GOVAN MBEKI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

Audited
By
2022 -12- 20
Auditor General South Africa
Mpumalanga Business Unit

General Information

Mayoral committee	
Executive Mayor	Zuma NG
Chief Whip of Council	Mtsweni MJ
Speaker of Council	Magagamela FF
Chairperson of MPAC	Sibanyoni SI
Councillors	Mahlangu SV
	Maseko JM
	Mnyukana MD
	Sindelo S
	Chamberlain M
	Sibanyoni SI
	Nkwanyana SE
	Phungwayo SM
	Vilakazi P
	Ngwenya LP
	Sehlalo MS
	Makhado TC
	Zwane PJ
	Nkabinde ER
	Tesner J
	Van Marle HE
	Mazibuko SJ
	Kubheka MA
	Van Rooyen EJ
	Madonsela NR
	Maluka JM
	Mtsweni TP
	Mazibuko TE
	Mtshali PD
	Erasmus D
	Mbokazi AV
	Kleynhans T
	Masinga MM
	Mthembu BE
	Chauke EW
	De Vries GR
	Masango JS
	Jonker L
	Khoza D
	Mabizela TM
	Masina NA
	Ziwele L
	Ndwanyaza PN
	Mathebula SB
	Mkhwanazi SM
	Mkwebane ZA
	Mofokeng TS
	Mahlangu J
	Moloto BD
	Mtahane AN

General Information

	Mtombeni JL Mntungwa CM Mazibuko TM Nel-Buitendag AD Ngxonono YT Nkabinde JB Nkosi M Nkuna MM Nsibande ME Petterson VL Seimela T Sierana GC Thukwane KS Van Huyssteen AC
Grading of local authority	B4 High
Accounting Officer	Maseko EN
Acting Chief Financial Officer	Nkhata VB
Registered office	Horwood Street Secunda 2302
Business address	Horwood Street Secunda 2302
Postal address	Private Bag X1017 Secunda 2302
Bankers	Standard Bank
Auditors	Auditor-General of South Africa
Attorneys	Cronje De Waal & Skhosana Attorneys Mthimunye Attorneys TMN Kgomo Attorneys Ramathe MJ Inc Tau Phalane Inc Dikotope Attorneys JL Raphiri Inc Els Louw Kgabo Serokolo Attorneys S'busiso Simelane Attorneys Leepile Attorneys
Dermacation Code	MP307

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General Information

Legislation governing Municipality's operation	Local Government : Municipal Finance Management Act (Act No.56 of 2003 Local Government: Municipal Systems Act (Act no.32 of 2000 Local Government: Municipal Structures Act(Act no.117 of 1998 Constitution of the Republic of South Africa (Act no. 108 of 1996) Municipal Property Rates Act (Act no 6 of 2004 Division of Revenue Act (Act no.1 of 2007

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

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

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The municipality is dependent on funding and continued internally generated funding for operations, in this regard the Financial Recovery Plan has been develop and approved by council.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 is 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:

Accounting Officer
Maseko EN

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Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net deficit of the municipality was 697 345 472 (2021: deficit 608 885 423).

2. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus(deficit) as stipulated above, and that the municipality's total Liabilities exceeds ther assets as depicted in the Statement of Financial Position.

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.

During the 2019 /2020 financial year, the Provincial Executive of the Mpumalanga Provincial Government intervened in the municipality in terms of 139 (1) (b) the Constitution and Section 135(9) of the constitution read with section 139 of the Municipal Finance Management Act (MFMA Act No 56 of 2003. As part of the intervention by the Provincial Executive, the Municipal Financial Recovery Plan was developed for Govan Mbeki Local Municipality

The primary responsibility of the plan is to resolve the financial challenges, reduce the debts and improve revenue collection. The plan is monitored by Council to ensure successful implementation and it places significant responsibility to the Accounting Officer and other Senior Managers.

The municipality continues to implement the Financial Recovery Plan and other revenue strategies together with the Budget Finding plan , with the aim to improve its financial stability .

3. Subsequent events

The accounting officer would like to bring attention that the is no subsequent event that required to be reported in the financial year 2022

4. Accounting Officer's interest in contracts

The accounting officer does not have any direct or indirect interest's in contracts.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

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

Mr EN Maseko	Appointed 20 June 2022
Mrs EK Tshabalala	Acting ended 17 June 2022
Mr SF Mndebele	Contract termiated 16 July 2021

Accounting Officer's Report

7. Corporate governance

General

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

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

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

Audit and risk committee

Audit committee members appointed are as follows:

Name	Position	Date appointed
Ms Sophie Molokoane Machika	Chairperson	April 2018
Mr Siyakhula Simelane	Member	December 2019
Mr Thokozani Tshabalala	Member	December 2019
Ms Sijabulile Makhathini	Member	December 2019
Ms Princess Mangoma	Member	Appointed December 2016(Contract ended December 2021

Internal audit

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

8. Auditors

Auditor-General of 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 31 August 2022 and were signed on its behalf by:

Accounting Officer
Maseko EN

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Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	11	31 938 723	25 856 296
Receivables from exchange transactions	12&15	272 960 668	197 851 405
Receivables from non-exchange transactions	13&15	77 746 332	63 430 510
VAT receivable	14	133 482 770	87 251 250
Long term receivables	9	3 187 895	6 025 105
Other receivables	10	48 749 389	42 194 886
Cash and cash equivalents	16	256 445 813	203 199 683
		824 511 590	**625 809 135**
Non-Current Assets			
Investment property	3	1 148 475 101	1 150 967 101
Property, plant and equipment	4	1 674 458 515	1 715 241 111
Intangible assets	5	236 184	351 762
Heritage assets	6	5 430 550	5 430 550
Other financial assets	7	14 588 011	13 811 858
Prepayments		-	9 238 076
Long term receivables	9	812 485	3 836 608
		2 844 000 846	**2 898 877 066**
Total Assets		**3 668 512 436**	**3 524 686 201**
Liabilities			
Current Liabilities			
Other financial liabilities		-	1
Finance lease obligation	17	294 842	(1)
Payables from exchange transactions	21	3 819 058 376	3 009 383 087
Trade payable from non-exchange)	22	21 819 301	19 170 707
Consumer deposits	23	29 017 252	27 334 172
Employee benefit obligation	8	2 701 294	3 477 717
Unspent conditional grants and receipts	18	81 826 917	100 789 119
Provisions	19	36 421 145	30 243 802
Long Service Awards	20	3 887 060	2 251 008
Payments received in advance		62 225 233	49 565 945
		4 057 251 420	**3 242 215 557**
Non-Current Liabilities			
Finance lease obligation	17	426 543	-
Employee benefit obligation	8	41 295 607	47 729 482
Provisions	19	293 198 286	274 038 111
Long Service Awards	20	34 519 336	33 518 290
		369 439 772	**355 285 883**
Total Liabilities		**4 426 691 192**	**3 597 501 440**
Net Assets		**(758 178 756)**	**(72 815 239)**
Accumulated surplus		(758 178 756)	(72 815 239)
Total Net Assets		**(758 178 756)**	**(72 815 239)**

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Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	1 312 130 088	1 258 672 512
Rental of facilities and equipment	26	9 024 392	5 764 166
Interest received - trading		118 780 539	63 785 626
Fees earned	28	7 521 158	6 737 471
Other income	29	1 673 747	80 562 005
Interest received - investment	30	9 052 338	7 607 849
Gain on disposal of assets and liabilities		3 774 021	-
Fair value adjustments	43	-	43 618 671
Actuarial gains		10 082 711	1 776 391
Dividends received - investment	30	228 085	-
Total revenue from exchange transactions		**1 472 267 079**	**1 468 524 691**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	372 876 661	351 685 842
Interest - Taxation revenue		11 067 174	5 468 835
Transfer revenue			
Government grants and subsidies	33	461 821 379	491 167 240
Fines, penalties and forfeits	27	13 807 813	7 897 244
Insurance claims		3 274 846	405 591
Total revenue from non-exchange transactions		**862 847 873**	**856 624 752**
Total revenue		**2 335 114 952**	**2 325 149 443**
Expenditure			
Employee related costs	34	(565 160 347)	(561 283 638)
Remuneration of councillors	35	(24 398 129)	(24 873 470)
Depreciation and amortisation	36	(165 819 397)	(213 422 025)
Impairments assets	37	(2 533 263)	(24 244 405)
Finance costs	38	(195 339 781)	(111 189 529)
Debt impairment	39	(553 359 132)	(490 036 239)
Bulk purchases	40	(1 143 636 477)	(1 053 561 405)
Contracted services	41	(136 881 278)	(114 378 768)
Transfers and subsidies	32	(30 797 286)	(43 902 977)
Loss on disposal of assets and liabilities		-	(11 266 709)
Fair value adjustments		(105 409)	-
Inventories losses/write-downs		(1 247 024)	-
General expenses	42	(213 182 901)	(155 384 303)
Total expenditure		**(3 032 460 424)**	**(2 803 543 468)**
Deficit for the year		**(697 345 472)**	**(478 394 025)**

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2020	**405 578 786**	**405 578 786**
Changes in net assets		
Surplus for the year	(478 394 025)	(478 394 025)
Total changes	(478 394 025)	(478 394 025)
Opening balance as previously reported	(195 131 070)	(195 131 070)
Adjustments		
Correction of errors	134 297 786	134 297 786
Restated* Balance at 01 July 2021 as restated*	**(60 833 284)**	**(60 833 284)**
Changes in net assets		
Surplus for the year	(697 345 472)	(697 345 472)
Total changes	(697 345 472)	(697 345 472)
Balance at 30 June 2022	**(758 178 756)**	**(758 178 756)**
Note(s)		

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Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 025 613 219	1 051 231 471
Grants		442 859 177	555 733 893
Interest income		138 900 051	73 350 653
Other receipts		46 848 475	21 279 639
		1 654 220 922	1 701 595 656
Payments			
Employee costs		(589 558 476)	(585 224 694)
Suppliers		(721 849 971)	(882 338 795)
Finance costs		(164 529 693)	(92 983 670)
		(1 475 938 140)	(1 560 547 159)
Net cash flows from operating activities	46	**178 282 782**	**141 048 497**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(133 727 343)	(115 988 525)
Proceeds from sale of property, plant and equipment	4	8 096 886	-
Purchase of investment property	3	(1 460 000)	-
Proceeds from sale of investment property	3	1 503 256	1 158 000
Purchase of other intangible assets	5	(132 270)	-
Net cash flows from investing activities		**(125 719 470)**	**(114 830 525)**
Cash flows from financing activities			
Movement in other financial liability		-	(1 170 125)
Finance lease payments		682 819	(418 458)
Net cash flows from financing activities		**682 819**	**(1 588 583)**
Net increase/(decrease) in cash and cash equivalents		**53 246 131**	**24 629 389**
Cash and cash equivalents at the beginning of the year		203 199 683	178 570 294
Cash and cash equivalents at the end of the year	16	**256 445 814**	**203 199 683**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 580 076 000	-	**1 580 076 000**	1 312 130 088	**(267 945 912)**	
Rental of facilities and equipment	4 922 000	-	**4 922 000**	9 024 392	**4 102 392**	
Interest received - trading	204 169 000	-	**204 169 000**	118 780 539	**(85 388 461)**	
Fees earned	-	-	-	7 521 158	**7 521 158**	
Other income	-	-	-	1 673 747	**1 673 747**	
Interest received - investment	14 146 000	-	**14 146 000**	9 052 338	**(5 093 662)**	
Dividends received - investment	22 000	-	**22 000**	228 085	**206 085**	
Total revenue from exchange transactions	**1 803 335 000**	-	**1 803 335 000**	**1 458 410 347**	**(344 924 653)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	371 135 000	-	**371 135 000**	372 876 661	**1 741 661**	
Transfer revenue						
Government grants and subsidies	488 198 000	38 947 000	**527 145 000**	461 821 379	**(65 323 621)**	
Fines, penalties and forfeits	36 077 000	-	**36 077 000**	13 807 813	**(22 269 187)**	
Other transfer revenue 1	15 311 000	-	**15 311 000**	-	**(15 311 000)**	
Insurance income	-	-	-	3 274 846	**3 274 846**	
Total revenue from non-exchange transactions	**910 721 000**	**38 947 000**	**949 668 000**	**851 780 699**	**(97 887 301)**	
Total revenue	**2 714 056 000**	**38 947 000**	**2 753 003 000**	**2 310 191 046**	**(442 811 954)**	
Expenditure						
Employee costs	(649 552 000)	14 847 000	**(634 705 000)**	(565 160 347)	**69 544 653**	
Remuneration of councillors	(30 591 000)	-	**(30 591 000)**	(24 398 129)	**6 192 871**	
Depreciation and amortisation	(154 535 488)	-	**(154 535 488)**	(165 819 397)	**(11 283 909)**	
Impairment loss/ Reversal of impairments	-	-	-	(2 533 263)	**(2 533 263)**	
Finance costs	(129 058 000)	406 000	**(128 652 000)**	(195 339 781)	**(66 687 781)**	
Debt impairment	(202 186 000)	-	**(202 186 000)**	(553 359 132)	**(351 173 132)**	
Bulk purchases	(570 081 000)	14 000 000	**(556 081 000)**	(1 143 636 477)	**(587 555 477)**	
Contracted services	(256 875 111)	(18 191 000)	**(275 066 111)**	(136 881 278)	**138 184 833**	
Transfers and subsidies	(6 243 000)	(19 990 000)	**(26 233 000)**	(30 797 286)	**(4 564 286)**	
General expenses	(493 508 000)	(12 089 000)	**(505 597 000)**	(213 182 901)	**292 414 099**	
Total expenditure	**(2 492 629 599)**	**(21 017 000)**	**(2 513 646 599)**	**(3 031 107 991)**	**(517 461 392)**	
Gain/(Loss) on disposal of assets and liabilities	-	-	-	3 774 021	**3 774 021**	
Fair value adjustments	-	-	-	(105 409)	**(105 409)**	
Actuarial gains/losses	-	-	-	10 082 711	**10 082 711**	
Inventories losses/write-downs	-	-	-	(1 247 024)	**(1 247 024)**	
	-	**-**	**-**	**12 504 299**	**12 504 299**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Deficit before taxation	**221 426 401**	**17 930 000**	**239 356 401**	**(708 412 646)**	**(947 769 047)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**221 426 401**	**17 930 000**	**239 356 401**	**(708 412 646)**	**(947 769 047)**	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	22 878 000	1 012 000	**23 890 000**	31 938 723	**8 048 723**	
Receivables from exchange transactions	-	-	**-**	261 954 339	**261 954 339**	
Receivables from non-exchange transactions	679 844 000	-	**679 844 000**	77 746 332	**(602 097 668)**	
VAT receivable	-	-	**-**	134 233 452	**134 233 452**	
Long term receivables	-	-	**-**	3 187 895	**3 187 895**	
Other receivables	1 099 002 000	-	**1 099 002 000**	48 749 389	**(1 050 252 611)**	
Cash and cash equivalents	22 649 000	60 383 000	**83 032 000**	256 445 813	**173 413 813**	
	1 824 373 000	**61 395 000**	**1 885 768 000**	**814 255 943**	**(1 071 512 057)**	
Non-Current Assets						
Investment property	963 250 000	-	**963 250 000**	1 148 475 101	**185 225 101**	
Property, plant and equipment	2 075 179 000	(813 000)	**2 074 366 000**	1 674 458 515	**(399 907 485)**	
Intangible assets	3 852 000	(2 200 000)	**1 652 000**	236 184	**(1 415 816)**	
Heritage assets	5 647 000	-	**5 647 000**	5 430 550	**(216 450)**	
Other financial assets	13 807 000	-	**13 807 000**	14 588 011	**781 011**	
Long term receivables	41 092 000	-	**41 092 000**	812 485	**(40 279 515)**	
	3 102 827 000	**(3 013 000)**	**3 099 814 000**	**2 844 000 846**	**(255 813 154)**	
Total Assets	**4 927 200 000**	**58 382 000**	**4 985 582 000**	**3 658 256 789**	**(1 327 325 211)**	
Liabilities						
Current Liabilities						
Other financial liabilities	-	-	**-**	1	**1**	
Finance lease obligation	115 071 000	-	**115 071 000**	294 842	**(114 776 158)**	
Payables from exchange transactions	3 497 048 000	25 336 000	**3 522 384 000**	3 819 058 376	**296 674 376**	
Taxes and transfers payable (non-exchange)	-	-	**-**	21 819 301	**21 819 301**	
Consumer deposits	27 681 000	-	**27 681 000**	29 017 252	**1 336 252**	
Employee benefit obligation	-	-	**-**	2 701 294	**2 701 294**	
Unspent conditional grants and receipts	-	-	**-**	81 826 917	**81 826 917**	
Provisions	1 750 000	-	**1 750 000**	36 421 145	**34 671 145**	
Long Service Awards	-	-	**-**	3 887 060	**3 887 060**	
Payments received in advance	-	-	**-**	62 225 233	**62 225 233**	
	3 641 550 000	**25 336 000**	**3 666 886 000**	**4 057 251 421**	**390 365 421**	
Non-Current Liabilities						
Other financial liabilities	-	-	**-**	(1)	**(1)**	
Finance lease obligation	(114 261 000)	-	**(114 261 000)**	426 543	**114 687 543**	
Employee benefit obligation	-	-	**-**	41 295 607	**41 295 607**	
Provisions	195 135 000	-	**195 135 000**	293 198 286	**98 063 286**	
Long Service Awards	-	-	**-**	34 519 336	**34 519 336**	
	80 874 000	**-**	**80 874 000**	**369 439 771**	**288 565 771**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Total Liabilities	**3 722 424 000**	**25 336 000**	**3 747 760 000**	**4 426 691 192**	**678 931 192**	
Net Assets	**1 204 776 000**	**33 046 000**	**1 237 822 000**	**(768 434 403)**	**(2 006 256 403)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 204 776 000	33 046 000	**1 237 822 000**	(767 447 029)	**(2 005 269 029)**	
Undefined Difference	-	-	-	(987 374)	(987 374)	
Total Net Assets	**1 204 776 000**	**33 046 000**	**1 237 822 000**	**(767 447 029)**	**(2 005 269 029)**	

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget

Appropriation Statement

Figures in Rand	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome

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Govan Mbeki Municipality
Annual Financial Statements for the year ended 30 June 2022

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2022											
Financial Performance											
Property rates	227 307 483	(227 307 483)	-	-		-	372 876 661		372 876 661	DIV/0 %	164 %
Service charges	1 461 859 214	(1 461 859 214)	-	-		-	1 312 130 088		1 312 130 088	DIV/0 %	90 %
Investment revenue	14 145 516	(14 145 516)	-	-		-	9 280 423		9 280 423	DIV/0 %	66 %
Transfers recognised - operational	363 884 678	(363 884 678)	-	-		-	369 055 514		369 055 514	DIV/0 %	101 %
Other own revenue	123 647 263	(123 647 263)	-	-		-	186 994 621		186 994 621	DIV/0 %	151 %
Total revenue (excluding capital transfers and contributions)	**2 190 844 154**	**(2 190 844 154)**	**-**	**-**		**-**	**2 250 337 307**		**2 250 337 307**	**DIV/0 %**	**103 %**
Employee costs	(636 900 442)	636 900 442	-	-	-	-	(565 160 347)	-	(565 160 347)	DIV/0 %	89 %
Remuneration of councillors	(30 590 571)	30 590 571	-	-	-	-	(24 398 129)	-	(24 398 129)	DIV/0 %	80 %
Debt impairment	-	-	-			-	(553 359 132)	-	(553 359 132)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(47 618 929)	47 618 929	-			-	(168 352 660)	-	(168 352 660)	DIV/0 %	354 %
Finance charges	(126 659 175)	126 659 175	-	-	-	-	(195 339 781)	-	(195 339 781)	DIV/0 %	154 %
Materials and bulk purchases	(874 550 338)	874 550 338	-	-	-	-	(1 143 636 477)	-	(1 143 636 477)	DIV/0 %	131 %
Transfers and grants	(26 045 705)	26 045 705	-	-	-	-	(30 797 286)	-	(30 797 286)	DIV/0 %	118 %
Other expenditure	(450 470 691)	450 470 691	-	-	-	-	(359 404 832)	-	(359 404 832)	DIV/0 %	80 %
Total expenditure	**(2 192 835 851)**	**2 192 835 851**	**-**	**-**	**-**	**-**	**(3 040 448 644)**	**-**	**(3 040 448 644)**	**DIV/0 %**	**139 %**
Surplus/(Deficit)	**(1 991 697)**	**1 991 697**	**-**	**-**		**-**	**(790 111 337)**		**(790 111 337)**	**DIV/0 %**	**39 670 %**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	121 835 385	(121 835 385)	-	-		-	92 765 865		92 765 865	DIV/0 %	76 %
Surplus (Deficit) after capital transfers and contributions	**119 843 688**	**(119 843 688)**	-	-		-	**(697 345 472)**		**(697 345 472)**	**DIV/0 %**	**(582)%**
Surplus/(Deficit) for the year	**119 843 688**	**(119 843 688)**	-	-		-	**(697 345 472)**		**(697 345 472)**	**DIV/0 %**	**(582)%**
Capital expenditure and funds sources											
Total capital expenditure	184 300 872	(184 300 872)	-	-		-	360 798 734		360 798 734	DIV/0 %	196 %
Cash flows											
Net cash from (used) operating	-	-	-	-		-	178 282 782		178 282 782	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(125 719 470)		(125 719 470)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	682 819		682 819	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	-	-	-	-		-	**53 246 131**		**53 246 131**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	203 199 683		203 199 683	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	-	-	-	-		-	**256 445 814**		**(256 445 814)**	**DIV/0 %**	**DIV/0 %**

Accounting Policies

Figures in Rand	Note(s)	2022	2021

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. All figures are rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

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

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

The impairment for trade receivables is first for individually significant receivables and then calculated on a portfolio basis for the remaining balance, Including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment and accounts handed over to debt collectors and /or power of attorney, a formal arrangement is made on arrear debt.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value of inventory at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management have made estimates of the service potential expected to be realised from the distribution or use. The write down is included in the operation surplus or deficit.

Fair value estimation

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The fair value of financial instruments that are traded in an active markets based on quoted market prices at the end of the reporting period.The quoted market price used for financial assets held by the municipality is the current bid price.

Impairment testing

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 making the above mentioned estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses as set out in the GRAP 17 (Property Plant and Equipment), GRAP 12 (Inventory), (GRAP 13 (intangible assets), GRAP 26 (Impairment of cash generating assets) and GRAP 21 (impairment of non cash generating assets) in particular, the calculation of the recoverable service amount for the property,plant and equipment and intangible assets and the net realisable value for inventories involves significant judgement by management.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

The municipality used the government bond 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.

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.

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 unrecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value reflecting the market conditions at the valuation roll period of the municipality and annually updated with amendments of the supplementary valuation roll.

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.

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

The gain or loss arising from the Derecognition of the investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the investment property. Such difference is recognised in surplus or deficit when the investment property is unrecognised.

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.

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost at acquisition date or in the case of donated assets or assets acquired by grant , the deemed cost being the fair value of the assets on initial recognition..

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. The cost also includes the necessary cost of dismantling and removing the assets and restoring the site in which it is located

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

1.6 Property, plant and equipment (continued)

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 unrecognised.

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 unrecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses . subsequent expenditure relating to the property ,and equipment is capitalised if it is probable that future economic benefit or potential service delivery associated with the subsequent expenditure will flow to the municipality and cost or fair value of the future economic benefit associated with the assets. Where the municipality replaces major parts of an assets , it Derecognition the part of the assets being replaced and capitalises the new component.

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

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Buildings	Straight-line	30 years
Infrastructure	Straight-line	10-30 years
Community	Straight-line	15-30 years
Other property, plant and equipment	Straight-line	3-15 years
Landfill site	Straight-line	24 years

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 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 in terms of the Standard of GRAP on Accounting Policies, Change in Estimate and Errors.

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 unrecognised 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 unrecognised. 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.

1.6 Property, plant and equipment (continued)

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.

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.

1.8 Intangible assets

An asset is identifiable, non-monetary asset without physical substance. The municipality has classified computer software and other intangible assets as intangible assets..

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

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

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

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

Amortisation is provided on a straight line basis over the expected useful lives of the intangible assets.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Should the estimate change the municipality revises the expected useful life accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values, if any. The amortisation charge for each period is recognised in surplus or deficit.

Accounting Policies

1.8 Intangible assets (continued)

The useful lives of intangible assets have been assessed as followed:

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

Intangible assets are unrecognised:
- 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 disposal of intangible assets is determined as the difference between the net disposal proceeds , if any , and the carrying amount of the intangible assets. Such difference is recognised in surplus or deficit when the asset is unrecognised.

1.9 Heritage assets

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

Heritage assets that qualifies for recognition as an asset shall be 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

Subsequent to initiation measurement , 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.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality Derecognition 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 unrecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 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.

Accounting Policies

1.10 Financial instruments (continued)

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.

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 municipality.

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.

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

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

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

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

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.

Accounting Policies

1.10 Financial instruments (continued)

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.

Classification

The municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Long-term receivable	Financial asset measured at amortised cost
Value Added Tax	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at fair value

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

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Trade and payables from non-exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity 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 entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability subsequently .

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Auditor General South Africa
Mpumalanga Business Unit

Accounting Policies

1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Discounting of short-term receivables and payables

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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 unrecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

Accounting Policies

1.10 Financial instruments (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.

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

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.:

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

1.10 Financial instruments (continued)

Derecognition

Financial assets

The entity Derecognition financial assets using trade date accounting.

The entity Derecognition 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 unrecognised is recognised in surplus or deficit in the period of the transfer.

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

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that:
(a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making;
(b) using fair value in certain instances was inappropriate; and
(c) some of the existing accounting requirements were seen as too rules based.
As a result, the IASB amended its existing Standards to deal with these issues. The IASB issued the IFRS Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to the IFRS Standard on Financial Instruments: Presentation (IAS 32) and the IFRS Standard on Financial Instruments: Disclosures (IFRS 7). The IPSASB issued revised IPSASs in June 2018 so as to align them with the equivalent IFRS Standards.
The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.
The most significant changes to the Standard affect:
- financial guarantee contracts issued;
- loan commitments issued;
- classification of financial assets;
- amortised cost of financial assets;
- impairment of financial assets; and disclosures

Guideline on Accounting for Landfill Sites
The Constitution of the Republic of South Africa, gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time

Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.
It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology and References to pronouncements used in the Guideline.
The effective date of the guideline is not yet set by the Minister of Finance.
The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.
It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Accounting Policies

1.10 Financial instruments (continued)

Financial liabilities

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

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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

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

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

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the 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 does not offset the transferred asset and the associated liability.

1.11 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.

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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1.11 Statutory receivables (continued)

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts unrecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

The municipality Derecognition 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

1.11 Statutory receivables (continued)

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

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

1.12 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.The difference between the amounts recognised as revenue and the contractual receipts is recognised as an operating lease assets or liability.

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

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

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

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

1.13 Inventories

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

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

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.

Accounting Policies

1.13 Inventories (continued)

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.

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.

Water Inventory

Water is regarded as inventory when the municipality purchase water in bulk with the intention to resell it to the customers or to use it internally, or where the municipality has incurred purification cost on the water obtained from natural resources(rain, rivers,springs,boreholes etc.) However, water in dams , that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all cost of purchase, cost of conversions and other costs incurred in bringing the inventory to its present location and condition, net if trade discounts and rebates.

water and purified effluent are valued by using the first-in-first-out method, at the lower of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year end.

Other arrangements

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regards to their estimated economic or realisable value and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. Differences arising on the valuation of inventory are recognised in the statement of financial performances in the year in which they arise. The amount of any reversal of any write down on inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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 in the period in which the reversal occurs.

1.14 Consumer deposits

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to the amount as determined by council for the applicable financial year. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposit

1.15 Value added Tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-added Tax Act (Act No. 89 of 1991).

Accounting Policies

1.16 Impairment of cash-generating assets

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

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.16 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.17 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

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

Assets are designated as Cash Generating if the Municipality intends to generate a commercial return being positive cash inflows from the assets that are expected to be significantly higher than the cost of the assets.

Assets are designated as Non Cash Generating if the entity intends to deliver a service.

The South African Constitution requires municipalities to achieve an objective of ensuring the provision of services to communities in a sustainable manner.

Govan Mbeki Municipality manages its fixed assets in a manner which is central in achieving an objective to deliver services to the community of Govan Mbeki Municipality rather than generate positive cash inflows.

Accounting Policies

1.17 Impairment of non-cash-generating assets (continued)

In addition the municipalities infrastructure assets such as substations, water reservoir and sewerage plants cannot independently generate cash flows as it is mainly for the purpose of providing a service to the general public.

The municipalities assets are thus designated as Non- Cash Generating Assets.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.17 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.18 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.18 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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 presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

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

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

1.19 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.

Accounting Policies

1.19 Provisions and contingencies (continued)

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 (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.

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.

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

A contingent asset is a possible asset that arise from past events,and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

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.

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

A contingent asset is a possible asset that arise from past events,and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

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.

Accounting Policies

1.19 Provisions and contingencies (continued)

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

A contingent asset is a possible asset that arise from past events,and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

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.

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

A contingent asset is a possible asset that arise from past events,and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

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.

A contingent liability:
- A contingent asset is a possible asset that arise from past events,and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality
- A present obligation that arises from past event but are not recognised because it it not possible that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation , or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

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 1.16 and 1.17.
- 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.

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.21 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

1.22 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.

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.

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.

Revenue received from conditional grants, donations and other funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodies in the agreement, where applicable. To the extent that the criteria, conditions or obligations have not been met. a liability will be recognised.

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.

1.22 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

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

Transfers

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.

Insurance claims

The insurance claims are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an assets
The insurance claims are measured at the amount due to the municipality from the insurance company.

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. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables

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

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.

1.23 Investment income

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

1.24 Borrowing costs

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

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.13, 1.16 and 1.17. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.25 Comparative figures

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

1.26 Unauthorised expenditure

Unauthorised expenditure means:

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

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in according with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered , it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Fruitless and wasteful expenditure

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

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

1.27 Fruitless and wasteful expenditure (continued)

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 and classified in according with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered , it is subsequently accounted for as revenue in the statement of financial performance

1.28 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).

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in according with the nature of the expense. Upon investigation, if a person was found to be liable in law for the irregular expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered , it is subsequently accounted for as revenue in the statement of financial performance

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

1.29 Budget information

The approved budget is prepared on a accrual basis and presented by programme's linked to performance outcome objectives.

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

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

1.30 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.

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.

Accounting Policies

1.31 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.

2. Changes 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.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2022 is as follows:

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

[If retrospective application is impracticable for a particular prior period, or for periods before those presented, disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.]

The municipality has not applied the new [name the standard or interpretation] issued, and effective for periods commencing . [Describe the new required treatment and the current treatment.] The estimated impact of the implementation of the new standard on the 2022 annual financial statements is as follows:

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Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 148 475 101	-	1 148 475 101	1 150 967 101	-	1 150 967 101

Reconciliation of investment property - 2022

	Opening balance	Disposals	Additions	Total
Investment property	1 150 967 101	(3 952 000)	1 460 000	1 148 475 101

Reconciliation of investment property - 2021

	Opening balance	Additions	Disposals	Fair value adjustments	Total
Investment property	1 071 198 583	45 119 505	(8 647 999)	43 297 012	1 150 967 101

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.

Figures in Rand	2022	2021

3. Investment property (continued)

The effective date of the revaluations was Wednesday, 01 July 2020. Revaluations were performed by an independent valuer from DDP Property Valuation Experts. The valuer are qualified and registered as a professional Valuer with the institute of the South African Council for Property Valuer's Profession.DDP Property Valuation Experts valuation service is not connected to the municipality and have experience in location and category of the investment property being valued.

At the reporting period the Investment Property is measured at fair value reflecting market conditions at the date of the general valuation roll period and also incorporates changes in property values during the lifecycle of the general valuation roll through supplementary valuation rolls. This valuation premise is considered appropriate by the municipality as it is practical and market conditions at reporting date are not expected to be significantly different from those reflected in the general valuation roll and supplementary valuations

Investment property was fair valued and changes on the market value decreased the fair value as per supplementary valuations. There were no changes to market value of properties in 2022 financial year.

The municipality sold property in the year under review as a result of sales the municipality realized a loss on sale of R 2 448 744.

Amounts recognised in surplus and deficit for the year are as follows		
Loss on sale of investment property	(2 448 744)	(7 490 000)
Fair value adjustment		43 297 012

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Mpumalanga Business Unit

Notes to the Annual Financial Statements

Figures in Rand

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4. Property, plant and equipment

	2022 Cost / Valuation	2022 Accumulated depreciation and accumulated impairment	2022 Carrying value	2021 Cost / Valuation	2021 Accumulated depreciation and accumulated impairment	2021 Carrying value
Land	422 017 341	-	422 017 341	422 650 067	-	422 650 067
Buildings	899 787 979	(718 395 663)	181 392 316	893 001 296	(694 189 945)	198 811 351
Infrastructure	4 949 811 356	(4 006 383 221)	943 428 135	4 869 552 483	(3 905 168 527)	964 383 956
Assets under construction	1	-	1	1	-	1
Landfill site	291 404 610	(229 187 931)	62 216 679	291 787 785	(214 094 696)	77 693 089
Leased movable assets	775 343	(160 585)	614 758	784 219	(784 218)	1
Other Property, plant and equipment	190 048 195	(125 294 378)	64 753 817	174 046 000	(122 474 507)	51 571 493
Library books	2 515 047	(2 479 579)	35 468	2 704 780	(2 573 627)	131 153
Total	**6 756 359 872**	**(5 081 901 357)**	**1 674 458 515**	**6 654 526 631**	**(4 939 285 520)**	**1 715 241 111**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers in/(out)	Work-in-progress	Depreciation	Impairment loss	Total
Land	422 650 067	-	(632 726)	-	-	-	-	422 017 341
Buildings	198 811 351	-	-	3 142 800	3 643 884	(22 396 969)	(1 808 750)	181 392 316
Infrastructure	964 383 956	7 935 554	(42 446)	23 998 462	65 231 658	(117 509 420)	(569 629)	943 428 135
Assets under construction	1	-	-	-	-	-	-	1
Landfill site	77 693 089	933 045	(1 470 878)	-	-	(14 938 577)	-	62 216 679
Leased movable assets	1	775 343	-	-	-	(160 586)	-	614 758
Other Property, plant and equipment	51 571 493	29 071 428	(604 660)	-	-	(15 284 444)	-	64 753 817
Library books	131 153	-	-	-	-	(95 685)	-	35 468
	1 715 241 111	**38 715 370**	**(2 750 710)**	**27 141 262**	**68 875 542**	**(170 385 681)**	**(2 378 379)**	**1 674 458 515**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Revaluations	Depreciation	Impairment loss	Total
Land	424 138 863	-	(1 488 796)	-	-	-	-	422 650 067
Buildings	195 274 119	45 164 334	-	-	-	(21 952 572)	(19 674 530)	198 811 351
Infrastructure	991 101 175	42 613 637	(393 738)	-	51 635 056	(116 040 577)	(4 531 597)	964 383 956
Assets under construction	-	1	-	-	-	-	-	1
Landfill site	135 763 721	-	-	3 942 569	-	(62 013 201)	-	77 693 089
Leased movable assets	256 606	-	-	-	-	(256 605)	-	1
Other property, plant and equipment	38 248 715	26 214 817	(1 380 816)	-	-	(11 558 456)	47 233	51 571 493
Library Books	227 594	-	(141)	-	-	(96 300)	-	131 153
	1 785 010 793	**113 992 789**	**(3 263 491)**	**3 942 569**	**51 635 056**	**(211 917 711)**	**(24 158 894)**	**1 715 241 111**

Pledged as security

Carrying value of assets pledged as security:

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

Assets subject to finance lease (Net carrying amount)

Computer equipment	614 758	-

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4. Property, plant and equipment (continued)

Work-in-Progress 2022 _ Cumulative Expenditure per class

	Opening balance	Project Expenditure	Project completions included in Additions	Closing balance
Energy	39 462 000	32 325 016	-	71 787 016
Water	8 997 440	10 758 037	(4 143 131)	15 612 347
Sanitation	142 995 990	46 300 594	(19 855 330)	169 441 254
Roads	7 226 474	462 265	-	7 688 739
Buildings	-	6 781 082	(3 137 198)	3 643 884
	198 681 904	**96 626 994**	**(27 135 659)**	**268 173 240**

Reconciliation of Work-in-Progress 2021

	Opening balance	Project Expenditure	Project completions included in Additions	Closing balance
Energy	27 192 798	12 269 202	-	39 462 000
Roads	5 228 000	1 998 474	-	7 226 474
Water	15 361 047	22 874 511	(29 238 117)	8 997 441
Sanitation	91 041 245	51 954 746	-	142 995 991
Buildings	8 223 759	1 478 256	(9 702 015)	-
	147 046 849	**90 575 189**	**(38 940 132)**	**198 681 906**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and maintenance of Land and Buildings	(716 371)	1 380 234
Repairs and maintenance of Infrastructure Assets	165 255	62 724 404
Repairs and maintenance of Other Assets	51 903 279	22 230 568
	51 352 163	**86 335 206**

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

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5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 566 750	(2 330 566)	236 184	2 428 712	(2 076 950)	351 762

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	355 622	128 410	(247 848)	236 184

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	599 434	(247 672)	351 762

Pledged as security

All intangible assets are held at cost less amortization and impairment and no intangible assets have been pledged as security for any liabilities of the municipality.:

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.

6. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	5 430 550	-	5 430 550	5 430 550	-	5 430 550

Reconciliation of heritage assets 2022

	Opening balance	Total
Historical monuments	5 430 550	5 430 550

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical monuments	5 430 550	5 430 550

Pledged as security

No heritage assets were pledged for any liabilities of the municipality.

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

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7. Other financial assets		
Designated at fair value		
Old Mutual shares 2021: 32287 @R13.50 2022: 32287 @R11.03	356 126	435 874
Sanlam shares 2021: 2452 @R61.37 2022: 2452 @R52.87	129 637	150 479
Nedbank shares 2021: 1036@ R170.87 2022: 1036@ R207.26	214 722	177 022
Quilter share 2022: 9223@ R20.12	185 567	-
	886 052	**763 375**
At amortised cost		
ABSA Fixed deposit The ABSA balance was hled as security for the DBSA loan which was paid off in the 2020 / 2021 financial year..	13 701 960	13 048 483
Total other financial assets	**14 588 012**	**13 811 858**
Non-current assets		
Designated at fair value	886 051	763 375
At amortised cost	13 701 960	13 048 483
	14 588 011	**13 811 858**

8. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

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

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit funding method.

At the valuation date individuals entitled to a post - retirement medical aid subsidy were:

In - service (employee) members.
In - service (employee) non - members.
Continuation (retiree and widow) members

Pension benefits

The municipality employees belong to a contribution pension plan. The contributions are payable to the pension service providers on a monthly basis. The employer expenditure in relation to contributions are recognised as a expenditure. There are no planned assets on such contributions, the benefit thereof are vested with various service providers chosen by the employees, the lump sums are therefore payable when an employee terminate his/her services as a result of retirement.

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8. Employee benefit obligations (continued)

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(51 207 199)	(46 155 696)
Movement for the year	7 209 893	(5 051 503)
	(43 997 306)	**(51 207 199)**

Non-current liabilities	(41 295 607)	(47 729 482)
Current liabilities	(2 701 294)	(3 477 717)
	(43 996 901)	**(51 207 199)**

At the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets had been set aside to meet this liability.

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

Opening balance	(51 207 199)	(46 155 696)
Benefits paid	3 856 933	3 427 701
Net expense recognised in the statement of financial performance	3 352 960	(8 479 204)
	(43 997 306)	**(51 207 199)**

Net expense recognised in the statement of financial performance

Current service cost	1 640 471	(1 406 039)
Past service cost	(3 856 933)	(1 651 310)
Interest cost	5 485 994	(5 421 855)
Actuarial (gains) losses	(10 479 425)	-
	(7 209 893)	**(8 479 204)**

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8. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2022	2021
Discount rates used	12,50 %	11,09 %
CPI (Consumer Price Inflation)	7,98 %	6,67 %
Health Care Inflation rate	9,48 %	8,17 %
Net Effective Discount Rate	2,76 %	2,70 %

The determination of the investment returns are as per market yields at balance sheet date on government bonds. Two most important financial variables used in our valuation are the discount- and medical aid inflation rates, the zero coupon yield curve from Johannesburg Stock Exchange were used to determine the discount rates and CPI assumptions

The discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2022 is 12.50 % per annum.

The yield on inflation linked bonds of a similar term was about 4.19% per annum , implying an underlying expectation of inflation of 7.98 % per annum.

A healthcare cost inflation rate of 9.48% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability . It is the relative levels of the discount rate and healthcare inflation to one another that are important rather than the nominal values. It has thus assumed a net discount factor of 2.76% per annum.

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for illhealth and early retirement.

Sensitivity analysis
The valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables i.e
- 20% increase/decrease in the assumed level of mortality;
- 1% increase/decrease in the Medical Aid inflation

Withdrawal rate
The change in the withdrawal assumption by a 20% decrease would result in a 1.48% increase in the accrued liability whilst a 20% increase would reult in a 1.62% decrease in the accrued liability.

Medical Inflation Rate
As per the table above, a 1% increase in the medical inflation rate results in a 14.63% increase in the accrued liability whilst a 1% decrease in the medical inflation rate will result in a 11..97% decrease in the accrued liability.

Discount Rate
Inversely, a 1% increase in the discount rate results in a 12.31% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 13% increase in the accrued liability

Sensitivity analysis

Withdrawal Rate	20% Increase R's	Valuation assamptions	20% decrease R's
Accrued Liability	44 709 999	43 996 901	43 345 875
Service Cost	1 679 812	1 615 206	1 557 225
Interest cost	5 419 919	5 330 781	5 249 403
	51 809 730	**50 942 888**	**50 152 503**

Medical Inflation Rate	1% Decrease R's	Valuation Assumptions	1% Increase R's
Accrued Liability	38 286 296	43 996 901	49 995 393
Service Cost	1 327 080	1 615 206	1 981 251
Interest cost	4 618 105	5 330 781	6 080 140

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8. Employee benefit obligations (continued)

	44 231 481	**50 942 888**	**58 056 784**

Discount Rate	1% Decrease R's	Valuation assumptions	1% Increase R's
Accrued liability	49 718 076	43 996 901	38 581 568
Service Cost	1 955 606	1 615 206	1 348 459
Interest cost	5 562 573	5 330 781	5 026 548
	57 236 255	**50 942 888**	**44 956 575**

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees . A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

	2022	2021
The amount recognised as an expense for defined contribution plans is	118 519 474	80 566 717

9. Long term receivables

Long term receivables are comprised of balances of customers who made arrangements with the municipality to pay their outstanding debt over longer period initiated by signed debt arrangement,

Summary of long term debtors

	2022	2021
	4 000 379	9 861 712
Long term receivable	812 484	3 836 608
Long term receivable : current portion	3 187 895	6 025 104
	4 000 379	**9 861 712**

10. Other receivables

	2022	2021
Other Receivables -Prepaid	48 749 389	42 194 886

11. Inventories

	2022	2021
Consumable stores	32 348 919	25 116 670
Water for distribution	835 205	739 626
	33 184 124	25 856 296
Inventories (write-downs)	(1 245 401)	-
	31 938 723	**25 856 296**

Water for distribution

	2022	2021
Opening balance	739 626	611 709
System input volume	95 579	127 917
Closing balance	**835 205**	**739 626**

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12. Receivables from exchange transactions

Consumer debtors - Electricity	74 677 480	50 466 239
Consumer debtors - Water	121 100 475	86 868 349
Consumer debtors - Sewerage	30 412 919	26 156 448
Consumer debtors - Refuse	28 202 657	24 257 098
Consumer debtors - Other Debtors	18 567 137	10 103 271
	272 960 668	**197 851 405**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	1 088 083 598	1 088 083 598

13. Receivables from non-exchange transactions

Fines	14 525 399	10 223 590
Property rates	292 282 722	231 778 582
Sundry debtors	3 162 026	-
Impairment property rates	(232 223 815)	(178 571 662)
	77 746 332	**63 430 510**

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

Property rates	60 130 185	53 206 920
Fines	14 525 399	10 113 491
	74 655 584	**63 320 411**
Financial asset receivables included in receivables from non-exchange transactions above	**3 090 748**	**-**

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Figures in Rand	2022	2021

13. Receivables from non-exchange transactions (continued)

Total receivables from non-exchange transactions	77 746 332	53 933 759

Summary of property rates		
Gross Balance	292 353 999	231 000 333
Less: Allowance for impairment	(232 223 814)	(178 571 662)
	60 130 185	**52 428 671**

Summary of rates per ageing		
Current (0-30 days)	25 781 308	26 286 949
31-60 days	12 008 206	11 083 033
61-90 days	9 991 945	9 310 280
91-120 days	9 046 498	8 465 021
>120 days	235 526 042	175 855 051
Less: Allowance for impairment	(232 223 814)	(178 571 662)
	60 130 185	**52 428 672**

Consumers		
Current (0-30 days)	8 741 557	13 047 196
31-60 days	6 037 508	6 767 674
61-90 days	5 219 492	5 900 688
91-120 days	4 792 315	5 398 381
>120 days	107 161 185	84 531 169
Less: Allowance for impairment	(109 676 872)	(87 152 037)
	22 275 185	**28 493 071**

Industrial/Commercial		
Current (0-30 days)	7 732 721	11 769 506
31-60 days	3 019 355	3 420 863
61-90 days	2 360 726	2 763 382
91-120 days	2 221 272	2 489 160
>120 days	82 144 136	75 781 888
Less: Allowance for impairment	(75 938 724)	(75 918 889)
	21 539 486	**20 305 910**

National and provincial government		
Current (0-30 days)	9 279 515	1 426 308
31-60 days	2 947 271	876 794
61-90 days	2 407 770	629 976
91-120 days	2 029 012	566 013
>120 days	45 941 908	15 187 672
Less: Allowance for impairment	(46 329 385)	(15 147 468)
	16 276 091	**3 539 295**

Other		
Current (0-30 days)	27 515	43 939
31-60 days	4 073	17 702
61-90 days	3 957	16 233
91-120 days	3 898	11 467
>120 days	278 813	354 323
Less: Allowance for impairment	(278 834)	(353 267)
	39 422	**90 397**

Figures in Rand	2022	2021

13. Receivables from non-exchange transactions (continued)

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

Opening balance	(178 571 662)	(150 401 160)
Provision for impairment	(53 652 153)	(28 170 502)
	(232 223 815)	**(178 571 662)**

Fines

Fines are penalties of money that authorities decides has to be paid as punishment for offence. The amount of a fine are determined case by case, fines details are as follow:

Credit quality of receivables from non-exchange transactions the municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.Assessment rate receivables are billed monthly. No interest is charged on these receivables until the 7th day of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

Summary of fines		
Gross Fines	76 210 030	69 090 270
Additions	9 453 988	7 119 761
Provision for impairment	(71 138 619)	(65 986 440)
	14 525 399	**10 223 591**

Reconciliation of provision for impairment of receivables from fines		
Opening balance	(65 986 440)	(68 172 250)
Movement on provision for impairment	(5 152 179)	2 185 810
	(71 138 619)	**(65 986 440)**

14. VAT receivable/(payable)

VAT	133 482 770	87 251 250

15. Recievable from exchange transactions

Gross balances		
Consumer debtors - Electricity	451 259 138	372 824 538
Consumer debtors - Water	1 133 997 407	976 412 664
Consumer debtors - Sewerage	416 471 873	353 887 139
Consumer debtors - Refuse	374 648 350	311 902 838
Consumer debtors - Other	454 260 746	419 829 026
	2 830 637 514	**2 434 856 205**

Less: Allowance for impairment		
Consumer debtors - Electricity	(376 581 658)	(322 358 299)
Consumer debtors - Water	(1 012 896 932)	(889 544 315)
Consumer debtors - Sewerage	(386 058 954)	(327 730 691)
Consumer debtors - Refuse	(346 445 693)	(287 645 740)
Consumer debtors - Other	(435 693 609)	(409 725 755)
	(2 557 676 846)	**(2 237 004 800)**

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15. Recievable from exchange transactions (continued)

Net balance		
Consumer debtors - Electricity	74 677 480	50 466 239
Consumer debtors - Water	121 100 475	86 868 349
Consumer debtors - Sewerage	30 412 919	26 156 448
Consumer debtors - Refuse	28 202 657	24 257 098
Consumer debtors - Other	18 567 137	10 103 271
	272 960 668	**197 851 405**

Electricity		
Current (0 -30 days)	67 022 619	61 088 344
31 - 60 days	14 413 213	13 283 790
61 - 90 days	11 691 217	10 590 315
91 - 120 days	11 208 484	9 415 933
121 - 365 days	346 923 271	278 216 147
Less: Allowance for impairment	(376 581 324)	(322 128 290)
	74 677 480	**50 466 239**

Water		
Current (0 -30 days)	88 877 176	81 822 172
31 - 60 days	29 402 256	34 572 954
61 - 90 days	25 779 419	22 329 108
91 - 120 days	24 782 287	22 066 409
121 - 365 days	965 156 940	814 407 482
Less: Allowance for impairment	(1 012 897 603)	(888 329 776)
	121 100 475	**86 868 349**

Sewerage		
Current (0 -30 days)	12 895 313	12 555 866
31 - 60 days	9 936 603	9 326 051
61 - 90 days	9 419 320	9 022 092
91 - 120 days	9 283 023	8 781 058
121 - 365 days	374 938 124	314 184 260
Less: Allowance for impairment	(386 059 464)	(327 712 879)
	30 412 919	**26 156 448**

Refuse		
Current (0 -30 days)	13 096 399	12 382 749
31 - 60 days	9 778 588	9 180 266
61 - 90 days	9 124 951	8 742 235
91 - 120 days	8 674 324	8 402 841
121 - 365 days	333 973 926	273 194 747
Less: Allowance for impairment	(346 445 531)	(287 645 740)
	28 202 657	**24 257 098**

Sundry debtors		
Current (0 -30 days)	91 017 602	5 009 975
31 - 60 days	7 817 584	3 763 582
61 - 90 days	4 365 681	6 992 517
91 - 120 days	3 365 608	7 558 873
121 - 365 days	336 276 116	397 597 146
Less: Allowance for impairment	(435 693 609)	(410 818 822)
Undefined Difference	**11 418 155**	**-**
	18 567 137	**10 103 271**

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15. Recievable from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	84 292 529	112 934 267
31 - 60 days	54 586 036	52 685 081
61 - 90 days	50 521 868	52 275 069
91 - 120 days	49 948 851	51 928 898
121 - 365 days	2 161 528 397	1 938 386 637
	2 400 877 681	2 208 209 952
Less: Allowance for impairment	(2 230 923 282)	(2 040 305 509)
	169 954 399	**167 904 443**

Industrial/ commercial		
Current (0 -30 days)	46 131 221	54 606 758
31 - 60 days	9 621 058	16 131 029
61 - 90 days	5 574 975	4 364 337
91 - 120 days	2 964 399	3 321 569
121 - 365 days	88 675 459	84 633 259
	152 967 112	163 056 952
Less: Allowance for impairment	(107 252 895)	(134 100 570)
	45 714 217	**28 956 382**

National and provincial government		
Current (0 -30 days)	142 165 866	4 987 087
31 - 60 days	6 781 559	1 130 441
61 - 90 days	4 456 455	857 679
91 - 120 days	4 302 489	802 837
121 - 365 days	97 241 229	36 568 069
Less: Allowance for impairment	(208 472 734)	(42 017 400)
	46 474 864	**2 328 713**

Other debtors		
Current (0 -30 days)	319 494	336 994
31 - 60 days	359 591	180 092
61 - 90 days	239 459	179 182
91 - 120 days	192 436	171 812
121 - 365 days	21 500 848	19 968 994
	22 611 828	20 837 074
Less: Allowance for impairment	(22 446 091)	(20 581 321)
	165 737	**255 753**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(2 237 004 800)	(1 892 403 046)
Contributions to allowance	(332 090 202)	(344 601 754)
	(2 569 095 002)	**(2 237 004 800)**

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16. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	19 090	19 090
Bank balances	18 301 979	8 602 668
Short-term deposits	238 124 744	194 577 925
	256 445 813	**203 199 683**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Standard Bank Account (Primary Acc-030192358)	26 421 022	12 546 126	37 783 337	18 301 979	8 602 766	13 890 228
Standard Bank Account (MIG Acc-038787024-008)	71 122 577	43 321 258	41 831 613	71 122 577	43 321 258	41 831 613
Standard Bank Account (EMBA Acc-038787024-003)	434 563	419 303	406 075	434 563	419 303	406 075
Standard Bank Account (Traffic Acc-030195276)	2 482 239	1 737 244	1 336 639	2 482 239	1 737 244	1 336 639
Standard Bank Account (Call Acc-038787024-009)	164 085 703	149 100 854	121 087 442	164 085 703	149 100 854	121 087 442
Total	**264 546 104**	**207 124 785**	**202 445 106**	**256 427 061**	**203 181 425**	**178 551 997**

17. Finance lease obligation

Minimum lease payments due		
- within one year	336 000	-
- in second to fifth year inclusive	448 000	-
	784 000	-
less: future finance charges	(62 614)	-
Present value of minimum lease payments	**721 386**	**-**

Present value of minimum lease payments due		
- within one year	294 843	-
- in second to fifth year inclusive	426 543	-
	721 386	**-**

Non-current liabilities	426 543	-
Current liabilities	294 843	-
	721 386	**-**

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

Rand	721 386	-

The fair value of finance lease liabilities approximates their carrying amounts.

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18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	16 245 872	17 899 428
LG SETA Grant	3 812 029	3 473 773
Sport development Grant	453 685	453 685
Pre-capacity Grant	272 818	286 843
Economic Development Grant	313 901	313 901
Sasol	10 446 492	15 116 475
Financial Management Grant	112 895	465 683
Integrated National Electrification Programme Grant	7 255 378	10 930 743
Water Service Infrastructure Grant	18 513 075	4 477 729
Infrastructure Skills Development Grant	-	1
Gert Sibande District Municipality	274 580	274 580
Energy Efficiency Demand management Grant	406 149	-
National Treasury-Assets	-	500 000
Reginal Bulk Infrastructure grant	23 719 542	46 596 278
	81 826 416	**100 789 119**

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

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19. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Landfill site	304 281 913	30 245 802	(4 908 284)	329 619 431

Reconciliation of provisions - 2021

	Opening Balance	Additions	Change in discount factor	Total
Landfill site	281 185 036	4 891 018	18 205 859	304 281 913

Non-current liabilities	293 198 286	274 038 111
Current liabilities	36 421 145	30 243 802
	329 619 431	**304 281 913**

The municipality will incur licensing and rehabilitation cost of R 329 619 431(2021: R304 283 913) to restore landfill sites at the end of their use. As at 30 June 2022 this liability will be incurred over 0 to 30 years. Provision has been made for the net present value of the expenditures expected to be required to settle the obligation using the average cost of borrowings.

There are currently no long term assets set aside for closure of the site, therefore the liability is unfunded.

The net discount rate increased applied on the liability is 3.69% and fixed interest rate of 9.94% thus decreased the liability as at 30 June 2021.

decrease in land fill site provision increased mainly due to the following :
- Higher capping specifications required for environmental reasons where landfills are unlined.
- Simultaneous change in all the variables results.

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20. Long service awards

The municipality operates a defined benefit plan for all its employees. The long service award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet its liability.

Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter, until 45years of service (inclusive) to employees. Furthermore, a retirement gift of 1% of final annual salary is payable on retirement to employees with 10 years or more service. The provision is an estimate of a long service based on historical staff turnover.

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.The approach taken in this valuation has been made with reference to the guidelines issued by the Actuarial Society of South Africa (ASSA), in particular the Advisory Practice Note 207 as issued by ASSA, and is consistent with the requirements of GRAP25.

At year end of (2022:1175) employees (2021: 1198) were eligible for long service awards.Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Govan Mbeki advised that in most cases,employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

Valuation of liabilities
Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases. For each employee, this projection is based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death.

Valuation of assets
As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability

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

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20. Long service awards (continued)

Carrying amount		
Non Current Liability	(34 519 336)	(33 518 290)
Current Liability	(3 887 060)	(2 251 008)
	(38 406 396)	**(35 769 298)**

Changes in the present value of the long service liability are as follows:		
Opening balance	(35 769 298)	(30 416 288)
Benefit paid	2 938 814	3 140 924
Net expense recognised in the statement of financial performance	(5 575 912)	(8 493 934)
	(38 406 396)	**(35 769 298)**

Net expense recognised in the statement of financial performance		
Current service cost	(2 615 557)	(2 228 756)
Interest Cost	(2 563 641)	(2 382 665)
Actual gain (losses)	(396 714)	(3 882 513)
	(5 575 912)	**(8 493 934)**

The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

Valuation assumptions	Column heading	Column heading
Discount rate	10,77 %	7,40
CIP	7,22 %	4,62
Salary Increase rate	8,22 %	5,62
Net Discount rate	2,36 %	1,69
	- %	**-**

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 2.36% less than the corresponding discount rate, in the long term.

1% increase in the salary increase rate results in a 6.25% increase in the accrued liability whilst a 1% decrease in the salary increase rate will result in a 5.70% decrease in the accrued liability, similarly, a 1% increase in the discount rate results in a 5.52% decrease in the accrued liability whilst a 1% decrease in the discount rate will result in a 6.16% increase in the accrued liability.

The effect of a one percent increase and decrease in the salary inflation and discount rates is as follows.

Salary inflation rate	1% decrease R's	30 June 2022 valuation basis R's	1% increase R's
Accrued liability	36 218 587	38 406 396	40 807 323
Current services cost	2 539 810	2 715 924	2 911 267
Interest cost	3 692 255	3 927 051	4 184 802
	42 450 652	**45 049 371**	**47 903 392**

Discount Rate	1% decrease R's	30 June 2022 valuation basis R's	1% increase R's
Accrued Liability	40 771 819	38 406 396	36 285 043
Current Service cost	2 908 363	2 715 924	2 545 132
Interest cost	3 792 783	3 927 051	4 042 875
	47 472 965	**45 049 371**	**42 873 050**

Retirement

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20. Long service awards (continued)

The effects of a one (1) year and two (2) year reduction on the average retirement age of 63 years. A one (1) reduction in the retirement age results in a 4.28% decrease in the accrued liability whilst a two (2) year reduction in the retirement age results in an 8.94% reduction in the accrued liability.

Assumed Retirement Age	30 June 2022 valuation basis	Retirement ages-1 R's	Retirement age -1 R's
Accrued Liability	38 406 396	36 762 284	34 973 305
Current services cost	2 715 924	2 611 610	2 502 331
Interest cost	3 927 051	3 751 812	3 559 139
	45 049 371	**43 125 706**	**41 034 775**

Withdrawals

The effects of a 20% decrease and 20% increase in the withdrawal assumptions as at 30 June 2022. The adjustment would result in a 4.09% increase and a 4.48% decrease in the accrued liability respectively.

Withdrawal decrement	20% decrease R's	30 June 2022 valuation basis R's	20% increase R's
Accrued Liability	40 126 197	38 406 396	36 834 372
Current services cost	2 878 391	2 715 924	2 570 822
Interest cost	4 111 718	3 927 051	3 758 299
	47 116 306	**45 049 371**	**43 163 493**

21. Payables from exchange transactions

Trade payables	3 726 344 365	2 940 544 087
Retentions	19 731 756	21 492 935
Accrued leave pay	33 855 936	31 902 565
Accrued bonus	10 192 930	10 024 375
Accrued orders	-	3 079 979
Salary control	28 930 392	2 337 769
Inventory	2 997	1 377
	3 819 058 376	**3 009 383 087**

22. Payables from non-exchange transactions

Unallocated receipts	21 819 301	19 170 707

23. Consumer deposits

Electricity	10 142 203	9 672 601
Water	18 555 740	17 191 368
Miscellanious	83 757	60 223
Sundry deposits	235 552	409 980
	29 017 252	**27 334 172**

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25. Service charges

Sale of electricity	532 376 028	476 376 518
Sale of water	511 459 524	525 643 719
Sewerage and sanitation charges	133 367 200	127 192 567
Refuse removal	134 927 336	129 459 708
	1 312 130 088	**1 258 672 512**

26. Rental of facilities and equipment

Properties		
Municipal properties rentals	8 570 402	5 487 352
Facilities and equipment		
Rental of facilities	453 990	276 814

27. Fines, penalties and forfeits

Building Fines	2 966 703	17 945
Library book fines	65 050	32 699
Municipal Traffic Fines	10 776 060	7 846 600
	13 807 813	**7 897 244**

28. Fees earned

Administrative Handling Fees	168 088	259 618
Commission: Transaction Handling Fees	314 641	314 916
Advertisements	30 413	27 715
Building plan approval fees	1 768 343	1 295 460
Application fees for Land Usage	1 125 151	1 229 572
Cemetery and burial	1 342 297	1 196 636
Clearance certificates	6 235	22 827
Escort Fees	1 024	1 670
Occupation Certificates	1 886	27 053
Fire Services	428 623	302 001
Parking Fees	238	-
Photo copies; Faxes and Telephone charges	6 857	5 414
Removal of restrictions	55	43
Publications:charts/Posters	3 609	3 942
Publications: Plans	297	365
Tender Documents	457 132	507 792
Valuation Rolls	5 565	11 410
Street Markets (informal Traders)	42 443	93 252
Traffic control	32 327	30 849
Valuation services	15 906	114 253
Electricity connection	923 818	776 523
Waste water management connection	25 773	-
Water connection	437 647	517 237
Inspection Fees: facilities	388 813	-
	7 527 181	**6 738 548**

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29. Other income

Incidental income	1 673 747	44 062 005
Other income 7	-	36 500 000
	1 673 747	**80 562 005**

30. Investment revenue

Dividend revenue		
Listed financial assets - Local	228 085	-
Interest received -investment		
Short term investments	9 052 338	7 607 849
	9 280 423	**7 607 849**

31. Property rates

Rates received

Residential	186 688 545	169 871 374
Industrial properties	24 072 813	22 934 126
Property owned by an organ of state and used for public service purpose	22 365 313	22 455 334
Agricultural Properties	128 323 273	4 415 880
Commercial and businesses	11 426 717	132 009 128
	372 876 661	**351 685 842**

Valuations

Residential Properties	'6 851 896 500	'8 548 328 920
Industrial Properties	1 683 120 000	1 104 787 400
Business and Commercial Properties	3 743 675 800	5 100 798 000
Agricultural Properties	4 397 947 700	4 547 065 200
Mining Properties	233 828 600	312 440 000
Property owned by an organ of state and used for public service purpose	1 360 110 500	1 166 322 700
Public service infrastructure properties (PSI)	692 238 800	1 658 755 900
Properties owned by public benefit organisations and used for specified activities (PBO)	452 359 000	470 580 100
Vacant	1 072 109 680	418 147 167
Properties used for multiple purposes, subject to section 9 (MUP)	-	4 910 000
	40 487 286 580	**43 332 135 387**

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

The new general valuation will be implemented on 01 July 2025.

32. Grants and subsidies paid

Other subsidies		
Indigent support	30 797 286	43 902 977

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33. Government grants and subsidies

Operating grants		
Equitable share	331 028 000	357 958 000
Extended public works programme	1 677 000	1 000 000
Financial Management Grant	2 406 788	1 620 326
Energy Efficiency and Demand Side Management Grant	3 793 851	-
LG SETA Grant	135 850	3 500
Municipal Infrastructure Skills Development	24 500 000	23 937 000
Economic Development and Tourism	14 025	-
National Treasury Grant	500 000	-
Electricity Management Grant	5 000 000	-
	369 055 514	**384 518 826**
Capital grants		
Municipal Infrastructure Grant	42 085 127	42 135 275
Water Service Infrastructure Grant	1 715 654	32 672 717
Gert Sibande District Municipality	-	1 925 420
Integrated National Electrification Grant	21 418 365	14 069 332
Donations Grant	-	2 441 948
Rand Water	4 669 983	-
Bulk water sewage	22 876 736	13 403 722
	92 765 865	**106 648 414**
	461 821 379	**491 167 240**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	85 269 000	132 847 759
Unconditional grants received	368 979 106	357 958 000
	454 248 106	**490 805 759**

Equitable Share

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

Municipal Infrastructure Grant

Balance unspent at beginning of year	17 894 341	6 580 529
Current-year receipts	51 526 000	56 717 000
Conditions met - transferred to revenue	(42 085 127)	(42 135 275)
Monies witheld by Treasury	(11 089 913)	(3 267 913)
	16 245 301	**17 894 341**

To provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities.. Conditions still to be met - remain liabilities (see note 18).

LG SETA Grant

Balance unspent at beginning of year	3 473 773	3 108 522
Current-year receipts	474 106	368 751
Conditions met - transferred to revenue	(135 850)	(3 500)
	3 812 029	**3 473 773**

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

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33. Government grants and subsidies (continued)

The LGSETA mission is to build Local Governments' ability to meet its development needs by engaging innovative training methods, effective capacity building frameworks and building strategic partnerships. LGSETA creates and implements various innovative skills development interventions aimed at assisting local government employees, the unemployed and other people such as ward councilors and traditional leaders working within the structures of local government.

LG SETA allocates on a yearly basis the grants to the municipality to ensure that the skills development objectives are met as per Workplace Skills Plan(WSP).

Sports and Development Grant

Balance unspent at beginning of year	453 685	453 685

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

This grant was received for promotion and development of sport. Projects identified for application of the grant will run in the subsequent financial year. No funds have been withheld.

Intergrated National Electrification Programme Grant

Balance unspent at beginning of year	10 930 668	-
Current-year receipts	17 743 000	25 000 000
Conditions met - transferred to revenue	(21 418 365)	(14 069 332)
	7 255 303	**10 930 668**

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

Implementation the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings including upgrade of informal settlements, new, and normalisation,and the installation of relevant bulk infrastructure.

Pre-capacity Grant

Balance unspent at beginning of year	286 843	286 843
Conditions met - transferred to revenue	(14 025)	-
	272 818	**286 843**

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

The grant was allocated to ensure that the social housing programme of provincial government was carried out. The municipality acts as an agent for implementation of the plan.

Economic Development and Tourism

Balance unspent at beginning of year	313 901	313 901

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

Contribution towards the detailed technical feasibility study and the development of business plan for establishment of Industrial Park.

Gert Sibande District Municipality

Balance unspent at beginning of year	274 580	2 200 000
Conditions met - transferred to revenue	-	(1 925 420)
	274 580	**274 580**

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33. **Government grants and subsidies (continued)**

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

Monies received for co-funding of Electricity for Embalenhle Substation and network upgrade and installation of boreholes.

SASOL

Balance unspent at beginning of year	15 116 475	15 116 475
Conditions met - transferred to revenue	(4 669 983)	-
	10 446 492	**15 116 475**

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

Financial Management Grant

Balance unspent at beginning of year	465 683	86 009
Current-year receipts	2 100 000	2 000 000
Conditions met - transferred to revenue	(2 406 788)	(1 620 326)
Withheld by Treasury	(46 000)	-
	112 895	**465 683**

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

The Finance Management Grant is allocated to assist the municipality to secure sound and sustainable management of the fiscal and financial affairs and to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Water Service Infrastructure Grant

Balance unspent at beginning of year	4 477 729	7 150 446
Current-year receipts	16 000 000	30 000 000
Conditions met - transferred to revenue	(1 715 654)	(32 672 717)
Withheld by Treasury	(249 000)	-
	18 513 075	**4 477 729**

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

- To assist Water Services Authorities (WSAs) to reduce water and sanitation backlogs Grant purpose
- Facilitate the planning and implementation of various water and on-site sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities

Provide interim, intermediate water and sanitation supply that ensures provision of services to identified and prioritised communities, including through spring protection and groundwater development

Infrastructure Skills Development Grant

Balance unspent at beginning of year	-	925 088
Current-year receipts	24 500 000	23 937 000
Conditions met - transferred to revenue	(24 500 000)	(23 937 000)
Withheld by Treasury	-	(925 088)
	-	**-**

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

To recruit unemployed graduates into municipalities to be trained and professionally registered, as per the requirements of the relevant statutory councils within the built environment.The grant is allocated to support the municipality to build long term and sustainable capacity by training a pool of young professionals in technical and project/operations management skills.

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33. Government grants and subsidies (continued)

Donation Grant

Current-year receipts	-	2 441 948
Conditions met - transferred to revenue	-	(2 441 948)
	-	-

Conditions still to be met - remain liabilities (see note 18).
Grants relates to donations of Transport Assets and; Machinery and Equipment received from Anglo American, received from Co-Operative Governance & Traditional Affairs; and Sa-Led/Chemonics International Inc.

Electricity Management Grant

Current-year receipts	5 000 000	-
Conditions met - transferred to revenue	(5 000 000)	-
	-	-

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

Procurement of electronic protective security structures and electricity meters.

National Treasury

Balance unspent at beginning of year	500 000	-
Current-year receipts	-	500 000
Conditions met - transferred to revenue	(500 000)	-
	-	**500 000**

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

Funding agreement for infrastructure verification, unbundling of completed projects and review of assets register.

Regional Bulk Infrastructure grant

Balance unspent at beginning of year	46 596 278	-
Current-year receipts	-	60 000 000
Conditions met - transferred to revenue	(22 876 736)	(13 403 722)
	23 719 542	**46 596 278**

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

To develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to implement bulk infrastructure with a potential of addressing water conservation and water demand management projects or facilitate and contribute to the implementation of local water conservation and water demand management projects that will directly impact on bulk infrastructure requirements.Provide explanations of conditions still to be met and other relevant information.

Figures in Rand	2022	2021

34. Employee related costs

Basic	270 803 064	266 644 682
Bonus	22 667 893	22 370 249
Medical aid - company contributions	36 775 155	37 213 233
UIF	2 505 216	2 257 473
SDL	4 656 039	3 763 324
Leave pay provision charge	6 604 268	7 351 825
Pension fund contribution	59 799 656	58 567 407
Defined contribution plans	(2 216 462)	1 406 039
Overtime payments	46 913 657	44 581 195
Long-service awards	(323 257)	2 970 345
Acting allowances	8 506 055	7 217 802
Travel, motor car, accommodation, subsistence and other allowances	16 325 890	16 100 791
Housing benefits and allowances	1 754 439	1 686 950
Cellphone allowance	2 278 250	2 211 240
Allowance Standby	14 985 368	13 369 632
Bargaining council levy	791 577	144 016
Uniform allowance	10 000	15 000
Non-Pensionable Allowance	70 939 188	65 274 214
	563 775 996	**553 145 417**

Remuneration of Accounting Officer

Annual Remuneration	141 543	2 258 308
Car Allowance	10 000	120 000
Cell phone allowance	1 598	21 600
Contributions to UIF, Medical and Pension Funds	15 753	338 676
Other Benefits	1 153 361	-
	1 322 255	**2 738 584**

Mr SF Mndebele was appointed as Municipal Manager from 1 October 2018. Mr SF Mndebele contract of employment was terminated by council with resolution number CA011/07/2021. Ms Tshabalala was then appoited as the Acting Municipal MAnager from September 2020 , her appoitment was resended and Mr M E Michele was seconded from Gert District Municipality from the 10th March 2021 has been appointed as the Acting Municipal Manager until the matter is resolved, on the 29th June 2021 Ms EK Tshabalala was re-appointed as acting Municipal Manager until Mr EN Maseko was appionted on 20 June 2022.

Remuneration of Chief Financial Officer

Annual Remuneration	-	1 603 898
Car Allowance	161 309	64 000
Cell phone Allowance	9 600	21 141
Contributions to UIF, Medical and Pension Funds	-	153 037
Other benefits	707 935	-
	878 844	**1 842 076**

Mr BB Sithole was appointed Chief Financial Officer on the 1 October 2017, on 8 October 2020 Mr BB Sithole was placed on suspension as resolved by council resolution number CA011/10/2020 on the 22th February 2021 he resigned, Mrs VB Nkhata seconded from Gert District Municipality from 20 October 2020 is currently Acting Chief Financial Officer.

Remuneration of Director Corporate Services

Annual Remuneration	1 052 858	1 052 858
Car Allowance	130 560	130 560
Cell phone Allowance	21 600	21 600
Contributions to UIF, Medical and Pension Funds	233 754	233 561
Other benefits	38 782	-

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34. Employee related costs (continued)

	1 477 554	**1 438 579**

Advocate TM Gininda was appointed as the Director Corporate Services on the 1 October 2018.

Additional text+9

Remuneration of Director Planning and Development

	2022	2021
Annual Remuneration	-	532 659
Car Allowance	-	60 000
Cell phone Allowance	-	10 800
Contributions to UIF, Medical and Pension Funds	-	83 440
	-	**686 899**

Ms KP Shilubane has been appointed on the1 March 2020 and she resigned on the 31st December 2020,Mr S Vilakazi was appointed as acting director for planning and development on the 14th January 2021 council resolution CA001/01/2021

Remuneration of Director Community Services

	2022	2021
Annual Remuneration	1 175 208	1 176 555
Car Allowance	120 000	120 000
Cell phone Allowance	21 600	21 600
Contributions to UIF, Medical and Pension Funds	303 665	302 123
Other benefits	124	-
	1 620 597	**1 620 278**

Mrs EK Tshabalala was appointed as the director for community services on the 1 February 2020

Remuneration of Director Technical Services

	2022	2021
Annual Remuneration	863 658	865 299
Car Allowance	120 000	120 000
Cell phone Allowance	21 600	21 600
Contributions to UIF, Medical and Pension Funds	207 105	205 271
Other benefits	910	-
	1 213 273	**1 212 170**

Mr Maphuthi was appointed as the director of technical services on the 1st December 2019.9+

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35. Remuneration of councillors

Councillors remuneration

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

	2022	2021
Executive Mayor	911 868,67	852 468,00
Chief whip	732 066,94	711 187,00
Mayoral Committee Members	3 829 884,65	5 225 522,00
Speaker	740 921,28	755 878,00
Councillors	16 075 366,33	14 741 640,00
Sec 79 Councillors	2 108 022,10	2 586 775,00
Total Councillors remuneration	24 398 129,97	24 873 470,00

COUNCILLORS		-	-	-	-	-	-	-
EMPLOYEE	**APOINTMENT DA**	**SALARY**	**PENSION**	**MEDICAL**	**MOTOR**	**CELL PHONE**	**OTHER ALLO**	**TOTAL**
ZUMA NG	10 August 2016	640 874,39	96 137,00	-	134 057,28	40 800,00	174 857,28	911 868,67
MTSHALI PD	21 May 2011	176 380,25	26 459,00	-	52 366,15	17 000,00	69 366,15	272 205,40
MTSWENI MJ	21 May 2011	340 957,16	51 149,00	-	33 514,32	27 200,00	67 755,38	459 861,54
NYEMBE FM	15 October 2020	165 825,46	22 524,00	5 760,00	59 922,84	14 494,25	75 717,09	269 826,55
MAGAGAMELA	09 November 2021	386 810,73	58 025,00	-	-	26 259,00	26 259,00	471 094,73
GWIJI CV	21 May 2011	161 437,38	22 080,00	5 760,00	41 892,00	14 494,25	56 386,25	245 663,63
BOTHA C	17 August 2015	276 534,20	41 481,00	-	39 665,22	23 800,00	63 465,22	381 480,42
SIBANYONI SI		41 603,33	6 241,00	1 440,00	4 942,42	3 400,00	8 342,42	57 626,75
MAKHANYE SA	21 May 2011	167 570,81	22 932,00	5 760,00	41 892,92	14 494,25	56 387,17	252 649,98
SIBANYONI SI		251 834,05	37 779,00	8 640,00	29 654,52	20 400,00	50 054,52	348 307,57
NSIBANDE ME		42 399,13	6 360,00	1 440,00	5 666,46	3 400,00	9 066,46	59 265,59
NDABA BB	21 May 2011	161 224,41	21 980,00	5 760,00	49 191,32	14 494,25	63 685,57	252 649,98
MTSHALIPD		269 963,49	40 497,00	-	73 312,61	23 800,00	97 112,61	407 573,10
ZULU TS	21 May 2011	185 543,73	25 628,00	-	26 984,00	14 494,25	41 478,25	252 649,98
MTSWENI TP		270 037,49	40 423,00	-	73 312,61	23 800,00	98 244,18	408 704,67
ZULU NN	15 March 2018	165 735,73	22 660,00	5 760,00	44 000,00	14 494,25	59 755,85	253 911,58
MAHLANGU BS	10 August 2017	209 007,73	29 148,00	-	-	14 494,25	14 494,25	252 649,98
NHLAPO MD	21 May 2011	194 434,57	26 964,00	-	16 757,16	14 494,25	31 251,41	252 649,98
MBOKAZI V		303 627,35	45 550,00	-	34 595,75	23 800,00	59 916,39	409 093,74
NGXONONO YI	21 May 2011	431 298,50	64 700,00	17 280,00	125 700,00	40 800,00	166 500,00	679 778,50

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35. Remuneration of councillors (continued)

MTSWENI TP	08 January 2015	81 429,78	12 216,00	-	52 366,15	17 000,00	69 366,15	163 011,93
VAN HUYSTEEI	21 May 2011	158 034,52	23 709,00	4 320,00	29 325,03	23 800,00	53 125,03	239 188,55
MTHEMBU BE		26 305,42	3 946,00	-	-	3 400,00	3 400,00	33 651,42
NEL-BUITENDA	21 May 2011	154 379,47	23 159,00	5 760,00	16 757,16	22 076,72	38 833,88	222 132,35
MOFOKENG TS		26 305,42	3 946,00	-	-	3 400,00	3 400,00	33 651,42
MASINGA MM	10 August 2016	213 851,97	32 083,00	-	24 711,25	30 600,00	55 311,25	301 246,22
(MNISI TR)	10 August 2016	108 170,22	15 032,00	5 760,00	-	14 494,25	14 494,25	143 456,47
MAKOLA MB	21 May 2011	98 605,06	13 600,00	-	16 757,16	14 494,25	31 251,41	143 456,47
MAHLANGU B I	10 August 2016	93 597,06	12 848,00	5 760,00	16 757,16	14 494,25	31 251,41	143 456,47
VAN HUYSSTEI	21 May 2011	140 419,89	21 069,00	12 960,00	37 703,61	30 600,00	68 303,61	242 752,50
VAN ROOYEN I	21 May 2011	202 250,52	30 348,00	-	50 271,48	40 800,00	91 071,48	323 670,00
MAHLANGU B I	08 December 2000	68 608,73	9 364,00	5 760,00	16 757,16	14 494,25	31 251,41	114 984,14
NKABINDE JB	01 March 2013	202 250,52	30 348,00	-	50 271,48	40 800,00	91 071,48	323 670,00
MATHEBULA SI	20 August 2013	177 306,00	26 604,00	17 280,00	61 680,00	40 800,00	102 480,00	323 670,00
DE VRIES GR	02 January 2014	245 970,00	36 900,00	-	-	40 800,00	41 632,34	324 502,34
MKWEBANE ZA	26 June 2015	179 366,04	26 916,00	17 280,00	59 307,96	40 800,00	100 107,96	323 670,00
BOTHA C	17 August 2015	77 850,20	11 680,00	-	28 332,30	17 000,00	45 332,30	134 862,50
NKABINDE E R	10 August 2016	179 364,96	26 916,00	17 280,00	59 309,04	40 800,00	101 653,52	325 214,48
KLAAS NP	10 August 2016	70 996,57	9 724,00	-	19 769,32	14 494,25	34 263,57	114 984,14
MKHALIPHI S	10 August 2016	73 616,73	10 116,00	-	16 757,16	14 494,25	31 251,41	114 984,14
MALAZA NG	10 August 2016	83 181,89	11 548,00	5 760,00	-	14 494,25	14 494,25	114 984,14
THABEYHE IM	10 August 2016	70 309,89	9 620,00	-	20 560,00	14 494,25	35 054,25	114 984,14
SITHOLE LE	10 August 2016	65 988,21	8 972,00	5 760,00	19 769,68	14 494,25	34 263,93	114 984,14
MAZIBUKO KD	10 August 2016	73 616,73	10 116,00	-	16 757,16	14 494,25	31 251,41	114 984,14
NJINGA SC	10 August 2016	73 616,73	10 116,00	-	16 757,16	14 494,25	31 251,41	114 984,14
MAHLANGU E	10 August 2016	68 608,73	9 364,00	5 760,00	16 757,16	14 494,25	31 251,41	114 984,14
MOKOENA BD	10 August 2016	73 616,73	10 116,00	-	16 757,16	14 494,25	31 251,41	114 984,14
NDODA NM	10 August 2016	73 616,73	10 116,00	-	16 757,16	14 494,25	31 251,41	114 984,14
MAHLANGU NP	10 August 2016	68 608,73	9 364,00	5 760,00	16 757,16	14 494,25	31 251,41	114 984,14
SHAI KJ	23 August 2016	70 309,89	9 620,00	-	20 560,00	14 494,25	35 054,25	114 984,14
LUKHELE I	10 August 2016	73 616,73	10 116,00	-	16 757,16	14 494,25	31 251,41	114 984,14
MOTLOUNG ME	10 August 2016	70 309,89	9 620,00	-	20 560,00	14 494,25	35 054,25	114 984,14
NTULI SR	10 August 2016	88 189,89	12 300,00	-	-	14 494,25	14 494,25	114 984,14
MORAJANE TA	10 August 2016	73 616,73	10 116,00	-	16 757,16	14 494,25	31 251,41	114 984,14
NEL BUITENDA	10 August 2016	184 477,50	27 675,00	-	-	30 600,00	32 205,56	244 358,06
MABIZELA TM	10 August 2016	245 970,00	36 900,00	-	-	40 800,00	40 800,00	323 670,00
SEBOLELA JD	10 August 2016	73 616,73	10 116,00	-	16 757,16	14 494,25	31 251,41	114 984,14

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MOFOKENG TS	10 August 2016	225 472,50	33 825,00	-	-	37 400,00	37 400,00	296 697,50
HLOLWENI S	10 August 2016	71 000,57	9 720,00	-	19 769,32	14 494,25	34 263,57	114 984,14
SWART EP	10 August 2016	88 189,89	12 300,00	-	-	14 494,25	14 494,25	114 984,14
MOLOTO BD	10 August 2016	194 399,04	29 163,00	-	59 307,96	40 800,00	100 107,96	323 670,00
NDWANYAZA F	10 August 2016	88 189,89	12 300,00	-	-	14 494,25	14 494,25	114 984,14
MBONANI LM	10 August 2016	88 189,89	12 300,00	-	-	14 494,25	14 494,25	114 984,14
SIBANYONI SI	10 August 2016	74 735,40	11 215,00	7 200,00	24 712,10	17 000,00	44 823,60	137 974,00
CHAMBERLAIN	10 August 2016	230 946,00	34 644,00	17 280,00	-	40 800,00	40 800,00	323 670,00
MASEKO TM	01 December 2016	163 980,00	24 600,00	-	-	27 200,00	27 200,00	215 780,00
DUBE TH	26 May 2017	83 181,89	11 548,00	5 760,00	-	14 494,25	14 494,25	114 984,14
NSIBANDE ME	31 October 2017	157 498,44	23 628,00	15 840,00	62 331,06	37 400,00	99 731,06	296 697,50
MASINA NA	04 December 2017	245 970,00	36 900,00	-	-	40 800,00	40 800,00	323 670,00
MASINGA MM	10 July 2019	163 980,00	24 600,00	-	-	27 200,00	27 200,00	215 780,00
SIPELA AM	09 October 2019	73 616,73	10 116,00	-	16 757,16	14 494,25	31 251,41	114 984,14
KLEINHANS T	12 November 2020	232 651,20	34 905,00	15 313,80	-	40 800,00	40 800,00	323 670,00
MASANGO SJ	17 December 2020	73 616,73	10 116,00	-	16 757,16	14 494,25	31 251,41	114 984,14
MAYISA JS	03 February 2021	88 189,89	12 300,00	-	-	14 494,25	14 494,25	114 984,14
CHAUKE EW	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
DUDLEY VD	09 November 2021	40 446,30	6 069,00	-	17 679,39	9 259,00	26 938,39	73 453,69
ERASMUS D	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
JONKER L	09 November 2021	182 057,17	-	-	-	26 259,00	26 259,00	208 316,17
KHOZA D	09 November 2021	123 206,33	17 598,00	-	41 251,91	26 259,00	67 510,91	208 315,24
KUBHEKA MA	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
MADONSELA N	09 November 2021	134 718,50	20 209,00	10 080,00	-	23 800,00	23 800,00	188 807,50
MAGAGAMELA	09 November 2021	13 573,67	2 036,00	1 440,00	-	2 459,00	2 459,00	19 508,67
MAHLANGU MJ	09 November 2021	18 599,64	-	-	-	2 682,56	2 682,56	21 282,20
MAHLANGU SV	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
MAKHADO TC	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	28 861,88	210 919,05
MALUKA JM	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	31 284,50	213 341,67
MASEKO JM	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
MAZIBUKO SJ	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
MAZIBUKO TE	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
MAZIBUKO TM	09 November 2021	117 309,20	17 603,00	-	47 145,04	26 259,00	80 054,04	214 966,24
MKHWANAZI SI	09 November 2021	153 300,17	22 997,00	5 760,00	-	26 259,00	26 259,00	208 316,17
MNYUKANA MD	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
NTAHANE AN	09 November 2021	127 557,45	19 141,00	-	35 358,78	26 259,00	64 220,66	210 919,11
MTHEMBU BE	09 November 2021	137 810,67	20 674,00	-	-	22 859,00	22 859,00	181 343,67

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MTOMBENI JL	09 November 2021	155 804,17	23 373,00	2 880,00	-	26 259,00	26 259,00	208 316,17
MTUNGWA CM	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
NGWENYA LP	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
NKOSI M	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
NKUNA MM	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
NKWANYANA S	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
PETTERSON VI	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
MASITENG SM	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
SEHLALO MS	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	27 910,68	209 967,85
SEIMELA T	09 November 2021	142 933,81	21 444,00	-	17 679,39	26 259,00	43 938,39	208 316,20
SIERANA GC	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
SINDELO S	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
TESNER J	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
THUKWANE KS	09 November 2021	153 300,17	22 997,00	5 760,00	-	26 259,00	26 259,00	208 316,17
VAN MARLE HE	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	26 259,00	208 316,17
VILAKAZI P	09 November 2021	158 308,17	23 749,00	-	-	26 259,00	28 345,80	210 402,97
ZWANE J	09 November 2021	117 309,20	17 604,00	-	47 145,04	26 259,00	73 404,04	208 317,24
NKOSI S	03 December 2021	106 113,77	14 856,00	4 320,00	-	18 071,23	18 071,23	143 361,00
ZIWELE L	03 December 2021	142 527,60	21 382,00	-	-	23 641,64	28 353,64	192 263,24
MASANGO SJ	04 February 2022	73 213,05	10 986,00	-	29 465,65	16 394,52	45 860,17	130 059,22
NDWANYAZA F	28 April 2022	43 319,95	6 150,00	-	-	7 135,34	7 135,34	56 605,29
MAHLANGU TJ	12 May 2022	33 975,23	5 097,00	-	-	5 635,62	5 635,62	44 707,85
-		**16 955 022,72**	**2 465 659,00**	**264 433,80**	**2 111 885,08**	**2 556 448,88**	**4 713 014,45**	**24 398 129,97**

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35. Remuneration of councillors (continued)

Additional information

All salaries, allowances and benefits of councillors been paid July 2021 to June 2022 and within the upper limit's framework. The term of office ended in November 2021, and new term then started. It brough it the following changes:

Chief whip
1. Mtshali PD
2. Mtsweni MJ

Speaker
1. Nyembe FM
2. Magagamela FF

MPAC chairperson
1. Gwiji CV
2. Botha C
3. Sibanyoni SI

Member of executive/ mayoral committee
4. Mmc community services (Sibonyoni SI)
5. Mmc community services (Nsibande ME)
6. Mmc community services (Makhanye SA)
7. Mmc water and sanitation (Ndaba BB)
8. Mmc corporate services (Zulu TS)
9. Mmc corporate services (Mtsweni TP)
10. Mmc special projects (Zulu NN)
11. Mmc finance (Mahlangu BS)
12. Mmc roads and electricity (Nhlapo MD)
13. Mmc technical services (Mbokazi V)
14. Mmc planning & development (Ngxonono YT)

Committee Chairperson
1. Rules ethics & by-laws committee - VAN Huysteen NC
2. Rules ethics & by-laws committee - Mthembu BE
3. Public participation committee - Nel-Buitendag AD
4. Public participation committee - Mofokeng TS
5. Geographical names committee - Masinga MM
6. Multi-party women's caucus (Mnisi TR)
7. Chairperson sect 79 comm (Makola MB)
8. Chairperson sect 79 comm (Mahlangu B D)

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36. Depreciation and amortisation

	2022	2021
Property, plant and equipment	165 565 781	213 174 353
Intangible assets	253 616	247 672
	165 819 397	**213 422 025**

37. Impairment of assets

	2022	2021
Impairments		
Property, plant and equipment	2 533 263	24 244 405

Figures in Rand	2022	2021

38. Finance costs

Employee obligation interest	8 049 635	7 804 520
Trade and other payables	157 005 779	85 106 220
Finance leases	38 565	20 206
Current borrowings	-	52 724
Land fill site	30 245 802	18 205 859
	195 339 781	**111 189 529**

39. Debt impairment

Debt impairment	390 894 535	490 036 239
Bad debts written off	173 882 752	-
	564 777 287	**490 036 239**

40. Bulk purchases

Electricity - Eskom	787 367 176	713 048 152
Water	356 269 301	340 513 253
	1 143 636 477	**1 053 561 405**

Electricity losses

Units purchased	564 990 388	570 834 250
Units sold	(206 678 705)	(220 761 732)
Total loss	**358 311 683**	**350 072 518**
Comprising of:		
Technical losses	57 236 039	57 083 425
Non-technical losses	301 075 644	292 989 093
Total	**358 311 683**	**350 072 518**
Percentage Loss:		
Technical losses	10 %	10 %
Non-technical losses	53 %	51 %
Total	**63 %**	**61 %**

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40. Bulk purchases (continued)

Water losses

Water stock opening	73 303	82 515
Water stock closing balance	(78 203)	(73 303)
Kilo-litres purchased	33 041 711	33 424 231
Kilo-litres sold	(20 747 171)	(22 325 407)
Total	**12 289 640**	**11 108 036**

Comprising of:		
Technical losses	4 284 918	3 350 675
Non-technical losses	8 004 721	7 751 961
Total	**12 289 639**	**11 102 636**

Percentage Loss:		
Technical losses	10 %	10 %
Non-technical losses	24 %	23 %
Total	**34 %**	**33 %**

41. Contracted services

Outsourced Services		
Alien Vegetation Control	-	9 060
Burial Services	14 800	116 940
Clearing and Grass Cutting Services	-	32 502
Pest Control	28 696	5 971
Meter Management	228 360	13 923 875
Professional Staff	3 148 992	6 092 311
Security Services	36 520 455	28 746 678
Sewerage Services	19 898 489	23 063 947
Consultants and Professional Services		
Business and Advisory	29 244 494	27 046 313
Audit committee	191 586	211 116
Legal Cost	40 583 123	11 765 195
Contractors		
Electrical	3 794 991	3 364 860
Prepaid Electricity Vendors	3 227 292	-
	136 881 278	**114 378 768**

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42. General expenses

Advertising	487 601	295 960
Auditors remuneration	5 378 693	10 649 562
Bank charges	3 355 671	3 097 978
Consumables	69 933 123	19 723 205
Entertainment	193 835	129 589
Rental: machinery & equipment	3 367 272	2 831 018
Insurance	11 602 528	8 662 069
EPWP	8 441 918	(49 870)
Ward committees	3 718 500	5 566 500
Fuel and oil	13 491 528	5 279 360
Printing and stationery	21 925	31 053
Protective clothing	3 692 438	2 409 983
Repairs and maintenance	51 352 163	63 759 004
Subscriptions and membership fees	13 989 326	8 468 855
Communication cost	2 212 340	2 633 179
Transport and freight	1 397 725	932 617
Training	101 183	590 744
Travel	866 726	92 439
Licensing Fees	2 967 246	1 798 055
Professional fees	13 633 218	14 849 049
Workmen Compensation	2 093 201	2 051 257
Grants expenditure	12 672	96 900
Other expenses	872 069	1 485 797
	213 182 901	**155 384 303**

43. Fair value adjustments

Investment property (Fair value model)	(105 409)	43 421 925
Other financial assets		
• Other financial assets (Designated as at FV through P&L	-	196 746
	(105 409)	**43 618 671**

44. Auditors' remuneration

Fees	12 758 006	10 649 562

45. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Gain (loss) on sale of property, plant and equipment	2 273 741	(3 942 709)
Loss on sale of investment property	(2 448 744)	(7 324 000)
Gain on sale of intangible assets	3 949 024	-
Impairment on property, plant and equipment	2 533 263	24 244 405
Amortisation on intangible assets	253 616	247 672
Depreciation on property, plant and equipment	165 565 781	213 174 353
Employee costs	589 558 476	586 157 108

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46. Cash generated from operations

Deficit	(697 345 472)	(478 394 025)
Adjustments for:		
Depreciation - PPE	170 330 035	211 752 752
Amortisation - Intangible assets	247 673	247 673
Impairment - Property,Plant and Equipment	2 378 379	29 382 532
Debtors impairment - receivables from exchange transactions	343 508 355	531 825 658
Debtors impairment - receivables from non- exchange transactions	67 531 701	3 014 601
Loss / (profit) on disposal of assets - Investment Property	2 448 744	7 490 000
Loss / (profit) on disposal of assets - PPE	(5 552 264)	1 698 711
Fair value adjustments - financial assets	(776 153)	(903 360)
Finance costs - Rehabilitation provision	30 245 802	18 207 859
Non-exchange assets received - PPE	-	(2 441 948)
Movement in provisions	4 908 284	4 891 018
Movement in long service awards	2 637 098	5 353 010
Movement in employee benefit liability	(7 208 244)	(2 753 017)
Increase in leave and bonus accrual	-	(146 913 028)
Changes in working capital:		
Inventories	(7 329 451)	(7 569 209)
Receivables from exchange transactions	185 907 973	(35 879 963)
Receivables from non-exchange transactions	(67 296 408)	(6 029 202)
Other asset 1	(16 554 503)	(16 294 923)
Long term receivables	5 861 333	2 857 467
Payables from exchange transactions	3 503 116	3 806 046
VAT	(31 029 572)	(47 866 166)
Transfers payable from non-exchange	209 145 478	-
Unspent conditional grants and receipts	(18 962 202)	64 566 653
Consumer deposits	1 683 080	677 058
	178 282 782	**140 726 197**

47. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	123 210 558	132 878 360
Total capital commitments		
Already contracted for but not provided for	123 210 558	132 878 360

Total commitments

Total commitments		
Authorised capital expenditure	123 210 558	132 878 360

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48. Contingencies

Cronje De Waal & Skhosana attorneys	**Details**	**2022,00**
Govan Mbeki Municipality vs Piet Bok Construction Cc	Piet Bok issued summons against the Municipality for standing time. R 9 021 856.41	9 021 856,00
Govan Mbeki Municipality vs Bosch	Bosch issued summons against the Municipality R 16 996 144.69 for standing time. Further they are suing R 8 785710.86 for damages	25 781 855,55
Govan Mbeki Municipality vs Nics	Consolidated of all NICS cases to the value of R 125 000 000.00, Court ordered the Municipality to pay R 22 000 000.00	-
Govan Mbeki Municipality vs Moonstone Investment 11 (	Application against GMM for review and setting it at R 560 000.00	560 000,00
TMN Kgomo and Ass' Attorneys		
Govan Mbeki Municipality vs Ocean Dawn Trading & Projects CC	Summons against GMM for services rendered by security company for the protection of the Municipal Manager R 293 600.00	293 600,00
Mthimunye Attorneys		
Govan Mbeki Municipality vs Kalapeng Contsruction CC	Summons issued against Municipality for services rendered in 2005 to the value of R 123 092.34.	123 092,00
S'busiso Simelane Attorneys		
Govan Mbeki Municipality vs Mukesh Daya Vallabh	Summons against the Municipality, the claim arising from porthole amounted R 49 988.22	49 988,00
Govan Mbeki Municipality vs Anele Mandisa Maseko	Summons against GMM, the plaintiff collided with a porthole R 35 766.55	35 766,00
Leepile attorneys		
Govan Mbeki Municipality vs Nu-Way	The Municipality filed an application to expropriate the stand belonging to Nu-Way. Nu-Way refused an offer of R500 000 demanding R 3 000 000.	3 000 000,00
Ramathe MJ Inc		
Govan Mbeki Municipality vs J E Mabona//Public Protector	Mr. Mabona has filed a complaint with the Public protector claiming an amount of R 1 581 053 being for services rendered in 2004.	1 581 053,00
Kgabo Serokolo Attorneys		
Govan Mbeki Municipality vs South African Music Rights Organisation NPC	Summons against the Municipality from an apparent contractual dispute between parties. Amount R199 296.67 claimed by SAMRO for a affiliation.	199 296,67
Govan Mbeki Municipality vs Weston Global Investment (Pty) Ltd	Application against the Municipality to reinstate valuation retrospective and payment of R 290 000.00 back to the Plaintiff	290 000,00
Raphiri Attorneys		
Govan Mbeki municipality vs Simon Filani Mndebele	Summons against GMM for costs of the disciplinary proceedings and matter in the High Court relating to the DC R 1 846 728.58	1 846 728,58
Totals		**42 783 235,80**
Other		
Govan Mbeki Municipality vs Coleman Catharina Talita	Summons issued against Municipality: Delictual matter a person fell from a chair. R 750 000.00.	750 000,00

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48. Contingencies (continued)			
Govan Mbeki Municipality vs Johnston Ronald Graeme Murray	Summons against the Municipality for personal injuries sustained in a motor cycle accident by the Plaintiff. He is suing R 2 250 000.00		-
Govan Mbeki Municipality vs Charlie Jacobs & Grace Gabasile Jacobs	Summons against GMM. A child electrocuted in Leandra amount R 1 500 000.00		1 500 000,00
Govan Mbeki Municipality vs Johannes Hermarnus van der Westhuizen	Summons against the Municipality, the claim arising from porthole amounted to R 107440.00		107 440,00
Govan Mbeki Municipality vs Yvonne Beatrice Deetlefs	Summons against GMM, the plaintiff tripped and fell due to uneven paving in Bethal R 300 000.00		300 000,00
Govan Mbeki Municipality vs Siyabonya Robert Mngomezulu	Summons against the Municipality for failing to provide and ensure maintenance of the road and signs on the intersection R 60 000.00		60 000,00
Govan Mbeki Municipality vs Hein Van Wyk	Summons against the Municipality, the claim arising from porthole amounted R 99 614.63		99 615,00
Govan Mbeki Municipality vs Nadeem Sohail	Summons against the Municipality deriving from a porthole amounted to R 286 491.78		286 492,00
Govan Mbeki Municipality vs Retshedistwe Johannes Mapheshoane	Summons against the Municipality for injuries from electrocution R 10 510 100.00		10 510 100,00
Govan Mbeki Municipality vs Philimon Xaba	Summons against GMM, the plaintiff alleges that he collided with a porthole R 195 197		195 197,00
Govan Mbeki Municipality vs Alpha Pharm (Pty) Ltd	Summons against GMM for a collusion between motor vehicles for an amount of R 29 658.75		29 659,00
Govan Mbeki Municipality vs Chris Calitz	Summons against GMM for a collision of motor vehicles in the sum of R 51 288.69		51 289,00
Govan Mbeki Municipality vs Lolo Martin Dube	Summons against GMM, the plaintiff alleges that he collided with a pothole R 57 756.93		57 757,00
Govan Mbeki Municipality vs Absalom Mgabi	Summons against GMM, the plaintiff alleges that he collided with a pothole R 220 512.65		220 513,00
Govan Mbeki Municipality vs Willem Shaun Du Plessis	Summons against GMM, the plaintiff alleges that he collided with a pothole R 67 300.00		67 300,00
Govan Mbeki Municipality vs Abdala Mohamoud, T A Halfprice Tuckshop	The Plaintiff is suing the Municipality for tuckshop demolition and stock seized by the Bylaw enforcement unit to the Value of R 800 000.00 plus interest and costs		800 000,00
Govan Mbeki Municipality vs Kock	Summons against GMM, the plaintiff alleges that he collided with a pothole R 109 777.45		109 777,00
Govan Mbeki Municipality vs PJG Nieuwoudt	Summons against GMM for a collision of motor vehicles in the sum of R 20 076.53		20 077,00
Govan Mbeki Municipality vs BKM Zone 28 Enterprise (Pty) Ltd	Summons against GMM for services rendered by the plaintiff R 385 150.80		92 000,00

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48. Contingencies (continued)

Govan Mbeki Municipality vs Shaun Hatting	Summons against GMM, the plaintiff alleges that he collided with a pothole R 60 271.50		60 272,00
Govan Mbeki Municipality vs Eugene Andre Schambriel	Summons against GMM, the plaintiff alleges that he collided with a pothole for an amount of R 6536.43		6 536,00
Govan Mbeki Municipality vs Joseph Visagie	The Plaintiff has lodged a claim for damages for a motor vehicle accident. He is suing for R 135 413.49		135 413,00
Daniel S P Luiz / GMM	Plaintiff is suing GMM for a motor vehicle accident with the Municipal Vehicle to the amount of R 93 609.10		93 609,10
Lodewikus Johannes Steyl	Summons against GMM, the plaintiff alleges that he collided with a pothole R31924.5		31 924,50
Unathi Mpepe	Summons against GMM, the plaintiff alleges that he collided with a pothole 34379.35		34 379,35
Bridgette Claire Thorn	Summons against GMM, the plaintiff alleges that he collided with a pothole R194820.15		194 820,15
Govan Mbeki municipality vs Phillimon Muzwandile Mogano & Sbongile Roselinah Mogano	Summons against the Municipality for the minor died in a quarry and the Plaintiff is claiming damages against the Municipality R 3 980 000.00		3 980 000,00
Govan Mbeki Municipality vs Dewaldt Van Wyk	Summons against GMM, the plaintiff alleges his property was damaged by water from drainage and failure to maintain drains of the Municipality R88 333.16		88 333,16
Govan Mbeki Municipality vs Jonathan Ball	Summons against GMM, the plaintiff alleges that he collided with a pothole R18 059.09		18 059,09
Govan Mbeki Municipality vs William Seleme Tshenye	Summons against GMM, the plaintiff alleges that he collided with a pothole R51 219.74		51 219,74
Govan Mbeki Municipality vs Everhardus Johannes Underhay	Summons against GMM, the plaintiff alleges that he collided with a pothole R18 264.25		18 264,25
Govan Mbeki Municipality vs JGS Holtshauzen	Summons against GMM, claim for damages for injuries for colliding with a pothole R 825 000.00		825 000,00
Martin Johannes van Heerded	Summons against GMM, the plaintiff alleges that he collided with a pothole R18555.77		18 555,77
Totals			**20 813 602,11**
sub-totals for contigent liabilities for the year		-	**63 596 837,91**
Contingent Assets			

The following cases against the municipality have been lodged as a claim with insuarance company

Govan Mbeki Municipality vs Abdala Mohamoud, T A Halfprice Tuckshop	The Plaintiff is suing the Municipality for tuckshop demolition and stock seized by the Bylaw enforcement unit to the Value of R 800 000.00 plus interest and costs -	800 000,00
Govan Mbeki Municipality vs Johannes Hermarnus van der Westhuizen	Summons against the Municipality, the claim arising from porthole amounted to R107 440.00	107 440,00

Figures in Rand		2022	2021

48. Contingencies (continued)

Govan Mbeki Municipality vsYvonne Beatrice Deetlefs	Summons against GMM, the plaintiff tripped and fell due to uneven paving in Bethal R300 000	300 000,00
Govan Mbeki Municipality vs Siyabonya Robert Mngomezulu	Summons against the Municipality for failing to provide and ensure maintenance of the road and signs on the intersection R60 000	60 000,00
Govan Mbeki Municipality vs Hein Van Wyk	Summons against the Municipality, the claim arising from porthole amounted R99 614.63	99 614,63
Govan Mbeki Municipality vs Nadeem Sohail	Summons against the Municipality deriving from a porthole amounted to R286 491.78	286 492,00
Govan Mbeki Municipality vs Retshedistwe Johannes Mapheshoane	Summons against the Municipality for injuries from electrocution R10 510 100.00	10 510 100,00
Govan Mbeki Municipality vs Philimon Xaba	Summons against GMM, the plaintiff alleges that he collided with a porthole R195 197	195 197,00
Govan Mbeki Municipality vs Alpha Pharm (Pty) Ltd	Summons against GMM for a collusion between motor vehicles for an amount of R29 658.75	29 659,00
Govan Mbeki Municipality vs Chris Calitz	Summons against GMM for a collision of motor vehicles in the sum of R51 288.69	51 289,00
Govan Mbeki Municipality vs PJG Nieuwoudt	Summons against GMM for a collision of motor vehicles in the sum of R20 076.539	20 077,00
Govan Mbeki Municipality vs Lolo Martin Dube	Summons against GMM, the plaintiff alleges that he collided with a pothole R57 756.93	57 757,00
Govan Mbeki Municipality vs Shaun Hatting	Summons against GMM, the plaintiff alleges that he collided with a pothole R60 271.50	60 272,00
Govan Mbeki Municipality vs Absalom Mgabi	Summons against GMM, the plaintiff alleges that he collided with a pothole R220.512.65	220 512,65
Govan Mbeki Municipality vs Willem Shaun Du Plessis	Summons against GMM for a claim alleging a pothole collision for R 67 300.00	67 300,00
Govan Mbeki Municipality vs Willem Kock	Summons against GMM, the plaintiff alleges that he collided with a pothole R109 777.45	109 777,45
Govan Mbeki Municipality vs Daniel S P Luiz	Plaintiff is suing GMM for a motor vehicle accident with the Municipal Vehicle to the amount of R 93 609.10	93 609,10
Govan Mbeki Municipality vs Lodewikus Johannes Steyl	Summons against GMM, the plaintiff alleges that he collided with a pothole R31 924.50	31 924,50
Govan Mbeki Municipality vs Unathi Mpepe	Summons against GMM, the plaintiff alleges that he collided with a pothole R34 379.35	34 379,35
Govan Mbeki Municipality vs Bridgette Claire Thorn	Summons against GMM, the plaintiff alleges that he collided with a pothole R194 820.15	194 820,15
Govan Mbeki Municipality vs Martin Johannes van Heerded	Summons against GMM, the plaintiff alleges that he collided with a pothole R18 555.77	18 555,77

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

48. Contingencies (continued)

Govan Mbeki Municipality vs Coleman Catharina Talita	Summons issued against Municipality: Delictual matter a person fell from a chair. R 750 000.00.		750 000,00
Govan Mbeki Municipality vs Charlie Jacobs & Grace Gabasile Jacobs	Summons against GMM. A child electrocuted in Leandra amount R 1 500 000.00		1 500 000,00
Govan Mbeki Municipality vs Phillimon Muzwandile Mogano & Sbongile Roselinah Mogano	Summons against the Municipality for the minor died in a quarry and the Plaintiff is claiming damages against the Municipality R 3 980 000.00		3 980 000,00
Govan Mbeki Municipality vs Dewaldt Van Wyk	Summons against GMM, the plaintiff alleges his property was damaged by water from drainage and failure to maintain drains of the Municipality R88 333.16		88 333,16
Govan Mbeki Municipality vs Jonathan Ball	Summons against GMM, the plaintiff alleges that he collided with a pothole R18 059.09		18 059,09
Govan Mbeki Municipality vs William Seleme Tshenye	Summons against GMM, the plaintiff alleges that he collided with a pothole R51 219.74		51 219,74
Govan Mbeki Municipality vs Everhardus Johannes Underhay	Summons against GMM, the plaintiff alleges that he collided with a pothole R18 264.25		18 264,25
Govan Mbeki Municipality vs JGS Holtshauzen	Summons against GMM, claim for damages for injuries for colliding with a pothole R 825 000.00		825 000,00
"Leepile Attorneys"			
Govan Mbeki Municipality vs V Nu-Way	Municipality issued summons in the amount of R 949 181.10 being for a stand that was bought for the purpose of a clinic.		949 181,10
Govan Mbeki Municipality vs Hwibidu Security CC	Municipality issued summons in the amount of R 4 800 000 for damages suffered at Embalenhle sewer plant. Hwibidu failed to guard the. Plant and copper was stolen		4 800 000,00
Govan Mbeki Municipality vs Govan Mbeki Municipality	An amount of R93 000 was not banked, a financial misconduct investigation is underway		93 000,00
sub-totals for contigent assets for the year			**26 421 834,21**
Total Contingencies for the year 2021/2022			**90 018 672,12**

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Notes to the Annual Financial Statements

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49. Related parties

Relationships

Members of key management	Tshabalala EK Nkhatha VB Maphuthu Tj Gininda TM
Executive Mayor	Zuma NG
Chief Whip	Mtshali PD
Speaker	Nyambe F
Speaker	Magagamela FF
Chief Whip	Mtsweni MJ
Member of the Mayoral Committee	Makhanye SA
Member of the Mayoral Committee	Mahlaungu BS
Member of the Mayoral Committee	Zulu NN
Member of the Mayoral Committee	Nhlapo MD
Member of the Mayoral Committee	Nkosi NE
Member of the Mayoral Committee	Ngxonono YT
Member of the Mayoral Committee	Zulu TS
Member of the Mayoral Committee	Ndaba BB
Member of the Mayoral Committee	Mtsweni T
Member of the Mayoral Committee	Nsibande MI
Member of the Mayoral Committee	Mtshali D
Member of the Mayoral Committee	Mbokazi AV
Member of the Mayoral Committee	Sibanyoni O

The other key members of the mayoral committee and all the members of the council are disclosed on page 2 and respectivley.

Related party balances

	2022	2021
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Sondie Trading enterprise	-	283 360
Singemalangeni Logistics CC	-	110 400
Hiring of plant equipment services paid to related parties		
Sondie Trading enterprise	1 228 016	1 679 716
Singemalangeni Logistics CC	397 440	610 880
Vuma Konke Transport & Project CC	3 601 020	6 418 094
Upgrade of Pump staion 5 and construction of new pumping station 24		
Ndluwakho Construction	541 571	-
Other services paid to related parties		
SC Mthimunye Transport	425 040	4 709 812
Dota 72 Trading	182 500	-
Consumables purchases from related parties		
Clarabarna general trading CC	82 030	55 760
Repairs and maintenane services		
Izinyosi trading	2 257 134	4 560 780

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Figures in Rand	2022	2021

50. Prior period errors

Receivables from non-exchange transactions
Receivable from non exchange transactions increased by R9 819 651 due to change in accounting policy for debt impairment, resulting in a decreased on the impairment value and increase in the carrying amount of the receivable.

VAT Receivables
Vat receivable decreased by R463 000 due to the following:
In 2021 management incorrectly accrued orders.The transactions on the accruals were not correctly processed. Journals were processed to correct the error. With the error correction the VAT was affected an adjustment amount to 392 363 was processed accordingly.

Receipts for Sale of ERF 8392 was initially recognised as unknown deposit. The correction amounted to decrease in VAT receivable by 11 074 and Payables from Non-Exchange with an amount of R 73 830

Receipts amounting to 244 475 were received without proper reference as a result those amounts were then allocated to Unknown deposit segments .On receipt of the sale agreements the monies were therefore re-allocated correctly .The transaction decreased VAT receivable by 31 888 and decreased, Payables from Non Exchange with an amount of 244 475

Receipts amounting to 215 175 were received without proper reference as a result those amounts were then allocated to Unknown deposit segments .On receipt of the sale agreements the monies were therefore re-allocated correctly .The transaction decreased VAT receivable by 27 675 and Payables from Non-exchange with an amount of 215 175

Property, plant and equipment

Buildings, Land and Other PPE are classified as Property, Plant and Equipment along with other classes of Assets. Consequently, the R35 188 313 increase in Buildings, R1 259 988 decrease in Land and R12 302 increase in Other PPE resulted in an increase carrying amount of Property, Plant and Equipment of R33 940 797
Investment property
Investment property increased by R88 416 517 due to donation of Brandan Village in by the Department of Human Settlement and recognition of the sub-division Emzinoni Ext 11 and Kinross 30.

The donation by Department of Human Settlement resulted in an increase of Donations income by R43 859 516 and investment property of R43 859 516

The sub-division of Emzinoni resulted the land parcels being derecognised from the land register at cost of R1 259 988 and recognised in Investment register. The properties were then fair valued as at 30 June 2021 as per the accouting policy.

Land

The sub-division of Emzinoni resulted the land parcels being derecognised from the land register at cost of R1 259 988 and recognised in Investment register. The properties were then fair valued as at 30 June 2021 as per the accouting policy.

Buildings
On July 2020 SASOL donated Parks to the municipality, this resulted in an increase in the PPE and increase in donation revenue of R36 500 000.

The Parks were then subsequently depreciated which resulted in an increase of R1 311 687 for depreciation and accumulated depreciation.

Receivable from non-exchange transactions

The amount result from implementation of traffic fines policy
Long Term Term Receivable

Reconciliation of long term register and annual financial statements to clear the difference which existed.The difference was due to current receivables which were disclosed as current.

Income

Figures in Rand	2022	2021

50. Prior period errors (continued)

Services charges
Property rates were incorrectly classied as service charges and rental falicities. Resulting in a decrease of Service Charges by R2 402 773 and increase of Property Rates.

Other income

Other income has increased as a result of the following

- 36 500 000 Donation for Duckpont Park and Thistle Groove community Park by SASOL to the municipality
- 43 859 516 Donations for Braken Village by SASOL to the municipality.

The above resulted in an increase in other income of R 80 359 517 and increase in Property Plant and Equipment with R 36 500 000 and increase to investment property with R 43 859 516

Fees earned and Payment made in advance
An amount of 73 830 was received by the municipality. The customer who send the money did not use correct reference and as the municipality we did not receive supporting documentation explaining the reason for the receipt. As a result, the receipt was then allocated to "unknown deposit account".

Later it was discovered that the money received as a result of the disposal of ERF 8392 Secunda Ext 22, as per the signed deed of sale . The sale resulted in increase in revenue _fees earned of R 4106 , decrease in Unallocated deposits R73 830, Payments received in advance amounting to R 58 650 and VAT R11 074

Fair value adjustment

Subsequent to Subdivision of Kinross and Emzinoni Farms , the same property was then fair valued and thus increase investment property further with **43 297 012**. Prior to the subdivision the farm land that was valued at **1 259 989** was firstly transferred from Property, Plant and Equipment to Investment Property .As a result of the subdivision (43 859 516) and Fair Valuation of R 43 297 012 Investment property increased

Bulk purchases

In the previous financial year when recognising Water Inventory "Expenditure leg" a segment for consumables was used instead of bulk purchases water. In preparation of the financial statements the consumable segment was then mapped to Bulk. Treasury issued Circular 108 for municipalities to recognise bulk water as Consumables , the same segment that was was used to recognised water inventory was then used to recognise Rand water purchases as a result the 127 917 was reclassified from bulk purchases to consumables.

General expenditure

Included in the 490 729 is the 127 917 relating to consumables, 12 470 asset that was incorrectly classified as consumables and 606 176 for previous years surpluses which were reclassified in line with Treasury Circular 108 , paragraph 4.2.

Payables from exchange transaction

An amount of 9,385, 168 was corrected as a result of the accrual of SCM orders which were not supposed to be accrued

Loss on disposal of assets

Correction of the Loss on disposal of assets is mainly due to the Subdivision of Parent land was then added to investment property (deemed disposal of Property, plant and equipment which then resulted in the loss).R 903 700 +907 354 is the loss on disposal of assets R 1 811 051. Included is the 124 913 which was incorrectly mapped in the AFS as loss on disposal whereas this is fair value adjustment

Payables from non-exchange transactions

The amount was for stands sold in 2020 was missallocated to the unknown deposit and was corrected in 2022

50. Prior period errors (continued)

Description	Restated balances 2021	Figures As per 2021 signed AFS	Difference
Current Assets			
Receivables from non-exchange	63 430 510,00	53 933 759,00	9 496 751,00
VAT Receivable	87 251 250,00	87 714 250,00	-463 000,00
Long term receivables	6 025 105,00	6 023 604,00	1 501,00
Non-Current Assets			
Investment property	1 150 967 101,00	1 062 550 584,00	88 416 517,00
Property, plant and equipment	1 715 241 110,00	1 681 300 313,00	33 940 797,00
Land	422 650 067,00	423 910 055,00	-1 259 988,00
Buildings	198 811 351,00	163 622 868,00	35 188 483,00
Other PPE	51 571 493,00	51 559 191,00	12 302,00
Long term receivables	3 836 608,00	4 000 000,00	-163 392,00
Current Liabilities			
Payables from exchange transactions	3 009 383 087,00	2 999 997 919,00	9 385 168,00
Payables from non-exchange transactions	19 170 707,00	19 701 187,00	-530 480,00
Payment received in advance	49 565 945,00	49 507 295,00	58 650,00
	-	-	-
Income			
Service charges	1 258 672 512,00	1 256 269 739,00	-2 402 773,00
Rental of facilities & equipment	5 764 166,00	5 759 314,00	-4 852,00
Fees earned	6 737 515,00	6 733 409,00	-4 106,00
Other income	80 562 005,00	202 488,00	-80 359 517,00
Fair value adjustment	43 493 758,00	321 659,00	-43 172 099,00
Property rates	351 685 842,00	354 093 467,00	2 407 625,00
Expenses			
Depreciation & amortisation	-213 422 025,00	-212 110 338,00	1 311 687,00
Debt impairment	-489 713 339,00	-499 371 099,00	-9 657 760,00
Bulk purchases	-1 053 561 405,00	-1 053 689 322,00	-127 917,00
Loss on disposal of assets	-11 141 796,00	-9 455 698,00	1 686 098,00
General expenditure	-155 384 303,00	-155 875 032,00	-490 729,00

51. Risk management

Financial risk management

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

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. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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.

51. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by council. 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
Payables from exchange transactions	3 793 615 236	3 009 383 087
Payables from non-exchange transactions	21 819 301	19 701 187
Consumer deposits	29 017 252	27 334 172
Receivables from exchange transactions	272 943 550	197 581 403
Receivables from non-exchange transactions	77 398 351	63 753 510
Other receivables	48 749 389	42 194 886
Cash andcash equivalents	230 451 681	203 199 683
Long term receivables	4 000 379	9 861 712
Finance lease	721 386	-

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.

52. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated (deficit) - and that the municipality's total liabilities exceed its assets. .

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

During the 2019 /2020 financial year, the Provincial Executive of the Mpumalanga Provincial Government intervened in the municipality in terms of 139 (1) (b) the Constitution and Section 135(9) of the constitution read with section 139 of the Municipal Finance Management Act (MFMA Act No 56 of 2003. As part of the intervention by the Provincial Executive, the Municipal Financial Recovery Plan was developed for Govan Mbeki Local Municipality

The primary responsibility of the plan is to resolve the financial challenges, reduce the debts and improve revenue collection. The plan is monitored by Council to ensure successful implementation and it places significant responsibility to the Accounting Officer and other Senior Managers.

The municipality continues to implement the Financial Recovery Plan and other revenue strategies together with the Budget Finding plan , with the aim to improve its financial stability

Figures in Rand	2022	2021

52. Going concern (continued)

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53. Unauthorised expenditure

	2022	2021
Opening balance as previously reported	815 585 332	1 907 661 430
Opening balance as restated	**815 585 332**	**1 907 661 430**
Add: Expenditure identified - current	786 277 355	815 585 332
Less: Approved/condoned/authorised by council	-	(1 907 661 430)
Closing balance	**1 601 862 687**	**815 585 332**

The unauthorised expenditure was incurred as a results of year-end accounting transactions not being budgeted for, bulk purchase,depreciation and impairment of assets,provision for impairment of debtotrs and interest charged on provision of long services awards,landfill site and employee benefit obligations.

54. Fruitless and wasteful expenditure

	2022	2021
Opening balance as previously reported	85 106 221	548 080 766
Opening balance as restated	**85 106 221**	**548 080 766**
Add: Expenditure identified - current	157 005 779	85 106 221
Less: Amount written off - prior period	-	(548 080 766)
Closing balance	**242 112 000**	**85 106 221**

All expenditure identified as fruitless were as a result of interest that has been charged to the long outstanding creditors mainly on Eskom and Randwater Accounts. The expenditure was reported to council quarterly in line with the MFMA and referred to MPAC for investigation.

The fruitless and wasteful expenditure is a material loss to the municipality; however, this is as results on the long debt that has accumulated over the years and due to the debt exceeding the municipalities budget.

There is no amount recovered nor written off in 2022

55. Irregular expenditure

	2022	2021
Opening balance as previously reported	79 610 378	880 053 962
Opening balance as restated	**79 610 378**	**880 053 962**
Add: Irregular Expenditure - current	101 117 493	79 610 378
Less: Amount written off - prior period	-	(880 053 962)
Closing balance	**180 727 871**	**79 610 378**

Figures in Rand	2022	2021

55. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings	2022	2021
Services received without contracts		377 214	795 018
Non-compliance with SCM regulations		59 905 895	77 342 029
		60 283 109	**78 137 047**

All expenditure identified as irregular expenditure have been reported to council and referred to MPAC for investigation.

It is of paramount important to note that the irregular expenditure have reduced from R 79 million to 60 million.

There is no material loss to the municipality as services has been rendered.

56. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

	2022	2021
Amount paid - current year	12 758 006	10 649 562

PAYE and UIF

	2022	2021
Amount paid - current year	91 994 811	92 319 060

Pension and Medical Aid Deductions

	2022	2021
Amount paid - current year	118 519 474	141 319 444

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

VAT

VAT receivable	489 809 797	513 530 759
VAT payable	325 465 870	296 487 116
	815 275 667	**810 017 875**

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

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

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

Councillors' arrear consumer accounts

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

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Kubheka MA	2 624	2 419	5 043
Mabizela TM	3 160	6 243	9 403
Magagamela FF	2 059	7 279	9 338
Makhado TC	3 348	48 731	52 079
Maluka JM	3 708	51 127	54 835
Maseko TM	983	3 700	4 683
Masinga MM	2 836	3 667	6 503
Masiteng SM	4 606	36 744	41 350
Mazibuko TM	5 349	74 399	79 748
Mofokeng TS	4 160	65 475	69 635
Mthembu BE	903	222	1 125
Mtshali PD	3 263	40 390	43 653
Ngwenya LP	3 108	21 702	24 810
Nkabinde ER	1 245	-	1 245
Nkuna MM	6 058	93 936	99 994
Nkwanyana SE	3 470	3 488	6 958
Nsibande ME	1 612	758	2 370
Petterson MR	944	283	1 227
Sehlalo MS	3 796	107 516	111 312
Sierana GC	5 216	36 851	42 067
Sindelo S	3 143	29 351	32 494
Thukwane KS	4 591	80 894	85 485
Van marle HE	1 356	458	1 814
Vilakazi P	3 502	70 347	73 849
Ziwele L	4 215	34 981	39 196
	79 255	**820 961**	**900 216**

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Dube TH	1 853	16 783	18 636
Gwiji CV	3 033	9 400	12 433
Hlolweni S	3 314	39 108	42 422
Klaas NP	3 935	5 372	9 307
Lukhele I	564	-	564
Mabizela TM	3 293	3 022	6 315
Mahlangu BD	1 865	273	2 138
Mahlangu E	3 526	12 704	16 230
Mahlangu NP	4 977	68 517	73 494
Makhanye SA	1 006	-	1 006
Makola MB	112	-	112
Maseko TM	922	2 429	3 351
Masina NA	8 025	293	8 318
Masinga MM	1 650	-	1 650
Masuku PIP	1 919	-	1 919
Mbokazi AV	2 968	20 050	23 018
Mbonani LM	5 741	39 691	45 432
Mkhaliphi S	4 861	25 599	30 460
Mofokeng TS	4 835	63 893	68 728

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

Mokoena BD	3 754	63 438	67 192
Moloto BD	2 607	129 755	132 362
Morajane TA	3 057	80 967	84 024
Motloung ME	1 560	2 350	3 910
Mtshali PD	3 597	62 198	65 795
Mtsweni TP	1 089	7 040	8 129
Ndwanyaza NP	3 925	43 297	47 222
Nkosi NE	2 699	2 053	4 752
Nsibande ME	1 519	7 149	8 668
Sebolela JD	9 025	35 629	44 654
Shai KJ	965	645	1 610
Sibanyoni SI	1 865	273	2 138
Sithole LE	2 353	18 100	20 453
Thabayhe IM	834	-	834
Vilakazi EA	648	-	648
Van Huyssteen NC	381	23 074	23 455
Zulu TS	2 802	32 223	35 025
	101 079	**815 325**	**916 404**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2022	Highest outstanding amount	Aging (in days)
Sehlalo MS	107 516	120
Nkuna MM	93 936	120
Thukwane KS	80 894	120
Mazibuko TM	74 399	120
Vilakazi P	70 347	120
Mofokeng TS	65 475	120
Maluka JM	51 127	120
Makhado TC	48 732	120
Mtshali PD	40 390	120
Sierana GC	36 851	120
Masiteng SM	36 744	120
Ziwele L	34 981	120
Sindelo	29 351	120
Ngwenya LP	21 702	120
	792 445	**1 680**

30 June 2021	Highest outstanding amount	Aging (in days)
Moloto BD	129 755	120
Morajane TA	80 967	120
Mahlangu NP	68 517	120
Mofokeng TS	63 893	120
Mokoena BD	63 438	120
Mtshali PD	62 198	120
Ndwanyaza PN	43 297	120
Hlolweni S	39 108	120
Mbonani LM	37 691	120
Sebolela JD	35 629	120
Zulu TS	32 223	120
Mkhaliphi S	25 599	120
Van Huyssteen NC	23 074	120
Mbokazi AV	20 050	120
Sithole LE	18 100	120
Dube TH	16 783	120

Figures in Rand	2022	2021

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

Mahlangu E	12 704	120
	773 026	**2 040**

Supply chain management regulations

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 condoned.

Incident		
Sole Service Provider	95 410	-
Emergency pipeline repairs	704 806	12 744 038
	800 216	**12 744 038**

SCM regulation 45

Vuma Konke Hiring of plant (creditors)	531 422	-
Vuma Konke Hiring of plant (Transactions)	3 601 020	-
Dota 72 Trading	182 500	-
	4 314 942	**-**

Non-compliance with the Municipal Finance Management Act

Other MFMA disclosures

The Council approved the 2022/23 Draft Budget outside the stipulated time line in terms of section 16(1) and (2) of the Municipal Finance Mananagement Act(MFMA).

The oversight report was not approved within the period stipulated in MFMA

The 2020/2021 Audit report was received outside the time-frames provided in the MFMA

57. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of seven major functional areas:Admin and Corporate Services, Community Services, Financial services, Municipal Manager, Planning and Develeopment, Techinical services,Executive and Council . The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality operates throughout the Govan Mbeki Geographical area. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Govan Mbeki were sufficiently similar to warrant aggregation.

57. Segment information (continued)

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Admin and Corporate Services	Admin Services and council support, Legal, Information Technology, Human resource and health and safety services
Community Services	Street cleaning, cemetry services, community halls managment, refuse removal, landfill site and library services Safety and security services and traffic control
Financial Services	Assest management , procucumentand supply services, Expenditure and creditor management , billing of consumers, consumer enquires and credit control, Budgetary control and financial reporting
Management manager	Senior and Executive Management and Municipal Project Managment Services Internal audit and risk management services
Planning and Development	Town planning and development, property services, buildingcontrol, Local Economic Development and integrated Development Plan Services
Technical Services	Infrastructure maintanace, Sewer network management, Water network management meter managment and water distribution. Electricity network managemnt, Street lighting, prepaid serices any other technical related services
Executive and Council	Services any othertechnical related services Municipal governance and Oversight
Segment 8	Goods and/or services 5

Segment surplus or deficit, assets and liabilities

Segment surplus or deficit

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57. Segment information (continued)

2022

	Revenue from non-exchange transactions	Revenue from exchange transactions	Total Segment revenue	Salaries and wages	Depreciation and amortisation	Other expenses	Total Segment expenditure	Total segment (deficit) surplus
Revenue								
Admin and Corporate Services	24 635 850	25	24 635 875	60 040 028	58 621	72 888 017	132 986 666	(108 350 791)
Community Services	10 841 110	139 506 872	150 347 982	191 279 765	1 984 973	149 369 766	342 634 504	(192 286 522)
Financial Services	726 359 162	33 391 584	759 750 746	73 816 800	43 498 057	401 670 572	518 985 429	240 765 317
Municipal Manager	42 085 127	-	42 085 127	8 293 104	-	114 881	8 407 985	33 677 142
Planning and Development	2 972 498	11 355 746	14 328 244	33 390 778	-	8 515 790	41 906 568	(27 578 324)
Technical Services	55 954 126	288 012 853	343 966 979	178 747 972	-	637 595 554	816 343 526	(472 376 547)
Executive and Council	-	-	-	40 325 552	120 277 747	6 628 241	167 231 540	(167 231 540)
Governance	-	-	-	3 664 478	-	300 729	3 965 207	(3 965 207)
Total	**862 847 873**	**1 472 267 080**	**2 335 114 953**	**589 558 477**	**165 819 398**	**2 277 083 550**	**3 032 461 425**	**(697 346 472)**
Entity's revenue			**2 335 114 953**					
Entity's Surplus (deficit) for the period								**(697 346 472)**

Segment assets and liabilities

2022

	Net assets	Total segment assets	Total segment liabilities

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57. Segment information (continued)

Admin and Corporate Services	(107 167 096)	(97 358 369)	(9 808 727)
Community Services	(636 664 522)	(335 919 719)	(300 744 803)
Executive and Council	(10 242 260)	(9 796 933)	(445 327)
Financial Services	(976 020 261)	722 022 129	698 042 390)
Governance	(749 741)	(749 741)	-
Municipal Manager	280 675 207	179 736 150	100 939 057
Planning and Development	306 956 701	327 987 680	(21 030 978)
Technical Services	385 033 216 :	882 591 240 :	497 558 024)
Total segment assets	**(758 178 756)**	**3 668 512 437**	**(4 426 691 192)**
Total as per Statement of financial Position		**3 668 512 437**	**(4 426 691 192)**

58. Covid-19

Covid-19 impacted revenue sources to varying degrees.Given the the impact of Covi-19 on the municipal revenue sources, there is a need to diversify revenue streams. The negative imapct of the pandemic on the financial performance of the municipality, especially the reapidly declining liquidity, requires a suite of remedial measures to be implemented.

The revenue collection has Increase from an average of 62% to 63% as of end of June 2022. The short-term impact of COVID19 was much better absorbed by operational expenditure savings, although the long-term financial sustainability is not stronger to the fact that the collection rate is not improving.

There is no Covid-19 expenditure for 2021/2022, however council incurred expenditure in the previous financial year as per the council resolution (A060/09/2020) and 30 November 2022(A099/11/2020.

	-	27 384 591
	-	17 211 285
	-	**44 595 876**

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