

#### Long Service Awards

	Year ending 30/06/2022	Year ending 30/06/2021
Opening accrued liability	13 844 000	12 612 000
Plus Service Cost	1 058 000	993 000
Plus Interest / Finance Cost	1 143 000	846 000
Contributions (benefits vested)	(1 756 000)	(1 633 684)
Actuarial (Gain)/Loss	9 000	1 026 684
Expected Employer Benefit Payments	-	-
	<b>14 298 000</b>	<b>13 844 000</b>

#### 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 %



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**16. Employee benefit obligations (continued)**  
 Net discount rate - maximum subsidy inflation  
 Continuation of membership at retirement  
 Proportion with a spouse dependent at retirement  
 Average retirement age

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5.08 %	5.64 %
75.00 %	75.00 %
60.00 %	60.00 %
62.00 %	62.00 %

### 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
<b>Central assumptions</b>		14,298,000	
<b>General earnings inflation</b>	+1%	15,054,000	5%
	-1%	13,601,000	-5%
<b>Discount rate</b>	+1%	13,573,000	-5%
	-1%	15,098,000	6%
<b>Average retirement age</b>	+2 yrs	15,677,000	-10%
	-2yrs	12,595,000	-12%
<b>Withdrawal rates</b>	x2%	11,945,000	-16%
	x0.5%	15,825,000	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 5% higher.

The table below summarises the results of this analysis on the Current-service and Interest Costs for the year ending 30 June 2022.

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
<b>Central assumptions</b>		1,058,000	1,143,000	2,201,000	
<b>General earnings inflation rate</b>	+1%	1,130,000	1,211,000	2,341,000	6%
	- 1%	992,000	1,081,000	2,073,000	-6%
<b>Discount rate</b>	+1%	999,000	1,201,000	2,200,000	0%
	-1%	1,123,000	1,077,000	2,200,000	0%
<b>Average retirement age</b>	+2 yrs	1,150,000	1,258,000	2,408,000	9%
	-2 yrs	964,000	1,011,000	1,975,000	-10%

# Lekwa Local Municipality

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## Notes to the Annual Financial Statements

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### 16. Employee benefit obligations (continued)

Withdrawal rates	x2	818,000	933,000	1,751,000	-20%
	-0.5%	1,223,000	1,280,000	2,503,000	14%

#### Impact of COVID-19

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 tables 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.

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### 17. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Change in provision	Finance cost	Total
Environmental rehabilitation provision	44 392 831	(214 729)	2 502 056	46 680 158
Department of water and sanitation	110 832 025	22 862 107	-	133 694 132
Leave payout - deceased	36 196	-	-	36 196
	<b>155 261 052</b>	<b>22 647 378</b>	<b>2 502 056</b>	<b>180 410 486</b>

#### Reconciliation of provisions - 2021

	Opening Balance	Change in provision	Reversed during the year	Finance cost	Total
Environmental rehabilitation provision	41 458 465	554 911	-	2 379 455	44 392 831
Department of water and sanitation	454 765 804	-	(343 933 779)	-	110 832 025
Leave payout - deceased	36 196	-	-	-	36 196
	<b>496 260 465</b>	<b>554 911</b>	<b>(343 933 779)</b>	<b>2 379 455</b>	<b>155 261 052</b>

#### Environmental rehabilitation provision

Lekwa Local Municipality consists of two (2) towns (Standerton and Morgenzen). Standerton and Morgenzen are located in an area of agricultural significance and Standerton is the central business district of Lekwa Municipality.

Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site. No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits with no detailed inspections or investigations. Basic information on the size and classification of each site was supplied.

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### 17. Provisions (continued)

#### Key financial assumptions and calculations used

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 30 June 2022 was 11.64% p.a.. The consumer price inflation of 7.40% p.a. was obtained from the differential between the averages of the Nominal Bond Yield Curve and the Real Bond Yield Curve (Zero Yield Curves).

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 30 June 2022.

Discount rate (D) 11.64 %  
Consumer price inflation (C) 7.40%  
Net discount rate 3.94 %

#### Standerton Landfill Site:

The landfill site is situated approximately 1.5km from Kosmospark which is a suburb in Standerton. The Standerton landfill site is responsible for accommodating the solid waste of Standerton and Sakhile which is a township in Standerton. The total population of Standerton and Sakhile accumulates to 98 970 in 2022. (Census 2011 adjusted to 2022 at 1.46% annually).

The site is accessed by a gravel road linked to the R546 asphalt main road and its coordinates are 26,906166°S 29,241434°E. The estimated total footprint of the item is approximately 192 600m<sup>2</sup> and the fully utilised area is approximately 124 900m<sup>2</sup>. The total partially used airspace is 86 979.91m<sup>3</sup> as per drone stock piling. A total of 45 100m<sup>2</sup>.

The remaining life is calculated at 6 years, up to 2028 based on the annual population growth and available air space.

#### Morgenzenon Landfill site:

The landfill site is situated approximately 237m from Morgenzenon. The Morgenzenon landfill site is responsible for accommodating the solid waste of Morgenzenon and Sivukile which is a township in Morgenzenon. The total population of Morgenzenon and Sivukile accumulates to 8969 in 2022. (Census 2011 adjusted to 2022 at 1.46% annually).

The site is accessed by an asphalt R39 main road and its coordinates are 26,728805°S 29,621867°E. The estimated total footprint of the item is approximately 10 500m<sup>2</sup> and the fully utilised area is approximately 8 300m<sup>2</sup>. The total partially used airspace is 363.57m<sup>3</sup>

The remaining life is calculated at 4 years, up to 2026 based on the annual population growth and available air space.

### 18. Revenue

Service charges	507 885 782	479 755 460
Rental income	1 728 552	1 665 559
Operational revenue	1 727 452	1 232 060
Interest received	65 431 374	46 930 052
Dividends or similar distributions received	1 795 340	1 931 140
Property rates	170 255 466	156 420 892
Government grants & subsidies	164 886 330	191 089 597
Public contributions and donations	1 151 190	14 683 489
Fines, Penalties and Forfeits	2 982 889	1 180 716
	<b>917 844 375</b>	<b>894 888 965</b>

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<b>18. Revenue (continued)</b>		
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	507 885 782	479 755 460
Rental income	1 728 552	1 665 559
Operational income	1 727 452	1 232 060
Interest received	65 431 374	46 930 052
Dividends or similar distributions received	1 795 340	1 931 140
	<b>578 568 500</b>	<b>531 514 271</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	170 255 466	156 420 892
<b>Transfer revenue</b>		
Government grants & subsidies	164 886 330	191 089 597
Public contributions and donations	1 151 190	14 683 489
Fines, Penalties and Forfeits	2 982 889	1 180 716
	<b>339 275 875</b>	<b>363 374 694</b>
<b>19. Service charges</b>		
Sale of electricity	371 238 259	327 601 361
Sale of water	71 728 178	84 677 928
Sewerage and sanitation charges	37 169 179	40 957 144
Refuse removal	27 750 166	26 519 027
	<b>507 885 782</b>	<b>479 755 460</b>
<b>20. Rental income</b>		
Rental income	1 728 552	1 665 559
<b>21. Fines, Penalties and Forfeits</b>		
Illegal Connections Fines	1 182 737	14 938
Sundry Fines	102	28
Municipal Traffic Fines	1 800 050	1 165 750
	<b>2 982 889</b>	<b>1 180 716</b>
<b>22. Operational income</b>		
Tender deposits received	41 739	37 165
Cemetery fees	127 662	79 632
Building plan charges	172 368	165 889
Clearance certificates	178 955	135 287
Rezoning fees	529 532	241 620
Miscellaneous income	525 734	377 173
Connection and reconnection fees	151 462	198 950
Skills development levy fund	-	(3 656)
	<b>1 727 452</b>	<b>1 232 060</b>

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### 23. Investment revenue

#### Interest revenue

Bank and other financial assets	1 795 340	1 931 140
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#### Interest revenue

Interest charged on trade and other receivables	65 431 374	46 930 052
	<b>67 226 714</b>	<b>48 861 192</b>

### 24. Property rates

#### Rates received

Residential	107 567 379	104 671 021
Business and Commercial	44 174 400	34 375 708
State government and PBO	3 906 806	3 741 036
Agriculture -small farm holdings and farms	14 606 881	13 633 127
	<b>170 255 466</b>	<b>156 420 892</b>

#### Valuations

Residential	5 465 587 557	5 366 794 123
Business and Commercial	1 135 956 557	985 466 180
State government and PBO	1 564 021 540	1 819 939 451
Municipal	210 976 000	543 679 687
Agriculture -small farm holdings and farms	4 047 413 300	4 051 323 800
	<b>12 423 954 954</b>	<b>12 767 203 241</b>

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.

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Figures in Rand	2022	2021
<b>25. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	134 832 020	149 432 617
Expanded Public Works Grants	2 471 000	736 980
	<b>137 303 020</b>	<b>150 169 597</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	14 933 136	28 320 000
Financial Management Grant	2 650 174	2 600 000
Integrated National Electrification Programme	10 000 000	10 000 000
	<b>27 583 310</b>	<b>40 920 000</b>
	<b>164 886 330</b>	<b>191 089 597</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	65 428 000	42 192 000
Unconditional grants received	134 297 000	147 656 000
	<b>199 725 000</b>	<b>189 848 000</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Energy Efficiency and Demand Side Management Grant</b>		
Current-year receipts	-	531 892
Conditions met - transferred to revenue	-	(531 892)
	-	-
Conditions still to be met - remain liabilities (see note 15).		
This grant is utilised for the planning and implementation of energy efficient technologies ranging from traffic and street lighting to energy efficiency in buildings and water service infrastructure.		
<b>Municipal Disaster Grant (MDG)</b>		
Current-year receipts	-	717 471
Conditions met - transferred to revenue	-	(717 471)
	-	-
Conditions still to be met - remain liabilities (see note 15).		
This grant is utilised for COVID-19 related expenditure with regard to Personal Protective Equipment and Cleaning Materials for Decontamination and Sanitising of Municipal Buildings.		
<b>Municipal infrastructure grant</b>		
Balance unspent at beginning of year	-	1 058 996
Current-year receipts	50 307 000	28 320 000
Conditions met - transferred to revenue	(14 933 136)	(29 378 996)
	<b>35 373 864</b>	-

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# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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### 25. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

This grant is utilised to construct roads and bridges, sportsfields, community halls and streetlighting as part of the upgrading of informal settlement areas.

#### Expanded public works grant

Balance unspent at beginning of year	535 020	-
Current-year receipts	2 471 000	1 272 000
Conditions met - transferred to revenue	(3 006 020)	(736 980)
	<u>-</u>	<u>535 020</u>

Conditions still to be met - remain liabilities (see note 15).

The Expanded Public Works Programme is a government programme aimed at the alleviation of poverty and unemployment.

This programme ensures the full engagement on Labour Intensive Methods of Construction to workers for skills development.

#### Integrated National Electrification Programme

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

Conditions still to be met - remain liabilities (see note 15).

This grant is utilised for electricity connections to households in various areas, serviced by Eskom, within the Municipal jurisdiction.

#### Financial Management Grant

Current-year receipts	2 650 000	2 600 000
Conditions met - transferred to revenue	(2 650 000)	(2 600 000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 15).

This grant is utilised for Interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and for Asset Management and Financial System enhancements and training.

### 26. Public contributions and donations

Public contributions and donations	<u>1 151 190</u>	<u>14 683 489</u>
------------------------------------	------------------	-------------------

The municipality received donations of a motor vehicle and library.

# Lekwa Local Municipality

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### 27. Employee related costs

Basic	151 380 112	134 687 912
Bonus	10 303 763	10 022 643
Medical aid - company contributions	12 326 210	11 563 712
UIF	1 037 864	913 358
Other payroll levies	6 922 774	6 599 732
Leave pay provision charge	2 023 742	2 863 211
Defined contribution plans	1 170 666	3 556 483
Pension contribution	29 104 154	27 671 136
Travel, motor car, accommodation, subsistence and other allowances	11 943 563	12 602 859
Overtime payments	15 548 985	15 315 951
Long-service awards	1 667 950	1 630 914
Acting allowances	3 075 599	1 193 904
Housing benefits and allowances	700 548	671 323
Allowance cellular and telephone services	2 288 827	(21 218)
	<b>249 494 757</b>	<b>229 271 920</b>

### Remuneration of municipal manager JM Mkgatsi

Annual Remuneration	718 107	1 650 621
Car Allowance and other allowances	348 220	139 489
Contributions to UIF, Medical and Pension Funds	10 989	17 301
Other	(73 874)	-
	<b>1 003 442</b>	<b>1 807 411</b>

### Remuneration of chief finance officer K Duba

Annual Remuneration	1 017 894	802 748
Car Allowance and other allowances	240 010	90 000
Contributions to UIF, Medical and Pension Funds	13 768	9 339
	<b>1 271 672</b>	<b>902 087</b>

### Remuneration of Acting Municipal Manager - LD Tsotetsi

Annual Remuneration	926 637	-
Car Allowance and other allowances	454 296	-
Contributions to UIF, Medical and Pension Funds	14 200	-
Other	(85 600)	-
	<b>1 309 533</b>	<b>-</b>

### Remuneration of Acting Chief Finance Officer - Mr DL Shabangu

Annual Remuneration	-	551 271
Car Allowance and other allowances	-	39 776
Contributions to UIF, Medical and Pension Funds	-	4 643
	<b>-</b>	<b>595 690</b>

### Remuneration of Acting Chief Finance Officer - Mr Hlatshwayo

Annual Remuneration	-	85 063
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### Remuneration of Acting Corporate Services executive manager - Mr VJC Maseko

Annual Remuneration	-	133 598
Car Allowance and other allowances	-	5 197

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	2022	2021
<b>27. Employee related costs (continued)</b>		
Contributions to UIF, Medical and Pension Funds	-	603
	-	139 398
<b>Remuneration of Acting Corporate Services executive manager - Mr SB Mkwazi</b>		
Annual Remuneration	-	293 139
<b>Remuneration of Development and Planning executive manager - MR MP Phosa</b>		
Annual Remuneration	868 288	871 229
Car Allowance and other allowances	360 000	360 000
Contributions to UIF, Medical and Pension Funds	12 781	10 670
	<b>1 241 069</b>	<b>1 241 899</b>
<b>Remuneration of Community Services and Safety executive manager - MR RM Jackson</b>		
Annual Remuneration	-	171 594
<b>Remuneration of Community Services and Safety executive manager - Ms T Mtshiselwa</b>		
Annual Remuneration	-	146 247
<b>Remuneration of Acting Technical Services executive manager - MR TK Sithole</b>		
Annual Remuneration	-	512 902
Car Allowance and other allowances	-	41 537
Contributions to UIF, Medical and Pension Funds	-	4 390
	-	<b>558 829</b>
<b>Remuneration of Acting Technical Services executive manager - Ms ZP Mngadi</b>		
Annual Remuneration	-	365 193
<b>Remuneration of Acting Technical Services executive manager - MR GJ Du Plooy</b>		
Annual Remuneration	-	25 553
Car Allowance and other allowances	-	33 563
	-	<b>59 116</b>
<b>Remuneration of Acting Director Corporate Services executive manager - L Scheepers</b>		
Annual Remuneration	104 825	-
Car Allowance and other allowances	47 821	-
Contributions to UIF, Medical and Pension Funds	996	-
Other	(70 453)	-
	<b>83 189</b>	-
<b>Remuneration of Acting Director Corporate Services : TS Khumalo</b>		
Annual Remuneration	624 289	-
Car Allowance and other allowances	364 036	-
Contributions to UIF, Medical and Pension Funds	213 013	-
	<b>1 201 338</b>	-

# Lekwa Local Municipality

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<b>27. Employee related costs (continued)</b>		
<b>Remuneration of Development &amp; Planning executive manager - MP Phosa</b>		
Annual Remuneration	795 930	-
Car Allowance and other allowances	330 000	-
Contributions to UIF, Medical and Pension Funds	11 718	-
	<u>1 137 648</u>	<u>-</u>
<b>Remuneration of Technical executive manager - E Kwangwa</b>		
Annual Remuneration	202 790	-
Car Allowance and other allowances	116 516	-
Contributions to UIF, Medical and Pension Funds	4 518	-
	<u>323 824</u>	<u>-</u>
<b>28. Remuneration of councillors</b>		
Executive Major	663 416	810 853
Mayoral Committee Members	-	1 773 807
Speaker	394 024	666 377
Councillors	6 617 850	7 533 383
Councillors' pension contribution	666 420	1 305 085
	<u>8 341 710</u>	<u>12 089 505</u>
<b>In-kind benefits</b>		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	79 740 275	78 497 091
<b>30. Impairment loss</b>		
<b>Impairments</b>		
Property, plant and equipment	1 131 859	96 511
<b>Reversal of impairments</b>		
Property, plant and equipment	(23 839 639)	(19 148 476)
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
<b>Total impairment losses (recognised) reversed</b>	<u>(22 707 780)</u>	<u>(19 051 965)</u>
<b>31. Finance costs</b>		
Trade and other payables	83 703 360	33 042 485
Interest costs - LSA, PEMA and Landfillsite provision	10 503 057	8 367 455
	<u>94 206 417</u>	<u>41 409 940</u>
<b>32. Auditors' remuneration</b>		
Fees	5 927 303	6 469 042



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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### 33. Debt impairment

Debt impairment

231 747 037 235 602 826

### 34. Operational expenses

Advertising	2 084 317	1 666 553
Auditors remuneration	5 927 303	6 469 042
Bank charges	780 647	1 197 121
Skills Development Fund Levy	2 104 086	1 499 908
Commission paid/Debt collectors	4 096 489	12 859 371
Workmen's Compensation fees	1 363 994	1 277 631
Licences fees	1 007 625	472 589
Entertainment	66 300	37 943
Fines and penalties	1 633 048	2 031 265
Ward Councillors	852 000	2 445 000
Insurance	2 502 771	2 950 257
Conferences and seminars	105 775	60 517
IT expenses	10 201 735	5 383 621
Pest control	2 665 135	646 000
Postage and courier	25 400	73 320
Protective clothing	2 479 436	170 380
Subscriptions and membership fees	5 752 819	2 405 813
Telephone and fax	2 684 959	2 460 852
Travel	1 795 063	1 444 923
	<b>48 128 902</b>	<b>45 552 106</b>

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### 35. Bulk purchases

Electricity - Eskom	440 668 948	363 480 639
Water	30 724 510	46 652 323
	<b>471 393 458</b>	<b>410 132 962</b>

### Electricity losses

Electricity Losses	-	158 257 039	124 403 915
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### Water losses

Water losses	-	212 407 671	77 970 922
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### 36. Contracted services

#### Outsourced Services

Fire Services	73 770	73 875
Meter Management	803 100	-
Security Services	31 606 497	25 503 900

#### Consultants and Professional Services

Business and Advisory	31 113 034	4 831 283
Legal Cost	22 014 221	9 603 928

# Lekwa Local Municipality

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<b>36. Contracted services (continued)</b>		
<b>Contractors</b>		
Maintenance of Buildings and Facilities	17 406	50 079
Maintenance of Equipment	14 508 626	13 193 500
Maintenance of Unspecified Assets	29 835	16 163
Medical Services	240 832	268 499
	<b>100 407 321</b>	<b>53 541 227</b>
<b>37. Cash generated from operations</b>		
Deficit	(345 210 976)	(203 217 026)
<b>Adjustments for:</b>		
Depreciation and amortisation	79 740 275	78 497 091
Fair value adjustments	(7 355 184)	(9 315 600)
Impairment reversals	(22 707 780)	(19 051 965)
Debt impairment	231 747 037	235 602 826
Movements in valued added tax	16 747 644	(29 541 046)
Movements in employee benefits	2 851 000	11 290 000
Movements in provisions	25 149 434	(349 241 238)
<b>Changes in working capital:</b>		
Inventories	(1 438 955)	(69 159 602)
Other receivables from exchange transactions	(3 479 913)	(1 127 349)
Consumer debtors	(239 423 995)	(61 940 104)
Other receivables from non-exchange transactions	(4 965 151)	35 578 346
Payables from exchange transactions	266 529 678	419 360 685
Unspent conditional grants and receipts	34 838 844	1 241 447
Consumer deposits	13 379	(1 528 379)
	<b>33 035 337</b>	<b>37 448 086</b>
<b>38. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	18 518 487	32 629 996
<b>Total capital commitments</b>		
Already contracted for but not provided for	18 518 487	32 629 996

This committed expenditure relates to plant and equipment and will be financed by grants and funds internally generated, etc.

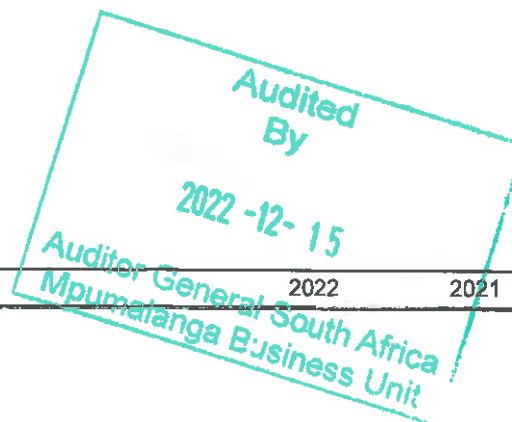
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### 39. Contingencies

Case		Case number	2022	2021
Application by Municipality for an order reviewing and setting a settlement agreement entered into between the Municipality (represented by Marongo) and Nkonyane. The settlement was not authorised	Lekwa Local Municipality II SALGBC, J Mashika N.O & M.X Nkonyane Case: JR 1069/14.	Case: JR 1069/14	(1 694 149)	(1 694 149)
Summons were issued and served at the municipality in 2015. No action was taken, plaintiff applied for Default Judgement in October 2017. Default judgement was granted against the respondents (Municipality and Mr Maboea-Driver) subsequently a warrant of execution against property was issued. The sheriff attached assets belonging to both respondents.	Lekwa Local Municipality II Lethusang Michael Mothobi// Moshantle John Moboea.	Case: 1541/2015	(84 128)	(84 128)
Claim for damages arising from breach of the 2011 land sale and development agreement, being alleged proceeds of the sale of stands, alternatively an amount already incurred by Hayes under the 2008 agreement (before cancellation thereof) and the wasted costs incurred under the 2011 agreement.	Hayes Matkovich Development (Pty) Ltd // Lekwa Local Municipality.	Case. 34401/12	(65 756 794)	(65 756 794)
The Municipality is being sued by the Plaintiff (contractor) who was appointed to upgrade roads claiming that it was not paid complete price for work done, however the Municipality alleges that it paid total amount.	Phumi Trading JV Masallo Zwane Construction Lekwa.		(2 430 000)	(2 903 683)
The plaintiff is suing for damages as result of alleged negligence on the part of the municipality. The alleged fluctuation of electricity current or voltage caused the plaintiff's house to burn down and as a result of that the plaintiff suffered losses.	Pheela Abraham Motaung/ Lekwa Local Municipality	Case. 47901/2012	(750 000)	(750 000)
The plaintiff issued summons against the municipality for damages alleging negligence on the part of the municipality. Plaintiff's child was electrocuted in one of the mini electrical substations. The substation, belonging to the municipality, is said to have been left open and unattended.	Thobile Shongwe obo Thulani K Shongwe// Lekwa Local Municipality	Case	-	(6 000 000)
The applicant brought and urgent application against the municipality. The reliefs sought were as follows: 1. Interdict against the municipality stopping the municipality from engaging the services of another security company pending the finalisation of the matter. 2. That a month to month contract and or arrangement alleged to be in place continue until such time that the municipality has ameliorated its debt towards the applicant. 3. Cost of the suit.	Lekwa Local Municipality// EI Gondor	Case: 2657/2017	(17 558 033)	(17 558 033)
The plaintiff is suing the municipality for services rendered. They alleged they were appointed to attend to remedial works at the reservoir.	Afri-Infra Group// Lekwa Local Municipality	Case: 2599/2018	(747 246)	(747 246)



# Lekwa Local Municipality

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### 39. Contingencies (continued)

			2022	2021
The plaintiff is accusing the municipality that during 19 October 2016, their property was destroyed by fire due to Municipal failure to extinguish the fire.	Henning Jacobus Kruger & Elizabeth Johanna Cornelia Kruger// Lekwa Local Municipality	Case Number: 4212/18	(860 000)	(860 000)
Plaintiff is suing the municipality for unlawful arrest, unlawful detention and defamation of character by the traffic officers	Eskom Holdings LTD/Lekwa Local Municipality	Case: 126/2019	(215 859 677)	(215 859 677)
The two applicants issued an application at the Middelburg High Court requesting the court to issue and order in the following terms: 1. That the municipality is entitled to an of R 3.8 Million for historical electricity consumption. 2. That the municipality be ordered to apply basic accounting principles in its billing. The applicants alleges that their attempts to resolve the matter with the municipality did not yield any results.	Standerton Oil Mills, COFCO// Lekwa Local Municipality	Case: 2473/2019	(640 000)	(860 000)
The plaintiff, Tlou Consulting, sued the municipality for damages. The plaintiff was awarded work by the municipality. Certain invoices were not honored by the municipality. Despite claims and demands by the plaintiff the municipality still failed to honor the two invoices-Additional cost for the repair of filters.	Tlou Consulting (Pty) Ltd// Lekwa Local Municipality	Case : 711/2020	(564 980)	(564 980)
This is an eviction matter. The company, Anglo American, is evicting a former employee. The municipality was an inactive respondent in the matter. A court order was made (with very limited time) directing the municipality to file a report on the availability of alternative space that can be used to accommodate the victims of evictions. The company issued a contempt application against the municipality for failing to file the above report on time.	Anglo Operations// Mmanang Ephraim Masoma//Lekwa L.M	Case: 4198/2018	(270 000)	(200 000)
The plaintiff gave notice in line with The Institution of Legal Proceedings Against Certain Organs of State act, Act No. 40 of 2002. The lawsuit is for damages suffered by the respondent as a result of alleged negligence and or non-maintenance of electrical network. The plaintiff was electrocuted whilst operating an agricultural equipment under electrical lines allegedly belonging to the municipality.	Wessel Johannes Kotze/ Lekwa Local Municipality/ Eskom Holdings	Case : 671/2021	(19 200 000)	(19 200 000)
The company is suing the municipality for an outstanding debt. The company sold and delivered goods to the municipality. The municipality allegedly failed to pay for the services.	Zamangwane Water Technology// Lekwa L.M	No formal court document has been issued	-	(1 900 295)

# Lekwa Local Municipality

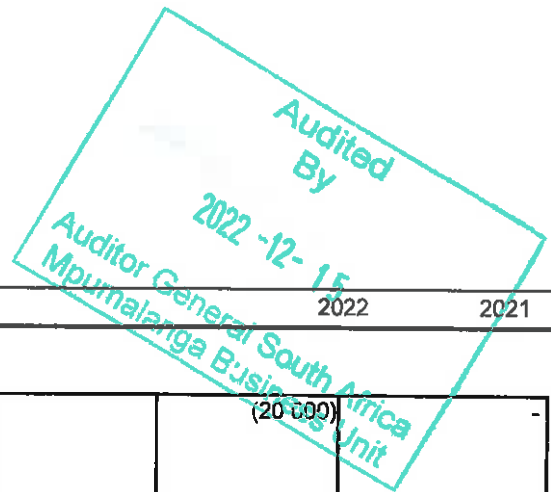
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### 39. Contingencies (continued)

<p>The plaintiff sued the municipality for non-compliance with the NEMA legislation, The lawsuit relates to contraventions happening at the Standerton Dumping site. Plaintiff alleges that the debris and trash dumped by members of the community is contaminating the environment, polluting the general space and also having adverse environmental impact. The plaintiff alleges that the municipality is reckless and or neglecting its responsibilities in relation to maintaining and managing the Dump site.</p>	<p>A Du Plessis OBO Gerrit Coetzee Boerdery //Lekwa Local Municipality</p>		<p>(20 000)</p>	<p>-</p>
<p>Astral issued a notice in line with Section 3 of The Institution of legal proceedings against certain Organs of State Act. In essence the company is informing the municipality of its intention to proceed with legal action. The dispute is based on the alleged failure by the municipality to supply the company with sufficient water which in turn led to losses.</p>	<p>Lekwa L.M// Eskom Holdings SOC LTD</p>	<p>No attorney appointed yet</p>	<p>(93 239 412)</p>	<p>-</p>
<p>Eskom Holdings is suing the municipality for an amount of R 1 171 884 987.63 for damages as a result of services allegedly rendered to the municipality and not paid not paid.</p>	<p>Eskom Holding Limited//Lekwa Local Municipality</p>		<p>(1 171 884 988)</p>	<p>(1 171 884 988)</p>
<p>Plaintiffs issued combined summons at the High Court in Middelburg. They are suing the municipality for damages. It is alleged that a fire broke out, on the 21 June 2019, from a farm owned by the municipality.</p>	<p>Johan Wasserman Trust// Rise &amp; Shine SB (PTY) LTD// Avoxeni Farming CC//Lekwa Local Municipality</p>		<p>(928 056)</p>	<p>-</p>
<p>Plaintiffs issued combined summons at the High Court in Middelburg. They are suing the municipality for damages. It is alleged that a fire broke out, on the 22 and 27 June 2020, from a farm owned by the municipality.</p>	<p>Frans Johannes Joubert// Blue Sands Trading 852 CC// Avoxeni Farming CC//Lekwa Local Municipality</p>		<p>(64 275)</p>	<p>-</p>
<p>The plaintiff is claiming a relief as follows: 1. Payment of the amount of R43 944.72 (Forty-Three Thousand Nine Hundred and Forty-Four rand and Seventy-Two-cents) by the defendants (Jointly and/or severally). 2. Interest on the claimed amount, a tempore mora, from 25th August 2020 to date of full/final payment. 3. Payment/contributions in respect of Medical Aid, UIF, PAYE and Pension for the period of 03rd August 2022 to 07th September 2020, 21st October 2022 to 26th November 2020 (still to be calculated). 4. Costs of suite on attorney-and-client scale. 5. Further and/or alternative legal relief</p>	<p>Joseph Bhutana Mbuli//Lekwa Local Municipality and Others</p>		<p>(43 945)</p>	<p>-</p>
<p>The plaintiff is claiming a relief as follows: 1. Payment of R3 037 827.70 2. Interest 3. Cost of suit 4. Further and/or alternative relief.</p>	<p>Rand Water//Lekwa Local Municipality</p>		<p>(3 037 828)</p>	<p>-</p>

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### 39. Contingencies (continued)

The plaintiff is claiming ; 1. Payment of the sum of R82 702.52 2. Interest on the aforesaid amount a tempore morae at the legal rate. 3. Cost of suit. 4. Further and/or alternative relief.	Iliso Consulting T/A Nako Iliso (Pty)Ltd//Lekwa Local Municipality		(82 703)	-	
The plaintiff is claiming; 1. Payment of the sum of 2 977 635.15; 2. Interest at 10 % p/a; 3. Cost of suit on an Attorney and client scale; 4. Further and/or alternative relief.	Sizowakha security and cleaning services // Lekwa local Municipality.		(2 977 635)	-	
Kindly note that the application the matter ,approached the high court of South Africa Mpumalanga Division. The applicant in summary is claiming that the municipality, that the rates published in local authority be declared as unlawful, for failure to comply with the prescribed statutory requirements in imposing the tariffs. Astral issued a notice in line with Section 3 of The Institution of legal proceedings against certain Organs of State Act. In essence the company is informing the municipality of its intention to proceed with legal action. The dispute is based on the alleged failure by the municipality to supply the company with sufficient water which in turn led to losses.	Case number: 1371/2021		(440 000)	-	
		0	0	(1 599 133 849)	(1 506 823 973)

The amounts listed above have been provided by the legal experts handling the respective cases and it was deemed impracticable to include the legal costs to be incurred due to the complicated nature of the cases they are handling and uncertainty of the time frames required to conclude these cases.

#### The following contingent assets were noted

Lekwa Municipality // Makgaji Printing & Projects CC,

The certainty and timing of the of the outflow of economic resources related the case listed above is uncertain.

A case between Lekwa Local Municipality//TFTFM The defendant was ordered to make payments of:

2022: R4 312 603.4 and 2021 R 4 312 603.40.

The municipality received a default judgement and ordered the plaintiff to deliver the fire engines worth . 2022: R4 312 603.40 and 2021 R 4 312 603.4

Description/citation of parties	2022	2021
Lekwa Local Municipality//TFTFM	4 312 603.40	4 312 603.40

There is no possibility of any reimbursement for the cases listed below.

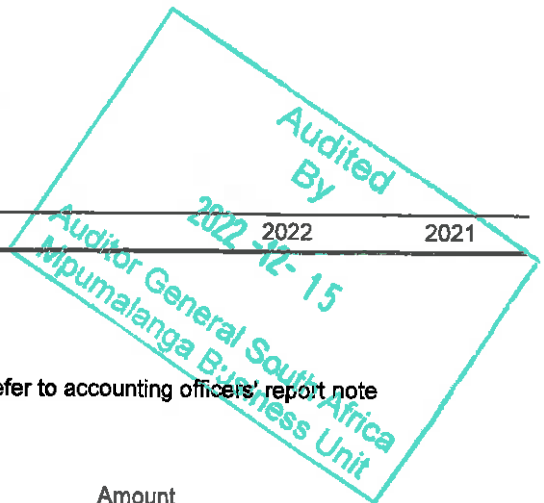
A case between Lekwa Local Municipality /Department of Water and Sanitation for possible contingent liability of 2022: R 646 782 590 and 2021: R 557 429 730.

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### 40. Related parties

Relationships

Accounting Officers

Refer to accounting officers' report note

### Key management information

<u>Executive management 2021 financial year</u>	<u>Description</u>	<u>Amount</u>
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
Acting Chief Financial Officer : From 01 July 2019)	Duba KD	R 902 086
Municipal Manager : from 11 Aug 2017 to 18 June 2021	GPN Mhlongo Ntshangase	R 1 807 422
Acting Chief Finance Officer (period:5 June 2020	DL Shabangu	R 595 688
Acting Chief Finance Officer : From 10 December 2020 to 11 February 2021	BT Hlatswayo	R 85 062
Acting executive manager corporate service (period: from 15 June 2020)	VJC Maseko	R 139 398
Acting executive manager community services : From 01 June 2021 to 30 June 2021	SB Mkwanazi	R 293 139
<u>Executive management 2022 financial year</u>	<u>Description</u>	<u>Amount</u>
Acting Municipal Manager (Period: From 18 June 2021 to 13 January 2022)	Mokgatsi JM	R 1 003 441
Acting Municipal Manager (Period: From 14 January 2022 to 11 July 2022)	Tsotetsi LD	R 791 867
Chief Financial Officer (Period: From 03 February 2021 to date)	Duba KD	R 1 271 672
Executive Manager: Planning & Development (Period: From 01 October 2019 to date)	Phosa MP	R 1 241 068
Acting Executive Manager Corporate Services (Period: From 21 June 2021 to 20 July 2021)	Scheepers L	R 83 189
Acting Executive Manager Corporate Services (Period: From 11 August 2021 to 13 January 2022)	Tsotetsi LD	R 517 666

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### 40. Related parties (continued)

Acting Executive Manager Technical Kwangwa E  
(Period: From 21 June 2021 to 30  
November 2021) resigned and came  
back (Period: From 01 April 2022 to  
date)

R 323 824

### Remuneration of key executive management



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 40. Related parties (continued)

Remuneration of mayoral committee members and councillors

2022

Name	Basic salary	Other short-term employee benefits	Post-employment benefits	Total
Executive Mayor - Cllr D.L. Thabethe	491 974	72 831	52 647	617 452
Speaker - Cllr O Phiri	291 944	152 372	39 775	484 091
Chief Whip - Cllr Cllr DJ Msibi	272 676	161 870	37 395	471 942
MMC: Planning & Economic - Cllr JT Sebiloane	226 256	105 262	25 140	356 657
MMC : Technical Services - Cllr SA Majozi	226 256	108 902	25 140	360 298
MMC: Corporate Services - Cllr PC Mahlaba	255 069	123 572	31 292	409 933
MMC Community Services - Cllr SM Modise	276 461	99 595	32 353	408 409
	<b>2 040 636</b>	<b>824 404</b>	<b>243 742</b>	<b>3 108 782</b>



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 40. Related parties (continued)

2021

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Termination benefits	Total
Executive Mayor - Cllr P.J Dlamini	552 686	211 519	40 700	80 178	5 947	891 031
Speaker - HM Khotso	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
	<b>2 507 284</b>	<b>779 866</b>	<b>244 200</b>	<b>473 830</b>	<b>20 364</b>	<b>4 025 544</b>

### Remuneration of councillors

2022

Name	Basic salary	Car Allowance	Cellphone Allowance	Contributions to Medical and Pension Funds	Other benefits received	Deductions withheld	Total
Cllr MR Motloung	167 066	-	29 600	17 821	3 918	-	218 405
Cllr NE Nombeje	37 925	2 947	7 639	6 895	-	(4 044)	51 362
Cllr SW Masondo	126 337	45 574	29 600	15 770	-	(3 061)	214 220
Cllr CAO Franco	155 260	51 271	28 920	19 766	-	(85)	255 132
Cllr DJ Msibi	272 676	103 756	28 613	37 395	29 501	-	471 941
Cllr DJ Venter	128 211	41 252	28 920	16 760	662	-	215 825
Cllr DL Thabethe	491 974	18 622	28 613	52 647	25 596	-	617 452
Cllr DR Manana	167 066	-	29 600	17 821	3 917	-	218 404
Cllr FE Madela	39 095	-	6 959	7 213	415	-	53 682
Cllr GJ Xulu	126 875	41 252	29 600	16 760	2 779	-	217 266
Cllr JC Stoltz	157 453	55 592	28 920	19 341	-	(5 163)	256 143
Cllr JD Nkuta	167 066	-	29 600	17 821	3 918	-	218 405



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 40. Related parties (continued)

Cllr JT Sebilwane	226 256	83 798	22 200	25 140	-	(737)	356 657
Cllr LM Marago	167 066	-	29 600	17 821	3 918	-	218 405
Cllr Ms Mngomezulu	167 066	-	29 600	17 821	3 918	-	218 405
Cllr O Phiri	291 944	104 282	28 613	39 775	19 476	-	484 090
Cllr PM Radebe	128 211	41 252	28 920	16 760	6 634	-	221 777
Cllr PS Hlatshwayo	32 389	10 595	7 639	5 162	-	(4 393)	51 392
Cllr RS Tsotetsi	115 426	45 377	22 200	20 705	-	(297)	203 411
Cllr SA Maboea	109 011	45 574	29 600	14 745	18 895	-	217 825
Cllr SA Mejozi	226 256	83 798	22 200	25 140	2 904	-	360 298
Cllr SA Tshabalala	127 464	46 949	29 600	16 018	-	(4 178)	215 853
Cllr SB Ngqulungo	170 759	-	29 600	17 821	4 296	-	222 476
Cllr SE Khumalo	37 854	4 322	7 639	6 471	1 792	-	58 078
Cllr SL Nhlapo	35 416	13 117	8 235	5 304	504	-	62 576
Cllr SP Ngwenya	167 066	-	29 600	17 821	3 918	-	218 405
Cllr TC Motaung	165 545	-	29 361	17 821	3 900	-	216 627
Cllr APM Mthimkhulu	167 066	-	29 600	17 821	3 918	-	218 405
Cllr ML Molaba	167 066	-	29 600	17 821	3 918	-	218 405
Cllr NC Nhlapo	43 609	-	7 161	3 536	-	(887)	53 419
Cllr NS Tlhakudi	153 728	51 270	28 920	19 766	2 995	-	256 679
Cllr PC Mahlaba	255 069	89 691	29 600	31 292	4 280	-	409 932
Cllr SA Silosini	160 093	45 377	28 620	20 826	980	-	255 896
Cllr SM Modise	276 461	69 832	29 600	32 353	163	-	408 409
Cllr W Venter	155 260	13 456	28 920	19 766	37 805	-	255 207
	<b>5 583 085</b>	<b>1 108 956</b>	<b>873 212</b>	<b>673 516</b>	<b>194 940</b>	<b>(22 845)</b>	<b>8 410 864</b>

2021

Name	Basic salary	Car Allowance	Cellphone Allowance	Contributions 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 SJ Nkosi	163 021	69 152	40 700	62 530	2 071	337 474
Cllr JQ Khumalo	222 187	83 482	40 700	39 487	2 330	388 186

## Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

Figures in Rand

#### 40. Related parties (continued)

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 Mingomezulu	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 P-J Diamini	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 Moreja	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 VMI Mahlangu	194 718	49 865	40 700	49 085	2 183	336 551
Cllr PC Mahlaba	171 014	67 544	40 700	30 395	1 891	311 544
Cllr. P C Molaba	540 392	156 619	40 700	96 046	391	677 529
Cllr SS TP Motloung	363 772	67 544	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
	<b>5 622 104</b>	<b>1 965 742</b>	<b>1 078 988</b>	<b>1 093 382</b>	<b>55 093</b>	<b>9 815 309</b>

#### 41. Prior-year adjustments

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

#### Statement of financial position

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

2022 2021

### 41. Prior-year adjustments (continued)

2021

	Note	As previously reported	Correction of error	Restated
Inventories		69 024 337	(67 179 939)	1 844 398
Receivables from exchange transactions		133 409 004	(40 601 362)	92 807 642
Receivables from non - exchange transactions		37 679 155	25 681 261	63 360 416
Other receivable from exchange		-	1 127 346	1 127 346
Value Added Tax receivable		74 654 728	(41 687 450)	32 967 278
Cash and cash equivalents and Bank overdraft		(139 448 070)	166 442 131	26 994 061
Heritage assets		-	106 187	106 187
Investment property		1 374 355	214 954 585	216 328 940
Property, plant and equipment		1 140 923 121	178 940 089	1 319 863 210
Other financial assets		29 444 932	249 919	29 694 851
Long term receivables from exchange transactions		21 692 150	(21 692 147)	3
Payables from exchange transactions		(1 934 055 134)	(184 326 550)	(2 118 381 684)
Consumer deposits		(1 485 770)	(1 774 543)	(3 260 313)
Provisions		(518 650 927)	363 389 875	(155 261 052)
Accumulated deficit		1 169 480 034	(593 629 402)	575 850 632
		<b>84 041 915</b>	<b>-</b>	<b>84 041 915</b>

### Statement of financial performance

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		481 061 408	(1 305 948)	-	479 755 460
Interest received		49 159 735	-	(49 159 735)	-
Interest received on trade and other receivables		-	-	46 930 052	46 930 052
Interest received bank and other financial assets		-	(292 075)	2 229 683	1 937 608
Fair value adjustments		-	9 315 600	-	9 315 600
Actuarial gains/losses		-	-	(4 237 226)	(4 237 226)
Reversal of impairment		-	17 364 509	-	17 364 509
Fines , Penalties and Forfeits		1 114 116	66 600	-	1 180 716
Employee related costs		(239 008 706)	9 736 786	-	(229 271 920)
Depreciation and amortisation		(94 925 591)	18 114 994	-	(76 810 597)
Finance costs		(99 693 200)	56 251 995	2 031 265	(41 409 940)
Debt impairment		(210 631 862)	(24 970 964)	-	(235 602 826)
Bulk purchases		(456 650 679)	46 517 717	-	(410 132 962)
Contracted services		(55 317 964)	1 776 737	-	(53 541 227)
Inventory consumed		(16 145 057)	6 303	-	(16 138 754)
Operational costs		(41 947 821)	(3 604 285)	-	(45 552 106)
<b>Deficit for the year</b>		<b>(682 985 621)</b>	<b>128 977 969</b>	<b>(2 205 961)</b>	<b>(556 213 613)</b>

Errors

Audited  
By  
  
2022 -12- 15  
  
Auditor General South Africa  
Mpumalanga Business Unit

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Audited  
By  
  
2022-12-15  
  
Auditor General South Africa  
Mpumalanga Business Unit

Figures in Rand

2022                      2021

### 41. Prior-year adjustments (continued)

The following prior period errors adjustments occurred:

#### Error 1: Inventories

A restatement of PPE and Investment property, is a result of a reconstruction of the said register. All property owned by the LM was identified and was classified to be either Investment property or land. Based on the recalculation of each erven size provided by the national Surveyor General, a professional 3rd party valuator valued each property to determine its fair value in the reporting financial year. For property classified as PPE land a fair value adjustment was applied to determine the cost price at take on date of the said land.

Balance previously reported	69 024 337
Prior year adjustments to land inventory	- 67 179 935
Restated amount	<u>1 844 398</u>

#### Error 2 :Receivables from exchange transactions

In the prior year the receivables from exchange transactions were adjusted , a revised impairment calculation was performed which resulted in the adjustment. The balance has consequently led to the debt impairment being understated.

Balance previously reported	133 409 003
Prior year adjustments gross balance	- 9 402 012
Prior year adjustments on impairment	- 31 199 349
Restated amount	<u>92 807 642</u>

#### Error 3: Receivables from non - exchange transactions

In the prior year the receivables from non - exchange transactions were adjusted , a revised impairment calculation was performed which resulted in the adjustment on impairment for property rates.  
In the prior year the receivables from non - exchange transactions were adjusted , a revised impairment calculation was performed which resulted in the adjustment on impairment for property rates  
The Gross Receivables from Property Rates decreased due to credit notes passed in the 2021FY.  
The Gross Receivables from Traffic Fines increased due to an amount of R304 658 which was mapped correctly to Traffic Fines from Other Receivables from Non-Exchange.

Balance previously reported	37 679 155
Prior year adjustments gross balance property rates	- 1 284 731
Prior year adjustments gross balance traffic fines	603 399
Prior year adjustments gross balance traffic fines reclassification from other debtors non exchange	- 304 658
Prior year adjustments on impairment property rates	30 238 742
Prior year adjustments on impairment traffic fines	- 3 571 490
Restated amount	<u>63 360 416</u>

#### Error 4: Other Receivables from exchange

During the prior year we noted that Syntell the prepaid electricity provider has not been declaring all monies due to the municipalities which led to the adjustment and accounting of the receivable. Consequently prepaid revenue balance of the other receivables from exchange transaction was considered for impairment as the debtor has been long outstanding and recoverability of the receivable has been uncertain. Consequently debt impairment was understated

Balance previously reported	0
Prior year adjustments on Syntell receivable	1 127 345
Restated amount	<u>1 127 346</u>

#### Error: 5 Valued Added Tax

In the prior year, SARS returns were erroneously captured and submitted to SARS. SARS reconciliation were not performed resulting in interest and penalties not being captured.

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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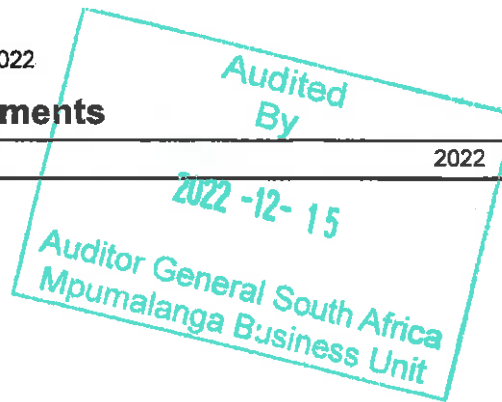
2021

### 41. Prior-year adjustments (continued)

This has led to the adjustment on of Value Added Tax.

Balance previously reported  
Prior year adjustments  
Restated amount

74 654 728  
- 41 687 450  
32 967 278



### Error: 6 Cash and Cash equivalents

Cashier's were importing bank statements into incorrect cashbooks resulting in over and/or understatement of the bank balances and 3rd party payments made directly to Eskom by the consumers were only recorded by the cashier's as a receipt, even though the money was never debited in Lekwa's Local Municipality Bank Account resulting in overstatement of deposits. Bank Charges incurred were not captured in the cashbook.

Cash and Cash equivalent adjustments are summarised as below however detailed adjustments are further explained per account.

### Cash and Cash equivalents and bank overdraft

Nedbank Current Account	
Balance previously reported	- 139 448 070
Prior Period Adjustments Short term deposits	- 42 917 468
Prior Period Adjustments Bank balance - Nedbank	199 350 056
Prior Period Adjustments Services and Utilities	9 380 480
Prior Period Adjustments Traffic	459 372
Prior Period Adjustments FNB Current account	169 691
Restated amount	<u>26 994 061</u>

The municipality has a fleet facility with Nedbank whereby the municipality can have access to funds up to a certain capped amount for fleet expenditure.

Balance previously reported Nedbank ( 37881154641)	216 586
Prior year adjustments on disclosure	-216 586
Restated amount	<u>0</u>

This was not disclosed on the cash and bank note on the face of the AFS for the current year

### Error 7: Other Financial Assets

The adjustment relates to a journal for investment that was incorrectly captured on Eskom deposit and 33 332 that was not recognised as interest income in the 2021 financial period.

Balance previously reported	29 444 93
Prior year adjustments	249 919
Restated amount	<u>29 694 851</u>

The municipality has a fleet facility with Nedbank whereby the municipality can have access to funds up to a certain capped amount for fleet expenditure. The municipality had to make a deposit into the fleet account in order to maintain the facility that is used to top up fuel.

### Nedbank Fleet Facility

Balance previously reported	0
Prior year reclassification on financial assets fleet deposit	216 586
Restated amount	<u>216 586</u>

### Error 9: Other Long Receivables from exchange

The balance of the Long term receivables from exchange transaction was considered for impairment as the debtor has been long outstanding and recoverability of the receivable has been uncertain. An adjustment was made to recognise the

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 41. Prior-year adjustments (continued)

impairment on the gross balance and consequently debt impairment was understated.

Balance previously reported	21 692 150
Prior year adjustments	- 21 692 147
Restated amount	<u>3</u>

### Error 10: Trade payables

There were some incorrect entries made towards creditors and this led to payables from exchange being misstated as follows:

Payables from exchange transactions were understated, Advance deposits were not accounted for correctly, Debtors with credit balances were not disclosed. Consequently operational expenditure were understated and not disclosed in the correct period.

#### Adjustment breakdown to accruals and trade creditors

Balance previously reported	- 1 869 817 063
Prior year adjustments to trade creditors and accruals	- 156 235 318
Restated amount	<u>- 2 026 052 381</u>

#### Adjustment breakdown to Retention

Balance previously reported	- 8 784 763
Prior year adjustments to retention	- 370 787
Restated amount	<u>- 9 155 550</u>

#### Adjustment breakdown to Payments received in advance

Balance previously reported	- 22 474 198
Prior year adjustments to retention	13 932 687
Restated amount	<u>- 8 541 510</u>

#### Adjustment breakdown to salary control

Balance previously reported	- 4 716 252
Prior year adjustments to retention	- 34 561 432
Restated amount	<u>- 39 277 684</u>

#### Remapping breakdown of unallocated deposits mapped with advance payments balance

Unallocated deposits	<u>- 7 091 797</u>
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### Error 11: Consumer Deposits

The Adjustment relates to Property rentals deposits that were refunded to Customers but still sitting on the GL as a Positive Liability, and adjustment of Water and Electricity due to Incorrect quick codes set up.

Balance previously reported	- 1 485 968
Prior year adjustments	- 1 774 543
Restated amount	<u>- 3 260 511</u>

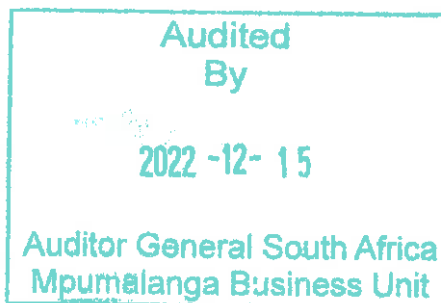
### Error 12: Provisions

The Adjustment relates to DWS Provision, the portion adjusted was disclosed as Contingent and the other portion was disclosed as Trade payables.

Balance previously reported	- 454 765 804
Prior year adjustments	343 933 799
Restated amount	<u>- 110 832 025</u>

#### The Adjustment relates to Landfill site Provision

A detailed verification, survey and measurement with stockpiling software was utilized to do accurate measurements of each landfill site to determine its lifetime accurately. The cost of rehabilitation was estimated by 3rd party civil engineering companies based on the data collected and calculations as per the landfill site report.



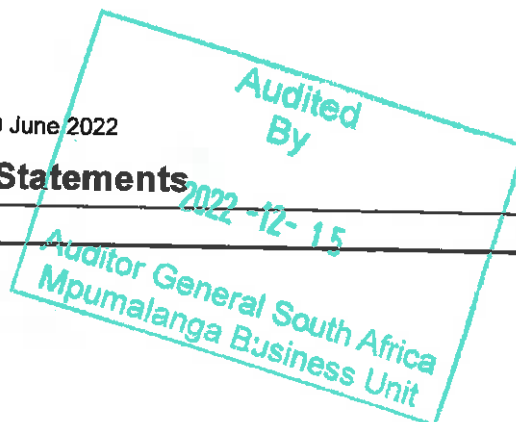


# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand



2022 2021

### 41. Prior-year adjustments (continued)

Balance previously reported	- 63 848 927
Prior year adjustments	19 456 096
Restated amount	<u>- 44 392 831</u>

#### Error 13: Accumulated deficit

The Adjustment relates to the the net asset and liabilities adjustments movement to accumulated surplus

Balance previously reported	1 169 480 034
Prior year adjustments	- 593 629 402
Restated amount	<u>575 850 632</u>

#### Error 16: Service Charges

The service charges decreased due to some credit notes passed to adjust the overbilling in 2021FY. In addition, the electricity service charges was restated (increased) due to an error of understatement on the Pre-Paid Electricity Sales from Shops. The total sales per Syntell Sales Report were not agreeing to the total sales revenue recorded in the GL.

Balance previously reported	481 061 407
Prior year adjustments credit notes processed	- 1 305 947
Restated amount	<u>479 755 460</u>

#### Error 17: Interest Received

Investment Revenue: The Interest Income from Investment was overstated due to non recording of accrued interest from the Eskom Deposit the municipality has.

Balance previously reported	49 159 735
Prior year adjustments	- 298 543
Restated amount	<u>48 861 191</u>

This was further reclassified as below in order to align with GRAP 1 disclosure for fair presentation of financial statements

Balance previously reported	- 48 867 660
Reclassification of interest received from bank and other investments	- 1 937 608
Reclassification of interest received from receivables	<u>- 46 930 052</u>

The municipality has a fleet facility with Nedbank whereby the municipality can have access to funds up to a certain capped amount for fleet expenditure. The municipality had to make a deposit into the fleet account in order to maintain the facility that is used to top up fuel. The deposit earns interest on a monthly basis

#### Nedbank Fleet deposit interest movement

Balance previously reported	0
Prior year adjustments on interest received on fleet deposit	6 468
Restated amount included in total interest	<u>6 468</u>

#### Error 18 Fair Value adjustments

Buildings - During the verification process, the completeness of the Building register was found to be inaccurate. Therefore a full site verification was conducted by means of drone imaging, HD 360 imaging and GIS software to measure all assets relating to building and community assets belonging to the municipality as per the deeds office and network asset registers to update the completeness. All new found building and community assets were capitalized at a Deemed fair value to the most accurate or available date of "in use".

Land - A restatement of PPE and Investment property, is a result of a reconstruction of the said register. All property owned by the LM was identified and was classified to be either Investment property or land. Based on the recalculation of each even size provided by the national Surveyor General, a professional 3rd party valuator valued each property to determine its fair value in the reporting financial year. For property classified as PPE land a fair value adjustment was applied to determine the cost price at take on date of the said land.

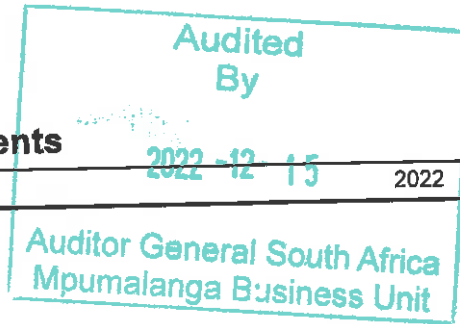


# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand



### 41. Prior-year adjustments (continued)

Balance previously reported	0
Prior year adjustments on fairvalue for land and buildings	9 315 600
Restated amount	<u>9 315 600</u>

### Error 19 Actuarial gains and losses

Actuarial gains and losses were adjusted for employee benefits and disclosed separately for fair presentation according to GRAP 1 disclosure.

Balance previously reported	0
Prior year adjustments on employee benefits	4 237 226
Restated amount	<u>4 237 226</u>

### Error 20 Reversal of Impairment

The adjustment relates to previously recognised impairment on non current assets.

Balance previously reported	0
Prior year adjustments on employee benefits	17 364 509
Restated amount	<u>17 364 509</u>

### Error 21 Debt impairment

The increase in Debt Impairment was caused by a provision made on a long- outstanding receivable for Magatji (Pty) Ltd. No provision was made in the prior year hence a restatement was done. In addition, the increase was also due to a new methodology used which considers the payment pattern for each individual debtor over a historic period of 3 years.

Balance previously reported	210 631 862
Prior year adjustments	24 970 964
Restated amount	<u>235 602 826</u>

The following relates to the R 24 970 963 adjustment breakdown of the movement for debt impairment

Water	12 104 427.00
Refuse	737 949.00
Electricity	- 6 299 038.00
Property Rates	- 30 235 742.00
Other Debtors	23 263 184.55
Bad Debts written off	136 545.16
Electricity_Magatji	21 692 147.00
Impairment Loss-Traffic Fines	3 571 490.85

### Error: 22 Contracted Services

Contracted services were overstated due to incorrect capturing of some invoices. This resulted in adjustment of contracted services.

Balance previously reported	- 55 317 964
Prior year adjustments	1 776 737
Restated amount	<u>- 53 541 227</u>

### Error : 23 Operational costs

The adjustments relate to invoice correction and reclassifications under operational costs which resulted in increase in operational costs for previous financial year.

Balance previously reported	- 41 947 821
Prior year adjustments	<u>- 3 604 285</u>

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 41. Prior-year adjustments (continued)

Restated amount - 45 552 106

The following relates to the R 3 604 305 adjustment breakdown of the movement for debt impairment

Advertising	20.00
Auditors remuneration	8 577.00
Bank charges	75 143.00
Commission paid/Debt collectors	2 372 632.00
Licences fees	288 848.00
Fines and penalties	2 031 265.00
IT expenses	606 148.00
Travel	11 664.00

### Error 24 Bulk Purchases

Bulk Purchases was restated due to incomplete recording of invoices relating to the financial period. The adjustment relates to DWS, there are some invoices and all the interest that we are disputing and we communicated with DWS.

Balance previously reported	- 456 650 679
Prior year adjustments	<u>46 517 716</u>
Restated amount	<u>- 410 132 962</u>

### Error 25 Finance Costs

The finance cost prior period error relates to the SARS PAYE, VAT being reclassified. It was further identified that under DWS the interest was incorrectly recognised as the account billed to the municipality was incorrect. The Landfill site interest was corrected to reflect the amount as per actuarial reports.

Balance previously reported	- 99 693 200
Prior year adjustments	<u>58 283 260</u>
Restated amount	<u>- 41 409 940</u>

### Error 26: Fines, Penalties and forfeits

Fines, Penalties and forfeits: The traffic fines revenue was understated due to incomplete recording of all traffic fines issued. This resulted in an adjustment of Revenue and the traffic fine receivable.

Balance previously reported	1 114 116
Prior year adjustments on traffic fines	<u>66 600</u>
Restated amount	<u>1 180 716</u>

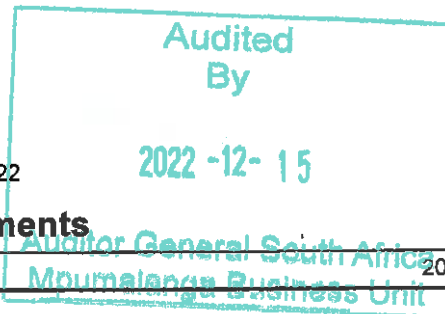
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# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 41. Prior-year adjustments (continued)

#### Error 27: Inventory Consumed

Inventory consumed this error was accounted for in order to align the inventory listing agrees to the GL

Balance previously reported	-16 145 057
Prior year adjustments on traffic fines	6 303
Restated amount	<u>-16 138 754</u>

#### Error 28: Depreciation and amortisation

Depreciation and amortisation was revised due to detailed work performed on assets

Balance previously reported	- 94 925 591
Prior year adjustments	18 114 994
Restated amount	<u>- 76 810 597</u>

#### Error 29: Employee Costs

The error was as a result of reclassification amongst employee costs line items the detailed breakdown is as below

Balance previously reported	- 239 008 706
Prior year adjustments	- 9 736 786
Restated amount	<u>- 229 271 920</u>

Basic	-5 078 469
Bonus	-162 272
Medical aid - company contributions	-21 470
UIF	-1 487
Defined contribution plans	10 225 226
Pension contribution	-72 521
Allowance cellular and telephone services	1 935 925
Travel, motor car, accommodation, subsistence and other allowances	- 3 001 656

#### Error 8 Property Plant and Equipment

Buildings - During the verification process, the completeness of the Building register was found to be inaccurate. Therefore a full site verification was conducted by means of drone imaging, HD 360 imaging and GIS software to measure all assets relating to building and community assets belonging to the municipality as per the deeds office and network asset registers to update the completeness. All new found building and community assets were capitalized at a Deemed fair value to the most accurate or available date of "in use".

##### Landfill site asset

A detailed verification, survey and measurement with stockpiling software was utilized to do accurate measurements of each landfill site to determine its lifetime accurately. The cost of rehabilitation was estimated by 3rd party civil engineering companies based on the data collected and calculations as per the landfill site report.

##### Waste Water

During the verification process, the completeness of the completeness of network assets were found to be inaccurate. Therefore a full site verification was conducted by means of drone imaging, HD 360 imaging and GIS software to measure all assets relating to network asset registers to update the completeness. All new found network assets were capitalized at a Deemed fair value to the most accurate or available date of "in use". Assets which were double accounted for or have never existed in the said area, were corrected to ensure the FAR is a accurate reflection of assets found within the LM.

##### Water Network

During the verification process, the completeness of the completeness of network assets were found to be inaccurate. Therefore a full site verification was conducted by means of drone imaging, HD 360 imaging and GIS software to measure all assets relating to network asset registers to update the completeness. All new found network assets were capitalized at a Deemed fair value to the most accurate or available date of "in use". Assets which were double accounted for or have

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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### 41. Prior-year adjustments (continued)

never existed in the said area, were corrected to ensure the FAR is a accurate reflection of assets found within the LM.

#### Roads and Stomwater

All roads areas were accurately remeasured by means of HD drone imaging. Surface types for each road section was accurately corrected and a historic rate per square meter was applied to each newly calculated area.

#### Electricity Network

During the verification process, the completeness of the completeness of network assets were found to be inaccurate. Therefore a full site verification was conducted by means of drone imaging, HD 360 imaging and GIS software to measure all assets relating to network asset registers to update the completeness. All new found network assets were capitalized at a Deemed fair value to the most accurate or available date of "in use". Assets which were double accounted for or have never existed in the said area, were corrected to ensure the FAR is a accurate reflection of assets found within the LM.

#### Community

During the verification process, the completeness of the Building register was found to be in accurate. Therefore a full site verification was conducted by means of drone imaging, HD 360 imaging and GIS software to measure all assets relating to building and community assets belonging to the municipality as per the deeds office and network asset registers to update the completeness. All new found building and community assets were capitalized at a Deemed fair value to the most accurate or available date of "in use".

#### Land

A restatement of PPE and Investment property, is a result of a reconstruction of the said register. All property owned by the LM was identified and was classified to be either Investment property or land. Based on the recalculation of each erven size provided by the national Surveyor General, a professional 3rd party valuator valued each property to determine its fair value in the reporting financial year. For property classified as PPE land a fair value adjustment was applied to determine the cost price at take on date of the said land.

#### Work in Progress

The entire population of Work in Progress for the past 3 years was revisited. Projects were unbundled and capitalised based on the recalculated WIP amounts. These included the recalculating of retention and correct recognition of said amounts.

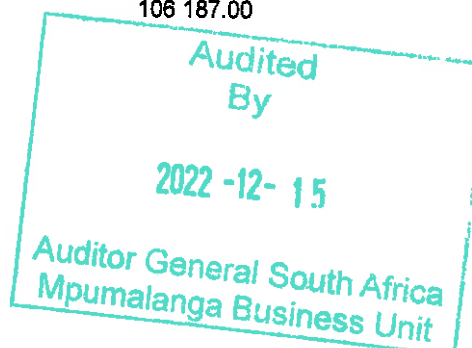
#### Heritage assets

The detailed breakdown of the assets are disclosed as an annexure below the error in PDF as the document is large

ERROR TYPE	CLASS	Amount
Heritage Assets	Accumulated surplus	-106 187.00
	Heritage Assets	106 187.00

#### Narration to AFS:

Management identified through the audit that the municipality does not have a heritage asset register. All heritage assets were verified, and new register have been compiled.



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 41. Prior-year adjustments (continued)

#### Contingent assets and liabilities prior period error

The following errors were noted on contingent assets and liabilities and adjusted as per the lawyers revised estimates of the cases.

TFM Sekhato(Pty) Ltd// Kwane Capital (Pty) Ltd and 5 others Lekwa L.M previously disclosed contingent liability 2021 Audited R 850 000 and Restated 2021 R 0 .

Eskom Holding Limited//Lekwa Local Municipality previously disclosed contingent liability 2021 Audited R 0 and Restated 2021 R 1 171 884 987

Lekwa Local Municipality//TFTFM previously disclosed contingent asset 2021 Audited R 0 and Restated 2021 R 4 312 603.

#### Irregular expenditure

Opening balance	502 167 159
Adjustments made	- 171 026 740
<b>Restated opening balance</b>	<b>- 673 193 899</b>

#### Fruitless and wasteful expenditure

Opening balance	461 924 514
Adjustments made	- 32 835 794
<b>Restated opening balance</b>	<b>- 494 760 308</b>

Adjustment made to fruitless and wasteful expenditure is due to penalties and interest not identified

#### Unauthorised expenditure

Opening balance	1 349 463 958
Adjustments made	- (9 652 375)
<b>Restated opening balance</b>	<b>- 1 339 811 583</b>

Adjustment made to unauthorised expenditure is due to other expenditure not identified.

#### Change in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

#### Investment property

During the year , the municipality changed its accounting policy with respect to the treatment of GRAP 16 - Investment property.

During the valuation of Investment Property for 2022 financial year the following ammendments were taken into consideration:

Accounting policy of Investment property has been changed from cost model to fair value measurement , difference were correctly accounted for:

Accumulated surplus	- R 205 564 695.60
Fair value adjustments	- R 9 315 600.31
Investment Property	- R 214 954 585.91



# Lekwa Local Municipality

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### 42. Risk management

#### Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department under policies approved by the . Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units.

#### 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 counterparty.

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	2022	2021
Other financial asset - Eskom Deposit	30 675 233	29 694 851
Trade and other receivables from exchange transactions	113 737 439	106 060 481
Trade and other receivables from non - exchange transactions	68 325 567	63 360 416
Cash and cash equivalents	15 485 967	26 994 061

#### 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.

Financial instrument	2022	2021
Short term deposits	8 518 980	14 461 138
Other financial asset - Eskom Deposit	30 675 233	29 694 851
Traffic current account	41 462	459 372
Services and utilities	75 202	9 380 480
Nedbank current account	6 423 528	2 522 364
FNB current account	93 781	162 691

### 43. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of R (921 093 462) and that the municipality's total liabilities exceed its assets by R (921 093 462).

# Lekwa Local Municipality

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### 43. 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 plans to address the above cash flow shortages through enhanced revenue collection and a resultant consistency in the payment of creditors, when they become due.

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

### 44. Events after the reporting date

There were no material events that required an adjustment to the annual financial statements after the reporting date.

### 45. Unauthorised expenditure

Opening balance as previously reported	1 339 811 583	1 106 342 265
Add: Unauthorised expenditure - current	146 189 219	243 121 693
Less: Unauthorised expenditure - prior period	-	(9 652 375)
<b>Closing balance</b>	<b>1 486 000 802</b>	<b>1 339 811 583</b>

#### Disciplinary steps taken/criminal proceedings

No disciplinary action or steps taken/criminal proceedings.

### 46. Fruitless and wasteful expenditure

Opening balance as previously reported	494 759 885	450 405 443
Add prior period error on opening balance	-	11 518 648
Add: Fruitless and wasteful expenditure identified - current	71 594 847	32 835 794
<b>Closing balance</b>	<b>566 354 732</b>	<b>494 759 885</b>

Fruitless and wasteful expenditure is presented inclusive of VAT

#### Disciplinary steps taken/criminal proceedings

No disciplinary action or steps taken/criminal proceedings.

### 47. Irregular expenditure

Opening balance as previously reported	673 193 898	461 416 062
Add: Irregular expenditure - non compliant	771 490	2 278 473
Add: Irregular expenditure - appointment of service providers	29 594 543	38 472 623
Add: Prior period error	-	171 026 740
<b>Closing balance</b>	<b>703 559 931</b>	<b>673 193 898</b>

#### Disciplinary steps taken/criminal proceedings

No disciplinary action or steps taken/criminal proceedings.

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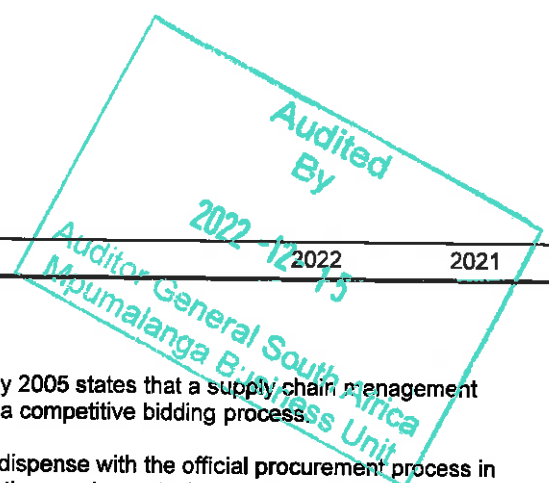


# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand



### 48. 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.

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been approved by the Municipal Manager and noted by council.

Order Number	Date	Supplier	Amount	Description	Reason	Period
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.	30.06.2021
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.	30.06.2021
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	30.06.2021
280607	2020/08/20	GP Hlongwane	R 303 600	Hiring of trucks	Immediate assistance was needed due to sewer spillages that affected households.	30.06.2021
41577	2021/06/21	RISE fm	R 119 370	IDP and Budget Consultation Interviews	Emergency	30.06.2021
280608	2020/08/20	GP Hlongwane	R 662 400	Hiring of trucks	Immediate assistance was needed due to sewer spillages that affected households.	30.06.2021
41663	2021/08/23	Quick volt elektries	R 10 558	Repair cable fault	Immediate assistance need for urgent repair of cable fault	30.06.2022
41662	2021/08/23	Quick volt elektries	R 8 850	Repair cable fault	Immediate assistance need for urgent repair of cable fault	30.06.2022

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### 48. Deviation from supply chain management regulations (continued)

41660		2021/08/20	Mavutha contractors enterprise	R 173 489	Repair cable fault	Immediate assistance need for urgent repair of cable fault	30.06.2022
41669		2021/08/23	Tomco electrical & mechanical	R 325 000	Supply of mini sub vandalised	Emergency no electricity	30.06.2022
41678		2021/09/02	Mavutha contractors enterprise	R 172 464	Repair cable fault	Immediate assistance need for urgent repair of cable fault	30.06.2022
41750		2021/10/21	Carpet & decor centre trichard	R 40 950	Cleaning and replace damaged carpets	Insurance claim against the municipality	30.06.2022
41808		2021/11/19	Mavutha contractors enterprise	R 142 319	Repair cable fault	Immediate assistance need for urgent repair of cable fault	30.06.2022
41813		2021/11/23	Braybar pumps	R 211 365	Supply of new pump	Fittings at kierser pump station standardized to fit the size and type of a braybar pump.	30.06.2022
41839		2021/12/10	Mavutha contractors enterprise	R 515 944	Supply of mini sub vandalised	Emergency no electricity	30.06.2022
41849		2021/12/17	Nomdric electrical and project	R 124 700	Hire of cable fault	Areas without electricity. municipal locator not working	30.06.2022
41848		2022/01/19	Nomdric electrical and project	R 550 000	Hire of cable fault	Areas without electricity. municipal locator not working	30.06.2022
41861		2022/01/24	Quick volt elektries	R 6 900	Hire of cherry picker and crane truck	Emergency community without electricity over the weekend	30.06.2022
41829		2022/01/11	Quick volt elektries	R 34 560	Maintenance of equipment	Immediate assistance need for urgent repair of fittings	30.06.2022
41882		2022/02/11	Authunsia holding	R 725 217	Hire of refuse trucks	Immediate assistance on refuse collection	30.06.2022

# Lekwa Local Municipality

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### 48. Deviation from supply chain management regulations (continued)

41881		2022/02/11	Before dawn property	R 730 434	Hire of refuse trucks	Immediate assistance on refuse collection	30.06.2022
41886		2022/02/14	Phalisani business enterprises	R 834 00	Hire of refuse trucks	Immediate assistance on refuse collection	30.06.2022
41845		2021/12/17	Key spirit trading	R 1 245 950	Supply of 4 ton aerial platform truck		30.06.2022
							-

### 49. Segment Information

#### General Information

#### Identification of segments

In accordance with GRAP 18, Segment Reporting, a segment as an activity of the municipality that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity); whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and for which separate financial information is available. The municipality has identified various activities within the municipality that meets the definition of a segment. Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

#### Aggregated segments

The municipality operates in the Mpumalanga Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Standerton were sufficiently similar to warrant aggregation.

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any). These reportable segments as well as the goods and/or services for each segment are set out below:

- Segment 1 Community and Social Services
- Segment 2 Energy sources /electricity
- Segment 3 Unallocated
- Segment 4 Town Planning and Local Economic Development
- Segment 5 Public Safety
- Segment 6 Public Works and Roads
- Segment 7 Solid Waste and Cleansing

2022 Segment Reporting

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Segment surplus or deficit, assets and liabilities

	2021						TOTAL
	Community and Services	Electricity	Planning and Development and Housing	Public Safety	Road Transport	Waste Management	
<b>Revenue</b>							
Service Charges	R 92,427.16	R 327,762,045.12	R 241,645.79	R 22,486.31	R 156,019.75	R 152,192,364.87	R 510,531.47
Rentall Income	-R 5,462.61				R 1,660,096.55		-R 1,665,559.16
Interest received bank and other financial assets							R 1,838,262.58
Interest received on trade and other receivables							-R 46,950,051.59
Property Rates	-R 14,685,486.58	-R 9,999,999.99			-R 29,056,980.38		-R 156,420,892.05
Government Grants and Subsidies		-R 14,938.00		R 1,165,778.00			-R 205,773,086.00
Fines, Penalties and Forfeits		-R 337,776,983.11	-R 241,645.79	-R 1,188,264.31	-R 30,883,096.68	-R 152,192,364.87	-R 1,180,716.00
<b>Total segment revenue</b>	<b>R 14,781,378.35</b>	<b>R 337,776,983.11</b>	<b>R 241,645.79</b>	<b>R 1,188,264.31</b>	<b>R 30,883,096.68</b>	<b>R 152,192,364.87</b>	<b>R 357,732,354.74</b>
<b>Expenditure</b>							
Employee Related Cost	R 581,750.40		R 23,773,926.12		R 4,089,154.12	R 7,663,679.84	R 193,070,533.37
Remuneration of councillors							R 12,089,505.17
Depreciation and Amortisation	R 3,288,073.91	R 10,931,673.94			R 38,101,455.24	R 17,446,373.82	R 78,497,090.35
Finance Cost		R 33,042,485.20				R 2,379,455.00	R 41,409,940.20
Debt Impairment		R 26,722,896.00				R 114,084,070.89	R 235,602,825.60
Bulk Purchases		R 363,480,636.65				R 46,652,323.34	R 410,132,961.99
Contracted Services	R 38,697,399.31			R 73,875.00		R 16,162.97	R 53,541,223.99
Inventory Consumed				R 13,844,192.59			R 2,294,561.71
Operational Cost	R 2,175.00	R 2,372,631.75	R 60,517.12	R 495,357.73	R 2,145,909.20	R 40,475,516.08	R 45,552,106.88
Fair Value Adjustments							R 9,315,600.31
Reversal of Impairments		-R 569,301.75			-R 13,721,881.78	-R 2,729,354.95	-R 19,051,964.93
Actuarial Gains/Losses						R 4,237,226.00	R 4,237,226.00
<b>Total segment expenditure</b>	<b>R 42,569,398.62</b>	<b>R 435,981,023.79</b>	<b>R 23,834,443.24</b>	<b>R 14,413,425.32</b>	<b>R 57,664,558.13</b>	<b>R 191,894,846.11</b>	<b>R 1,096,013,113.09</b>
<b>Assets</b>							
Cash and Cash Equivalents		R 3,555.65		R 3,760,189.19		-R 1,616,492,040.74	R 26,994,061.82
Inventories	-R 59,238.76			R 11,514,705.01		-R 3,027,628.90	R 1,844,397.29
Value added tax	R 346,447,432.15	-R 6,097.24	-R 26,368,809.29	-R 43,878,520.67		-R 374,456,462.99	R 32,967,279.49
Financial Assets		R 29,694,850.68					R 29,694,850.68
Receivables from exchange		-R 147,145,299.40				82,832,219.24	R 106,060,480.67
Receivables from Non-exchange transactions				R 5,002,785.01	R 86,349.65		R 63,360,415.32
Investment property							R 1,127,345.88
Heritage Assets	-R 325,482,198.60						R 216,328,940.50
Property, plant and equipment	R 141,292,411.93	R 223,700,308.42	R 21,988,988.51		R 477,292,907.77	R 410,591,074.62	R 1,319,831,453.08
Trade and Other Receivables from Exchange Transactions		R 2.87					R 2.87
<b>Total Segment Assets</b>	<b>R 162,247,645.48</b>	<b>R 107,315,425.23</b>	<b>R 4,379,820.78</b>	<b>R 23,600,841.46</b>	<b>R 477,417,800.11</b>	<b>R 1,675,768,346.21</b>	<b>R 2,755,083,549.36</b>
<b>Liabilities</b>							
Payables from exchange	-R 222,258,439.26	-R 3,572,487.04	R 1,761,888.12		R 17,241,714.24	-R 1,491,096.54	-R 2,131,049,403.07
Unspent conditional grants and Consumer Deposits		R 0.01			-R 535,019.62	R 52.55	-R 55.74
Provision		-R 2,146,666.23				-R 10,032.92	-R 3,260,312.10
Employee benefit obligation						-R 152,845,400.83	-R 152,845,400.83
<b>Total Segment Liabilities</b>	<b>R 222,258,439.26</b>	<b>R 5,719,153.28</b>	<b>R 1,761,888.12</b>	<b>R -</b>	<b>R 16,706,694.62</b>	<b>R 154,346,582.84</b>	<b>R 2,010,342,309.49</b>
<b>Total Segment Surplus or Deficit</b>	<b>R 14,781,378.35</b>	<b>R 337,776,983.11</b>	<b>R 241,645.79</b>	<b>R 1,188,264.31</b>	<b>R 30,883,096.68</b>	<b>R 152,192,364.87</b>	<b>R 357,732,354.74</b>

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**Segment surplus or deficit, assets and liabilities**

2022

	Community and Services	Electricity	Planning and Development and Inquiries	Public Safety	Road Transport	Waste Management	Unallocated	TOTAL
<b>Revenue</b>								
Service Charges	-R 149,909.13	-R 371,364,924.21	-R 529,531.75	-R 52,786.38	-R 183,438.13	-R 136,652,319.79	-R 660,432.79	-R 509,613,336.24
Rental Income	-R 8,167.82				-R 1,720,383.81			-R 1,728,551.63
Interest received bank and other financial assets							-R 1,795,340.35	-R 1,795,340.35
Interest received on trade and other receivables							-R 65,431,374.19	-R 65,431,374.19
Property Rates							-R 170,255,465.15	-R 170,255,465.15
Donations Income							-R 1,151,190.42	-R 1,151,190.42
Government Grants and Subsidies	-R 10,000,000.00			-R 17,404,136.03				-R 164,886,328.56
Fines, Penalties and Forfeits	-R 1,182,736.62	-R 1,800,050.00						-R 2,982,786.62
<b>Total segment revenue</b>	<b>-R 158,070.95</b>	<b>-R 382,567,660.83</b>	<b>-R 529,531.75</b>	<b>-R 1,852,836.38</b>	<b>-R 19,307,548.03</b>	<b>-R 136,652,319.79</b>	<b>-R 376,775,956.43</b>	<b>-R 917,844,374.16</b>
<b>Expenditure</b>								
Employee Related Cost			R 25,199,960.62		R 3,012,476.81	R 8,590,692.76		R 250,328,570.70
Remuneration of councillors								R 7,516,892.36
Depreciation and Amortisation	R 3,484,486.42	R 11,018,945.77			R 36,168,175.31	R 18,130,720.73		R 79,740,276.73
Finance Cost		R 83,700,032.51				R 2,502,057.00		R 94,206,417.85
Debt Impairment		R 48,828,745.05				R 112,705,554.89		R 231,747,037.83
Bulk Purchases		R 440,668,947.50				R 30,724,510.00		R 471,393,457.60
Contracted Services	R 46,115,121.41	R 803,100.00		R 73,770.00		R 179,125.89		R 100,407,319.07
Inventory Consumed				R 13,547,437.60				R 13,547,437.60
Operational Cost	R 10,467.30	R 2,333,288.74	R 403,219.04		R 2,665,134.60	R 2,104,085.40		R 48,128,900.60
Fair Value Adjustments								R 7,355,183.98
Reversal of impairments								-R 2,574,830.57
Actuarial Gains/Losses								-R 3,898,000.00
<b>Total segment expenditure</b>	<b>-R 49,610,075.13</b>	<b>-R 567,006,278.19</b>	<b>-R 25,603,179.66</b>	<b>-R 14,239,805.76</b>	<b>-R 28,507,481.77</b>	<b>-R 172,749,381.08</b>	<b>-R 385,345,143.03</b>	<b>-R 1,263,055,344.64</b>
<b>Assets</b>								
Cash and Cash Equivalents		R 1,092.17						R 15,485,968.54
Inventories		R 2,110.32						R 3,283,350.44
Value added tax		R 11,987,031.00						R 16,214,987.80
Financial Assets		R 30,675,239.10						R 30,675,239.10
Receivables from exchange								R 113,737,439.49
Other receivables from exchange								R 68,325,566.58
Investment property								R 4,607,259.44
Heritage Assets								R 223,684,124.48
Property, plant and equipment	R 110,241,078.30	R 223,830,041.33	R 21,986,988.51					R 106,187.00
Trade and Other Receivables from Exchange Transactions								R 44,450,587.85
<b>Total Segment Assets</b>	<b>-R 159,809,411.46</b>	<b>-R 51,050,301.18</b>	<b>-R 112,912,806.60</b>	<b>-R 28,218,358.93</b>	<b>-R 462,876,706.84</b>	<b>-R 1,098,725,563.74</b>	<b>-R 2,348,447,859.10</b>	<b>-R 1,782,453,974.14</b>
<b>Liabilities</b>								
Payables from exchange	R 862,296,649.67	-R 3,306,369.39	R 816,323.48		R 21,608,946.50	-R 841,601.69	-R 3,278,245,590.37	-R 2,397,673,641.80
Unspent conditional grants and								-R 53.73
Consumer Deposits								-R 1,113,645.87
Provision								-R 177,872,232.93
Employee benefit obligation								-R 89,358,767.69
<b>Total Segment Liabilities</b>	<b>-R 862,296,649.67</b>	<b>-R 5,461,991.25</b>	<b>-R 34,557,540.49</b>	<b>-R 21,608,946.50</b>	<b>-R 178,715,548.32</b>	<b>-R 3,966,717,950.20</b>	<b>-R 2,703,547,434.69</b>	

# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 49. Segment information (continued)

#### Information about geographical areas

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner

### 50. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government (SALGA)

Current year subscription / fee  
Amount paid - current year

3 119 400	2 353 393
(500 000)	(2 353 393)
<b>2 619 400</b>	<b>-</b>

#### Audit fees

Opening balance  
Current year subscription / fee  
Amount paid - current year

243 601	-
6 869 215	7 667 907
(6 302 357)	(7 424 306)
<b>810 459</b>	<b>243 601</b>



# Lekwa Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

Audited By  
 2022 -12- 15  
 Auditor General South Africa  
 Mpumatanga Business Unit

2022                      2021

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

#### PAYE and UIF

Current year subscription / fee	43 546 377	38 658 519
Amount paid - current year	(58 401 911)	(38 658 519)
	<b>(14 855 534)</b>	-

#### Pension and Medical Aid Deductions

Current year subscription / fee	58 847 943	57 372 323
Amount paid - current year	(58 847 943)	(57 372 323)
	-	-

#### VAT

VAT output payables and VAT input receivables are shown in note 5.

#### Councillors' arrear consumer accounts

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

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr .DL Thabethe - Executive Mayor	2 163	-	2 163
Cllr .O Phiri- Speaker	3 569	47 859	51 428
Cllr. DJ Msibi- Chiefwhip	1 716	35 466	37 182
Cllr .PC Mahlaba	4 018	107 105	111 123
Cllr .JT Sebiloane	1 773	29 265	31 038
Cllr. SM Modise	3 539	76 866	80 405
Cllr .AM Majozi	7 701	179 842	187 543
Cllr.DR Manana	1 686	24 110	25 796
Cllr. MR Motloung	3 887	43 186	47 073
Cllr.SA Maboia	888	-	888
Cllr.GJ Xulu	4 967	106 942	111 909
Cllr.NS Tlhakudi	5 211	65 259	70 470
Cllr.APM Mthimkhulu	2 969	62 134	65 103
Cllr. RS Tsotetsi	3 715	85 413	89 128
Cllr .DJ Venter	1 395	-	1 395
Cllr. MS Mngomezulu	4 111	9 656	13 767
Cllr.PM Radebe	2 409	672	3 081
Cllr.M Molaba	1 294	1 128	2 422
Cllr.JC Stoltz	4 224	-	4 224
Cllr.LM Marago	4 627	43 747	48 374
Cllr SP Ngwenya	3 368	23 700	27 068
Cllr.SA Tshabalala	2 318	5 333	7 651
Cllr.CAO Franco	3 574	-	3 574
Cllr.W Venter	1 395	-	1 395
Cllr. SB Ngqulunga	3 292	36 150	39 442
Cllr .TC Motaung	1 269	23 540	24 809
Cllr. NC Nhlapho	857	41 798	42 655
	<b>81 935</b>	<b>1 049 171</b>	<b>1 131 106</b>



Audited  
By

2022 -12- 15

Auditor General South Africa  
Mpumalanga Business Unit