

# **VICTOR KHANYE LOCAL MUNICIPALITY**

**Annual Financial Statements  
for the year ended 30 June 2021**



**VICTOR KHANYE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**GENERAL INFORMATION**

**Legal form of entity:** Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)

**Legislation governing the municipality's operations:** Local Government: Municipal Finance Management Act (Act no.56 of 2003)  
Local Government: Municipal Systems Act (Act 32 of 2000)  
Local Government: Municipal Structures Act (Act 117 of 1998)  
Constitution of the Republic of south Africa (Act 108 of 1998)  
Municipal Property Rates Act (act of 6 2004)  
Division of Revenue Act (Act 1 of 2007)

**Grading of local authority:** 3

**Acting Accounting Officer:** LI Zwane

**Chief Finance Officer (CFO):** TP Mahlangu

**Members of council:** KV Buda (Executive Mayor/ Cllr ward 4)  
RK Segone (Speaker)  
SH Mahlangu (Chief Whip)  
ME Masilela (MMC PITS/Cllr ward 9)  
HM Ngoma (MMC Finance/ Cllr ward 5)  
BD Yeko (MMC Social/ Cllr ward 2)  
TG Malomane (Cllr ward 3)  
LS Nyathi (Cllr ward 1)  
MM Thombeni (Cllr ward 6)  
EM Sekhukhune (Cllr ward 7)  
DJ Bath (Cllr ward 8)  
LK Semake (PR Cllr)  
SS Thumbathi (PR Cllr)  
JD Makobolo (PR Cllr)  
M Rautenbach (PR Cllr)  
NE Johnson/Mohoadibe (PR Cllr)  
PS Mofokeng (PR Cllr)

**Registered office:** c/o Samuel and Van der Walt Street, Delmas, 2210

**Website:** [www.vklm.gov.za](http://www.vklm.gov.za)

**Bankers:** The Standard Bank of South Africa Limited  
ABSA

**Auditors:** Auditor General of South Africa (AGSA)

**Attorneys:** Morudo Attorneys  
Khumalo Masondo Attorneys  
Mohlala EH Incorporated  
Raphela Attorneys  
Masando Malope Attorneys  
ML Mateme Inc  
DK Siwela Attorneys Inc.  
MB Mabunda Inc.

**Audit Committee:** FJ Mudau  
J Masite  
P Ntuli (contract began 1 March 2021)  
MJ Moloi- Chamane (contract began 1 March 2021)  
T Gafane  
Mr. L Langelibalele (contract ended 28 February 2021 )  
Mr. M Mathabathe (contract ended 28 February 2021)

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**Abbreviations**

UIF	Unemployment insurance fund
Repo Rate	Repurchase Rate
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act 56 of 2003
MIG	Municipal Infrastructure Grant
COVID-19	Coronavirus
FMG	Financial Management Grant
SDL	Skills development levy
EPWP	Expanded Public Works Programme
VKLM	Victor Khanye Local Municipality
PAYE	Paye as you earn

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**ACCOUNTING OFFICERS RESPONSIBILITY 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 were given unrestricted access to all financial records and related data.

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

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

I, as the accounting officer, acknowledge that I am 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 me to meet these responsibilities, I have set 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.

I am 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.

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

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

I would like to bring the following material matters to your attention:

**VICTOR KHANYE LOCAL MUNICIPALITY**  
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**ACCOUNTING OFFICERS RESPONSIBILITY AND APPROVAL**

As at June 30, 2021, the municipality's total assets exceed its total liabilities by **R 450 million**.

I certify that the salaries, allowances and benefits of councillors as disclosed in **note 25** to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

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

The annual financial statements set out on pages **3 to 69**, which have been prepared on the going concern basis, were approved by the municipality on 31 August 2021 and were signed on its behalf by:

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Acting Accounting Officer  
Date: 31 August 2021

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

Figures in Rand

	Note(s)	2021	2020 *Restated
<b>Assets</b>			
<b>Non-Current Assets</b>			
Investment property	3	67 284 375	68 962 012
Property, plant and equipment	4	926 207 996	943 247 981
Intangible assets	5	63 841	63 944
Heritage assets	6	1 074 503	1 074 503
<b>Total non current assets</b>		<b>994 630 715</b>	<b>1 013 348 441</b>
<b>Current Assets</b>			
Cash and cash equivalents	7	3 767 229	1 409 487
Trade and other receivables from exchange transactions	8	106 840 137	98 068 855
Trade and other receivables from non-exchange transactions	9	73 430 831	50 290 884
Inventories	10	1 770 248	1 048 410
VAT receivable	40.6	41 645 868	31 030 159
<b>Total current assets</b>		<b>227 454 313</b>	<b>181 847 795</b>
<b>Total Assets</b>		<b>1 222 085 028</b>	<b>1 195 196 236</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Borrowings	11	-	-
Provisions	12	11 546 202	6 631 891
Employee benefit obligations	13	38 596 418	29 514 542
<b>Total non current liabilities</b>		<b>50 142 620</b>	<b>36 146 433</b>
<b>Current Liabilities</b>			
Current portion of borrowings	11	714 459	3 982 609
Current portion of provisions	12	1 839 091	303 783
Current portion of employee benefit obligations	13	2 094 372	1 660 198
Consumer deposits	14	1 491 319	1 508 850
Trade and other payables from exchange transactions	15	701 506 791	588 039 452
Trade and other payables from non-exchange transactions (Unspent Grant)	15.1	10 910 257	-
<b>Total current liabilities</b>		<b>718 556 289</b>	<b>595 494 892</b>
<b>Total Liabilities</b>		<b>768 698 909</b>	<b>631 641 325</b>
<b>Net Assets</b>		<b>453 386 120</b>	<b>563 554 911</b>
Accumulated surplus		<b>453 386 120</b>	<b>563 554 911</b>

\*See Note 39

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

Figures in Rand

	Note(s)	2021	2020 *Restated
<b>Revenue</b>			
<b>Revenue from non exchange transactions</b>			
Property rates (Taxation revenue)	16	78 438 362	73 138 128
Fines Penalties and Forfeits	17	20 033 119	2 012 667
Public contributions and donations	18	6 829 981	51 242 531
Government grants and subsidies	19	150 694 743	125 431 000
<b>Total non exchange revenue transactions</b>		<b>255 996 205</b>	<b>251 824 326</b>
<b>Revenue from exchange transactions</b>			
Service charges	20	298 372 402	264 883 590
Rental of facilities and equipment	21	2 732 638	2 293 683
Other operational revenue	22	2 937 264	1 568 027
Interest income	23	54 608 162	76 917 539
Provision for doubtful debt reversal	26	12 663 235	-
<b>Total exchange transactions revenue</b>		<b>371 313 701</b>	<b>345 662 839</b>
<b>Total Revenue</b>		<b>627 309 906</b>	<b>597 487 165</b>
<b>Expenditure</b>			
Employee related cost	24	154 857 089	147 634 435
Remuneration of councillors	25	8 358 302	8 299 530
Impairment loss	26	136 888	41 378 512
Debts written off	27	113 420 978	91 944 504
Depreciation and amortisation	28	53 416 433	64 876 386
Finance costs	29	31 235 178	40 944 214
Bulk purchases	30	214 853 521	215 733 248
Inventory consumed	31	12 803 701	11 138 638
Contracted services	32	59 905 032	55 702 894
Operating leases	33	5 928 587	5 802 179
Operational costs	34	74 474 164	67 852 237
<b>Total Expenditure</b>		<b>729 389 873</b>	<b>751 306 775</b>
<b>Gains and losses</b>			
Loss from fair value adjustment		12 302	38 774
Loss from disposal of assets		8 076 523	5 169 545
<b>Total losses</b>		<b>8 088 824</b>	<b>5 208 319</b>
<b>Deficit for the year</b>		<b>(110 168 791)</b>	<b>(159 027 928)</b>

\*See Note 39

**STATEMENT OF CHANGES IN NET ASSETS**

Figures in Rand

	Note(s)	Accumulated surplus	Total net assets
<b>Opening balance as at 1 July 2019</b>		<b>722 582 839</b>	<b>722 582 839</b>
Accumulated surplus per prior year statement of changes in net assets		739 001 399	739 001 399
Restatements made to accumulated surplus opening balance	<b>39.3</b>	(16 418 560)	(16 418 560)
<b>Restated deficit for the year</b>		<b>(159 027 928)</b>	<b>(159 027 928)</b>
Deficit per prior year statement of changes in net assets		(164 064 084)	(164 064 084)
Restatements made to prior year deficit	<b>39.5</b>	5 036 156	5 036 156
<b>Balance at 30 June 2020</b>		<b>563 554 911</b>	<b>563 554 911</b>
Surplus (deficit) for the year		(110 168 791)	(110 168 791)
<b>Balance at 30 June 2021</b>		<b>453 386 120</b>	<b>453 386 120</b>

\*See Note 39



**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021**

Figures in Rand

	Note(s)	2021	2020 *Restated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Services charges		259 963 812	210 437 622
Grants		150 332 236	125 431 000
Rates and fines		61 180 327	47 584 094
Interest received on investments		371 572	714 337
Other receipts		2 937 264	1 536 645
		<b>474 785 211</b>	<b>385 703 699</b>
<b>Payments</b>			
Employee costs		158 789 450	151 209 173
Suppliers		275 409 612	216 283 838
Finance costs		-	-
		<b>434 199 062</b>	<b>367 493 011</b>
<b>Net cash flows from operating activities</b>	<b>35</b>	<b>40 586 149</b>	<b>18 210 688</b>
<b>Cash flows from investing activities</b>			
Acquisition of Property, plant and equipment		(34 696 065)	(20 005 516)
Acquisition of Investment property		-	-
Net cash flows from investing activities		<b>(34 696 065)</b>	<b>(20 005 516)</b>
<b>Cash flows from financing activities</b>			
Loan Repayments		(3 532 343)	(4 139 616)
Finance lease payments		-	-
Net cash flows from financing activities		<b>(3 532 343)</b>	<b>(4 139 616)</b>
Net increase/(decrease) in cash and cash equivalents		<b>2 357 741</b>	<b>(5 934 444)</b>
Cash and cash equivalents at the beginning of the year		1 409 487	7 343 931
Cash and cash equivalents at the end of the year	<b>7</b>	<b>3 767 229</b>	<b>1 409 487</b>

**VICTOR KHANYE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**Statement of comparison of budget to actual amounts for the year ended 30 June 2021**

	Original Budget	Budget Adjustments	Final Budget	Actual amount	Variance ZAR	Variance %	Note
<b>Revenue By Source</b>							
Property rates	78 784 094	15 640 660	94 424 754	78 438 362	15 986 392	20.38%	<b>41.1</b>
Service charges	291 375 306	(11 282 380)	280 092 926	298 372 402	(18 279 476)	-6.13%	
Rental of facilities and equipment	3 040 536	-	3 040 536	2 732 638	307 898	11.27%	<b>41.2</b>
Interest earned	75 398 700	-	75 398 700	54 608 162	20 790 538	38.07%	<b>41.3</b>
Fines Penalties and Forfeits	1 099 692	-	1 099 692	20 033 119	(18 933 427)	-94.51%	<b>41.4</b>
Transfers recognised	161 909 000	-	161 909 000	150 694 743	11 214 257	7.44%	
Public contributions and donations	-	-	-	6 829 981	(6 829 981)	-100.00%	<b>41.5</b>
Other revenue	1 920 288	-	1 920 288	2 937 264	(1 016 976)	-34.62%	<b>41.6</b>
<b>Total Revenue</b>	<b>613 527 616</b>	<b>4 358 280</b>	<b>617 885 896</b>	<b>614 646 671</b>	<b>3 239 225</b>		
<b>Expenditure By Type</b>							
Employee related costs	180 257 856	(18 247 535)	162 010 321	154 857 089	7 153 232	4.62%	
Remuneration of councillors	9 892 452	-	9 892 452	8 358 302	1 534 150	18.35%	<b>41.7</b>
Impairment losses & debt written off	75 017 616	(20 138 590)	54 879 026	113 557 866	(58 678 840)	-51.67%	<b>41.8</b>
Depreciation and amortisation	55 730 940	(1 000 000)	54 730 940	53 416 433	1 314 507	2.46%	
Finance charges	3 000 000	-	3 000 000	31 235 178	(28 235 178)	-90.40%	<b>41.9</b>
Bulk purchases	200 000 004	50 000 000	250 000 004	214 853 521	35 146 483	16.36%	<b>41.10</b>
Inventory consumed	21 744 412	(824 840)	20 919 572	12 803 701	8 115 871	63.39%	<b>41.11</b>
Contracted services	76 113 920	47 645	76 161 565	59 905 032	16 256 533	27.14%	<b>41.12</b>
Other expenditure	39 982 368	7 613 920	47 596 288	80 402 751	(32 806 463)	-40.80%	<b>41.12</b>
<b>Total Expenditure</b>	<b>661 739 568</b>	<b>17 450 600</b>	<b>679 190 168</b>	<b>729 389 873</b>	<b>(50 199 705)</b>		
<b>Deficit for the year</b>	<b>(48 211 952)</b>	<b>(13 092 320)</b>	<b>(61 304 272)</b>	<b>(114 743 202)</b>	<b>53 438 930</b>		

Explanation on material differences which are above 10% between final budget and actual are disclosed in note 41

# **VICTOR KHANYE LOCAL MUNICIPALITY**

## **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

### **ACCOUNTING POLICIES**

#### **1 Presentation of financial statements**

These 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 No 56 of 2003).

The Annual Financial Statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

##### **1.1 Summary of Significant Accounting Policies**

The accounting policies have been consistently applied to all the years presented.

##### **1.2 Presentation currency**

These Annual Financial Statement are presented in South Africa Rand, which is the functional currency of the Municipality.

##### **1.3 Going concern assumption**

These Annual Financial Statements were prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

##### **1.4 Offsetting**

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### **1.5 Comparative and Budget Information**

###### **1.5.1 Current year comparatives**

The annual budget figures have been prepared in accordance with the Standard of GRAP and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statements, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Annual Financial Statements giving motivations for over- or under spending on line items where it is found to be material. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2020 to 30 June 2021.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material. Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

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**ACCOUNTING POLICIES**

**1.5.2 Current year comparatives**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

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

The presentation and classification of items in the current year is consistent with prior periods.

**1.6 Significant judgements and estimates**

In the application of the municipality's accounting policies, which are described above, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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**ACCOUNTING POLICIES**

**1.7. Prior period errors**

The municipality corrects material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

- (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

**1.8 Cash and cash equivalents**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

**1.9 Inventories**

Inventories consist of consumables, materials and supplies, which are valued at the lower of cost, determined on the weighted average basis, and net realisable value, except for plants which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

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

Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of 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 to the cost of another asset.

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**ACCOUNTING POLICIES**

**Water Inventory**

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on 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, and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end. If the water measurement at year-end occurs before the close of business, the Municipality estimates the water usage from time of measurement, to close of business.

**1.10 Investment Property**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's Judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

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**ACCOUNTING POLICIES**

**1.10 Investment Property (continued):**

Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 50 year period (land is not depreciated).

Investment properties are derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transfers are made to or from investment property only when there is a change in use.

**1.11 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 year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date. 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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**ACCOUNTING POLICIES**

**1.11 Property, Plant and Equipment (continued):**

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous impairment.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the Municipality. 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 shall be depreciated separately. The depreciation rates are based on the estimated useful lives stated below.

The estimated useful life, residual values and depreciation method are reviewed annually at the end of the financial year.

The Municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).



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**1.11 Property, Plant and Equipment (continued):**

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. The Municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4). Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

**Asset class and depreciation (all are on a straight line basis)**

Land - Land is not depreciated  
Community assets/Buildings - 50 years  
Plant and machinery - 5 years  
Furniture and fittings - 7 years  
Landfill site - 33 years  
Motor vehicles - 5 to 10 years  
Office equipment - 3 to 5 years  
Electricity infrastructure - 5 to 60 years  
Roads and stormwater infrastructure - 2 to 50 years  
Sanitation infrastructure - 5 to 100 years  
Water infrastructure - 5 to 100 years  
Emergency equipment - 2 to 20 years

The carrying amount of an item of property, plant and equipment is derecognised 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 an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying values of assets.

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**1.12 Intangible Assets**

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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**1.13 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.

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 entity, and the cost or fair value of the asset can be measured reliably.

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

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

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

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

**1.14 Impairment of Property, Plant and Equipment, Intangible Assets and Heritage Assets**

The Municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

**1.14.1 Impairment of Cash-generating Assets**

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

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 recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

Value in use of a cash-generating asset is the present value of the 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.

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**1.14.1 Impairment of Cash-generating Assets (continued):**

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

**1.14.2 Impairment of Non-cash-generating Assets**

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

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

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**1.14.2 Impairment of Non-cash-generating Assets (continued):**

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**1.15 Financial Instruments**

A financial instrument is recognised if the Municipality becomes a party to the contractual provisions of the instrument.

**1.15.1 Financial Assets**

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with the Standards of GRAP 104 the Financial Assets of the Municipality are classified as follows into the three categories allowed by this standard:

- Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current asset
- Financial assets measured at fair value being financial assets that meet either of the following conditions:
  - a) Derivatives;
  - b) Combined instruments that are designated at fair value;
  - c) Instruments held for trading;
  - d) Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
  - e) Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

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: (see note 43)

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

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**1.15.1 Financial Assets (continued):**

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in surplus until the investment is derecognised, at which time the cumulative gain or loss recorded in surplus is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in surplus is recognised in the Statement of Financial Performance.

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with the Standard of GRAP 104 of Financial Instruments.

Trade receivables encompass long term debtors, consumer debtors and other debtors. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to the Standard of GRAP 104 on Financial Instruments, the assessment for impairment needs to be made for each individual financial asset separately or for groups of financial assets with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

- Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.
- Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

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 through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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**1.15.1 Financial Assets (continued):**

The Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**1.15.2 Financial Liabilities**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of Financial Liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at fair value; or
- Financial liabilities measured at amortised cost.

The Municipality has the following types of financial liabilities (which include consumer deposits) as reflected on the face of the Statement of Financial Position or in the notes thereto: (See note 43)

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities should be classified as financial liabilities at amortised cost.

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

The Municipality derecognises Financial Liabilities when, and only when, the Municipality's obligations are discharged, cancelled or they expire.

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**1.16 Statutory receivables**

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.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised. The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

The entity recognises statutory receivables as follows:

- 1) if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- 2) if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- 3) 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.

The entity initially measures statutory receivables at their transaction amount.

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

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

**1.17 Provisions**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.



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**1.17 Provisions (continued):**

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

**1.17.1 Environmental Rehabilitation Provisions**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

**1.18 Employee Benefits**

The Municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

**1.18.1 Short-term Employee Benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

**1.18.2 Post-employment Benefits: Defined Contribution Plans**

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

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**1.18.3 Post-employment Benefits: Defined Benefit Plans**

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

**1.18.4 Post-retirement Health Care Benefits**

The Municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. 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), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

**1.18.5 Long-service Allowance**

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

**1.19 Leases**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

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**1.19.1 Municipality as Lessee**

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**1.19.2 Municipality as Lessor**

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease. Other rental income is recognised on an ad hoc basis through the renting of municipal facilities such as halls, sports grounds etc. and is charged using the relevant approved tariffs.

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**1.20 Revenue**

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

**1.20.1 Service Charges – exchange revenue**

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

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**1.20.2 Service Charges – exchange revenue (continued):**

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

**1.20.3 Pre-paid Electricity – exchange revenue**

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

**1.20.4 Sale of goods/Operational revenue – exchange revenue**

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

- the Municipality has transferred to the buyer 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;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**1.20.5 Rates and Taxes – non-exchange revenue**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

**1.20.6 Fines – non-exchange revenue**

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect.

Subsequent to initial recognition and measurement, the Municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

**1.20.7 Revenue (interest earned/investment income)**

Revenue arising from the use by others of entity assets yielding interest 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.

**VICTOR KHANYE LOCAL MUNICIPALITY**  
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**ACCOUNTING POLICIES**

**1.20.8 Donations and Contributions – non-exchange revenue**

Donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

**1.20.9 Transfers and subsidies – non-exchange revenue**

**1.20.9.1 Unconditional Grants**

Equitable share allocations are recognised in revenue at the start of the financial year as and when received.

**1.20.9.2 Conditional Grants**

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

**1.20.10 Transfers and subsidies – non-exchange expenditure**

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

**1.21.1 Related parties and related party transactions**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**VICTOR KHANYE LOCAL MUNICIPALITY**  
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**1.21.2 Events after the reporting date**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

**1.22 Value added taxes (VAT)**

The Municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis in accordance with Section 15(2) of the VAT Act (Act 89 of 1991).

The annual financial statements have been prepared on the accrual basis of accounting. The municipality declares output tax and claims input tax in the tax period only to the extent to which payment under consideration is received or made in that tax period. The municipality accounts for VAT on a monthly basis.

The Municipality accounts for VAT on the cash basis.

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

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. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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**1.24 Unauthorised Expenditure**

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- (i) Overspending of the total amount appropriated in the municipality's approved budget.
- (ii) Overspending of the total amount appropriated for a vote in the approved budget.
- (ii) Expenditure from a vote unrelated to the department or functional area covered by the vote.
- (iv) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.
- (v) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of allocation otherwise than in accordance with any conditions of the allocation; or.-
- (vi) A grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

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

**1.25 Fruitless and wasteful expenditure**

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

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



**VICTOR KHANYE LOCAL MUNICIPALITY**  
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**1.26 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 is disclosed in the notes 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.

**1.27 Contingent assets and liabilities**

Contingent liabilities are disclosed in the notes to the financial statements when there is a possible obligation that arises 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 entity.

Contingent assets are disclosed in the notes to the financial statements when there is a possible asset that arises 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 entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 50 to the annual financial statements.

**2 Standards and interpretations issued, but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 April 2020 or later periods:

**Standards**

GRAP 25 - Employee benefits (Not yet effective)

GRAP 104 - Financial Instruments (Not yet effective)

All the above standards, where applicable, will be complied with in the financial statements once the standards take effect. Preliminary investigations indicated that other than additional disclosure, the impact of the standards on the financial statements will be minimal.

VICTOR KHANYE LOCAL MUNICIPALITY  
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued):

Note 3 Investment property

	2021			2020		
	Cost	Accumulated depreciation & impairment	Carrying value	Cost	Accumulated depreciation & impairment	Carrying value
Investment property	97 297 687	(30 013 312)	67 284 375	97 497 349	(28 535 337)	68 962 012
<b>Total</b>	<b>97 297 687</b>	<b>(30 013 312)</b>	<b>67 284 375</b>	<b>97 497 349</b>	<b>(28 535 337)</b>	<b>68 962 012</b>

Reconciliation of investment properties - 2021

	Cost				Accumulated Depreciation & Impairment			Carrying value
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Depreciation	Depreciation on disposal	
Investment property	97 497 349	-	(199 662)	97 297 687	(28 535 337)	(1 477 975)	-	67 284 375
<b>Total</b>	<b>97 497 349</b>	<b>-</b>	<b>-</b>	<b>97 297 687</b>	<b>-</b>	<b>28 535 337</b>	<b>-</b>	<b>67 284 375</b>

Reconciliation of investment properties - 2020

	Cost				Accumulated Depreciation & Impairment			Carrying value
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Depreciation	Depreciation on disposal	
Investment property	97 421 657	8 945 345	(8 869 653)	97 497 349	(27 363 139)	(2 325 021)	1 152 823	68 962 012
<b>Total</b>	<b>95 690 320</b>	<b>8 945 345</b>	<b>-</b>	<b>1 940 919</b>	<b>102 694 746</b>	<b>(26 284 273)</b>	<b>(3 448 378)</b>	<b>74 114 918</b>

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.  
There are no restrictions on the title and nor the disposal of the investment properties.  
There are no investment properties pledged as securities for liabilities.  
Repairs and maintenance to investment properties was Rnil (2020: Rnil).

VICTOR KHANYE LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 4 Property, plant and equipment

Category	2021		
	Cost	Accumulated depreciation & impairment	Carrying value
Land	160 225 197	-	160 225 197
Buildings/Community assets	150 436 242	(77 933 356)	72 502 885
Computer equipment	4 661 159	(3 134 239)	1 526 920
Transport assets	39 427 284	(20 258 050)	19 169 234
Fire equipment	1 605 003	(987 335)	617 668
Other machinery and equipment	4 624 963	(3 360 095)	1 264 868
Furniture and office equipment	5 362 051	(4 211 538)	1 150 513
Electrical infrastructure	233 186 781	(136 464 765)	96 722 016
Roads infrastructure	522 156 390	(312 071 715)	210 084 675
Sanitation infrastructure	384 854 223	(221 057 620)	163 796 603
Water infrastructure	442 461 336	(257 983 631)	184 477 705
Solid waste infrastructure	15 563 826	(894 115)	14 669 711
<b>Total</b>	<b>1 964 564 455</b>	<b>(1 038 356 458)</b>	<b>926 207 996</b>

	2020		
	Cost	Accumulated depreciation & impairment	Carrying value
	162 385 035	-	162 385 035
	154 914 369	(78 552 798)	76 361 571
	4 837 972	(3 196 314)	1 641 658
	32 097 888	(16 857 505)	15 240 382
	1 701 679	(972 508)	729 171
	4 739 792	(3 143 539)	1 596 253
	5 207 290	(4 047 587)	1 159 703
	229 040 199	(134 399 858)	94 640 341
	522 268 041	(305 014 672)	217 253 369
	387 328 212	(215 380 143)	171 948 069
	437 171 569	(247 179 835)	189 991 734
	10 953 298	(652 604)	10 300 694
	<b>1 952 645 344</b>	<b>(1 009 397 363)</b>	<b>943 247 981</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reconciliation of property, plant and equipment - 2021

Category	2021					Work in progress reconciliation			Closing balance
	Opening balance	Additions	Cost adjustment	Disposals	Transfer in	Opening balance	Additions to WIP	Transfers (out)	
Land	162 385 035	4 000 000	-	(6 159 838)	-	460 500	-	-	160 225 197
Buildings/Community assets	154 914 369	-	-	(4 923 436)	-	15 430 724	445 309	-	150 436 242
Computer equipment	4 837 972	476 711	-	(653 524)	-	-	-	-	4 661 159
Transport assets	32 097 888	7 329 396	-	-	-	-	-	-	39 427 284
Fire equipment	1 701 679	-	-	(96 676)	-	-	-	-	1 605 003
Other machinery and equipment	4 739 792	55 129	-	(169 958)	-	-	-	-	4 624 963
Furniture and office equipment	5 207 290	202 676	-	(47 915)	-	-	-	-	5 362 051
Electrical infrastructure	229 040 199	-	-	(4 498 549)	8 645 131	-	8 645 131	(8 645 131)	233 186 781
Roads infrastructure	522 268 041	5 525 523	-	(8 352 926)	15 543 468	14 469 891	2 715 752	(15 543 468)	522 156 390
Sanitation infrastructure	387 328 212	751 000	-	(3 224 989)	-	-	-	-	384 854 223
Water infrastructure	437 171 569	-	-	(4 785 195)	-	5 467 443	10 074 961	-	442 461 336
Solid waste infrastructure	10 953 298	-	4 610 528	-	-	393 195	-	-	15 563 826
<b>Total</b>	<b>1 952 645 344</b>	<b>18 340 435</b>	<b>4 610 528</b>	<b>(32 913 006)</b>	<b>24 188 599</b>	<b>36 221 753</b>	<b>21 881 153</b>	<b>(24 188 599)</b>	<b>1 964 564 455</b>

2021					
Accumulated depreciation and impairment				Closing balance	Net carrying value
Opening balance	Depreciation	Impairment loss	Disposals		
-	-	-	-	-	160 225 197
(78 552 798)	(3 991 545)	(38 530)	4 649 516	(77 933 356)	72 502 885
(3 196 314)	(496 456)	-	558 532	(3 134 239)	1 526 920
(16 857 505)	(3 400 544)	-	-	(20 258 050)	19 169 234
(972 508)	(72 855)	-	58 028	(987 335)	617 668
(3 143 539)	(348 850)	-	132 294	(3 360 095)	1 264 868
(4 047 587)	(195 989)	-	32 038	(4 211 538)	1 150 513
(134 399 858)	(6 553 376)	-	4 488 470	(136 464 765)	96 722 016
(305 014 672)	(12 827 159)	(74 657)	5 844 774	(312 071 715)	210 084 675
(215 380 143)	(8 712 138)	-	3 034 661	(221 057 620)	163 796 603
(247 179 835)	(15 098 034)	(23 700)	4 317 938	(257 983 631)	184 477 705
(652 604)	(241 511)	-	-	(894 115)	14 669 711
(1 009 397 363)	(51 938 458)	(136 887)	23 116 250	(1 038 356 458)	926 207 996

Reconciliation of property, plant and equipment - 2019

Category	2020					Work in progress reconciliation			Closing balance
	Opening balance	Additions	Cost adjustment	Disposals	Transfer in/(out)	Opening balance	Additions to WIP	Transfers (out)	
Land	162 220 535	-	-	(296 000)	-	460 500	-	-	162 385 035
Buildings/Community assets	139 483 644	-	-	-	-	12 399 505	3 031 219	-	154 914 369
Computer equipment	4 946 723	142 216	-	(250 967)	-	-	-	-	4 837 972
Transport assets	29 545 532	2 552 355	-	-	-	-	-	-	32 097 888
Fire equipment	1 709 140	-	-	(7 461)	-	-	-	-	1 701 679
Other machinery and equipment	4 512 194	361 081	-	(133 483)	-	-	-	-	4 739 792
Furniture and office equipment	5 219 901	95 546	-	(108 157)	-	-	-	-	5 207 290
Electrical infrastructure	227 704 165	2 518 065	-	(1 182 031)	-	-	-	-	229 040 199
Roads infrastructure	508 294 670	-	-	(496 520)	-	6 963 960	7 505 932	-	522 268 041
Sanitation infrastructure	365 333 065	27 048 912	-	(5 960 904)	907 140	-	907 140	(907 140)	387 328 212
Water infrastructure	428 193 973	9 079 709	-	(5 569 555)	-	-	5 467 443	-	437 171 569
Solid waste infrastructure	8 517 283	-	2 042 821	-	-	-	393 195	-	10 953 298
<b>Total</b>	<b>1 885 680 826</b>	<b>41 715 417</b>	<b>2 042 821</b>	<b>(14 005 079)</b>	<b>907 140</b>	<b>19 823 965</b>	<b>17 304 928</b>	<b>(907 140)</b>	<b>1 952 562 877</b>

2020					
Accumulated depreciation and impairment				Closing balance	Net carrying value
Opening balance	Depreciation	Impairment loss	Disposals		
-	-	-	-	-	162 385 035
(73 007 817)	(5 520 446)	(24 535)	-	(78 552 798)	76 361 571
(2 822 838)	(610 730)	-	237 253	(3 196 314)	1 641 658
(13 846 712)	(3 010 794)	-	-	(16 857 505)	15 240 382
(905 141)	(73 884)	-	6 517	(972 508)	729 171
(2 799 113)	(471 574)	(13)	127 162	(3 143 539)	1 596 253
(3 970 046)	(174 879)	-	97 338	(4 047 587)	1 159 703
(125 775 406)	(9 574 381)	-	949 929	(134 399 858)	94 640 341
(289 619 391)	(13 838 352)	(1 752 861)	195 932	(305 014 672)	217 253 369
(207 405 949)	(10 835 996)	(936 854)	3 798 656	(215 380 143)	171 948 069
(233 135 191)	(16 835 847)	(1 242 993)	4 034 197	(247 179 835)	189 991 734
(224 180)	(428 424)	-	-	(652 604)	10 300 694
<b>(953 511 784)</b>	<b>(61 375 307)</b>	<b>(3 957 257)</b>	<b>9 446 985</b>	<b>(1 009 397 363)</b>	<b>943 247 981</b>

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

The Covid 19 pandemic during the 2019/2020 financial year resulted in slight delays on some of the Municipal Capital Projects. The Municipality further diverted funds from the Road Infrastructure Projects to the Water Boreholes project.

There are no projects which have been completely halted or stopped.

There are no restrictions to any of the Municipality's property plant and equipment.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**Note 4 Property plant and equipment continued**

Infrastructure and Community Assets: Annual review discussions are conducted with all Strategic Business Units during which impairment triggers and asset performance indicators are discussed and possible impairments identified. In addition, insurance claims are also reviewed and considered as identifiers of possible impairment triggers. During physical field assessment, information pertaining to the condition and performance of these assets were recorded and further analysed to establish the impact on the value in use of identified components.

During the year Remaining Useful Lives have been reviewed on all depreciable assets. However, during the review of infrastructure and the holistic approach adopted in the review of all asset portfolios. No assets were identified with remaining useful life that required to be changed. As a result, no change in accounting estimate are required during the current financial year.

Included on the face of the statement of financial performance are the costs incurred for routine repairs and maintenance of fixed assets. These costs don't meet the definition of an asset, therefore, were expensed during the current financial year.

Maintenance of Buildings and Facilities  
 Maintenance of Equipment  
 Maintenance of Unspecified Assets

**2021**

137 250
7 867 726
12 564 395
<b>20 569 371</b>

**2020**

Maintenance of Buildings and Facilities  
 Maintenance of Equipment  
 Maintenance of Unspecified Assets

58 000
6 545 468
10 693 458
<b>17 296 926</b>

VICTOR KHANYE LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued):

Note 5 Intangible assets

	2021			2020		
	Cost	Accumulated Amortisation and Impairment	Carrying value	Cost	Accumulated Amortisation and Impairment	Carrying value
Computer Software	608 771	(544 930)	63 841	2 139 877	(2 075 932)	63 944
<b>Total</b>	<b>608 771</b>	<b>(544 930)</b>	<b>63 841</b>	<b>2 139 877</b>	<b>(2 075 932)</b>	<b>63 944</b>

Reconciliation of intangible assets - 2021

	Cost				Accumulated amortisation and impairment			Carrying value
	Opening balance	Additions	Disposal	Closing balance	Opening balance	Amortisation	Disposal	
Computer Software	2 139 877	-	(1 531 106)	608 771	(2 075 931)	-	1 531 001	63 841
<b>Total</b>	<b>2 139 877</b>	<b>-</b>	<b>1 531 106</b>	<b>608 771</b>	<b>(2 075 931)</b>	<b>-</b>	<b>1 531 001</b>	<b>63 841</b>

Reconciliation of intangible assets - 2020

	Cost				Accumulated amortisation and impairment			Carrying value
	Opening balance	Additions	Disposal	Closing balance	Opening balance	Amortisation	Impairment	
Computer Software	2 139 877	-	-	2 139 877	(158 860)	(50 997)	(1 866 074)	63 944
<b>Total</b>	<b>2 139 877</b>	<b>-</b>	<b>-</b>	<b>2 139 877</b>	<b>(158 860)</b>	<b>(50 997)</b>	<b>1 866 074</b>	<b>63 944</b>

Assessment of indefinite useful life

The Municipality's Intangible Assets relate to four computer software systems, namely, a (i) Metering System, a (ii) Mechatronic electronic lock for pole boxes, an (iii) Asset Management System and a (iv) Geographical Information System (GIS). The Metering system and the Mechatronic electronic lock are no longer in use and the Municipality has fully impaired these assets. The asset management system and the GIS system are still in use. The Municipality has determined that these assets have an indefinite useful life and has therefore not amortised these assets. These assets have been assessed as having an indefinite useful life because there is no foreseeable limit to the economic benefits generated by these intangible assets. These assets were donated by National Treasury to the Municipality in the 2016/2017 financial year. Regular software updates occur to these assets which keep them relevant and in line with current regulations and accounting standards. These software updates ensure that the Municipality has relevant information at all times and there is no estimated nor remaining useful lives for these assets, and as such, management have determined that their useful lives are indefinite.

VICTOR KHANYE LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued):

Note 6 Heritage assets

	2021			2020		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Art collections, antiquities and exhibits	1 102 112	(27 609)	1 074 503	1 102 112	(27 609)	1 074 503
<b>Total</b>	<b>1 102 112</b>	<b>(27 609)</b>	<b>1 074 503</b>	<b>1 102 112</b>	<b>(27 609)</b>	<b>1 074 503</b>

Reconciliation of Heritage assets - 2021

	Cost			Accumulated impairment			Carrying value
	Opening balance	Additions	Closing balance	Opening balance	Impairment	Impairment reversal	
Art collections, antiquities and exhibits	1 102 112	-	1 102 112	(27 609)	-	-	1 074 503
<b>Total</b>	<b>1 102 112</b>	<b>-</b>	<b>1 102 112</b>	<b>(27 609)</b>	<b>-</b>	<b>-</b>	<b>1 074 503</b>

Reconciliation of Heritage assets - 2020

	Cost			Accumulated impairment			Carrying value
	Opening balance	Additions	Closing balance	Opening balance	Impairment	Impairment reversal	
Art collections, antiquities and exhibits	1 102 112	-	1 102 112	(27 609)	-	-	1 074 503
<b>Total</b>	<b>1 102 112</b>	<b>-</b>	<b>1 102 112</b>	<b>(27 609)</b>	<b>-</b>	<b>-</b>	<b>1 074 503</b>

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.  
There are no restrictions on the title and nor the disposal of the heritage assets.  
There are no heritage assets pledged as securities for liabilities.  
Repairs and maintenance to heritage assets was Rnil (2020: Rnil).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 7 Cash and cash equivalents

Cash and cash equivalents consist of:

Cash at bank  
Call deposits  
Marketable securities  
Petty cash

2021  
2020  
Restated

1 090 825	986 043
2 671 429	299 360
-	119 109
4 975	4 975
<b>3 767 229</b>	<b>1 409 487</b>

Bank Guarantee

-	-
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Call deposits earn interest at market rates.

Marketable securities relate to Sanlam shares owned by the Municipality.

The municipality had the following bank accounts

Bank accounts

Account number / description

30-Jun-21 30-Jun-20

Investment accounts

028789997 - Standard Bank of South Africa - Call deposit account  
038564424 - Money Market Call Account  
Sanlam Ltd Shares

2 671 429	299 360
-	-
-	119 109
<b>2 671 429</b>	<b>418 469</b>

Transactional accounts

420526994 Standard Bank of South Africa - Main account  
300011512 Standard Bank of South Africa - Traffic fines account  
850000026 ABSA Bank

620 472	769 831
392 872	17 006
77 481	199 206
<b>1 090 825</b>	<b>986 043</b>

Petty cash

4 975	4 975
-------	-------

Total

<b>3 767 229</b>	<b>1 409 487</b>
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The municipality had the following cash books

Cash book

Account number / description

30-Jun-21 30-Jun-20

Investment accounts

028789997 - Standard Bank of South Africa - Call deposit account  
038564424 - Money Market Call Account  
Sanlam Ltd Shares

2 671 429	299 360
-	-
-	119 109
<b>2 671 429</b>	<b>418 469</b>

Transactional accounts

420526994 Standard Bank of South Africa - Main account  
300011512 Standard Bank of South Africa - Traffic fines account  
850000026 ABSA Bank

620 472	769 831
392 872	17 006
77 481	199 206
<b>1 090 825</b>	<b>986 043</b>

Petty cash

4 975	4 975
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Total

<b>3 767 229</b>	<b>1 409 487</b>
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 8 Trade and other receivables from exchange transactions

2021  
2020  
Restated

**Net customer service debtors**

Customer service debtors comprise:

Electricity  
Waste Management (Refuse)  
Waste Water Management (Sewerage and sanitation charges)  
Water

19 941 773	8 959 634
5 694 673	5 925 761
1 541 857	2 302 164
16 947 425	20 212 918
<b>44 125 728</b>	<b>37 400 478</b>

**Net other receivables**

Other receivables comprise:

Merchandising Jobbing and Contracts  
Property rental debtors  
Other debtors

13 706 295	15 225 855
38 518 939	28 746 018
10 489 176	16 696 504
<b>62 714 410</b>	<b>60 668 377</b>

**Total**

<b>106 840 137</b>	<b>98 068 855</b>
--------------------	-------------------

**Gross customer service debtors**

Gross customer service debtors comprise:

Electricity  
Waste Management (Refuse)  
Waste Water Management (Sewerage and sanitation charges)  
Water

29 975 866	26 372 834
21 673 050	23 480 115
23 543 508	27 708 093
244 185 586	239 427 082
<b>319 378 010</b>	<b>316 988 123</b>

**Other receivables**

Other receivables comprise:

Merchandising Jobbing and Contracts  
Property rental debtors  
Other debtors

177 262 855	237 708 501
131 220 520	85 000 592
10 489 176	16 696 504
<b>318 972 551</b>	<b>339 405 598</b>

**Total**

<b>638 350 561</b>	<b>656 393 721</b>
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 8 Trade and other receivables from exchange transactions (continued):

**Provision for customer service debtors**

Customer service debtors comprise:

Electricity	
Waste Management (Refuse)	
Waste Water Management (Sewerage and sanitation charges)	
Water	

2021

2020

Restated

(10 034 094)	(17 413 200)
(15 978 377)	(17 554 354)
(22 001 650)	(25 405 928)
(227 238 161)	(219 214 163)
<b>(275 252 282)</b>	<b>(279 587 645)</b>

**Provision for Other receivables**

Other receivables comprise:

Merchandising Jobbing and Contracts	
Property rental debtors	
Other debtors	

(163 556 560)	(222 482 646)
(92 701 581)	(56 254 575)
-	-
<b>(256 258 141)</b>	<b>(278 737 221)</b>

**Total**

**(531 510 423)** **(558 324 866)**

**Ageing of receivables from exchange transactions - 2021**

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Electricity	12 779 281	2 142 839	469 009	14 584 738
Waste Management (Refuse)	950 456	538 829	458 825	19 724 941
Waste Water Management (Sewerage and sanitation charges)	1 101 132	654 377	584 097	21 203 902
Water	5 797 838	4 234 845	3 517 260	230 635 643
Merchandising Jobbing and Contracts	833 911	892 597	982 083	174 554 263
Property rental debtors	5 064 790	4 204 843	4 069 811	117 881 076
Other debtors	4 281 847	-	-	6 207 329
Less: provision for impairment	(737 009)	(10 765 899)	(6 651 099)	(513 356 416)
	<b>30 072 246</b>	<b>1 902 430</b>	<b>3 429 987</b>	<b>71 435 475</b>

**Ageing of receivables from exchange transactions - 2020**

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Electricity	8 106 905	1 080 686	867 012	16 318 230
Waste Management (Refuse)	922 713	572 869	622 051	21 362 481
Waste Water Management (Sewerage and sanitation charges)	1 244 725	776 443	699 703	24 987 222
Water	5 730 834	3 877 769	3 930 082	225 888 397
Merchandising Jobbing and Contracts	1 844 769	1 793 831	1 800 411	232 269 490
Property rental debtors	3 838 974	3 926 159	3 826 808	61 788 599
Other debtors	28 316 555	-	-	-
Less: provision for impairment	(509 362)	(10 585 223)	(10 510 425)	(536 719 856)
	<b>49 496 114</b>	<b>1 442 533</b>	<b>1 235 644</b>	<b>45 894 563</b>

**Reconciliation of the provision for impairment**

Balance at the beginning of the year	
Impairment losses recognised	
Impairment losses reversed	

(558 324 866)	(537 661 121)
(44 471 004)	(44 479 997)
71 285 447	23 816 252
<b>(531 510 423)</b>	<b>(558 324 866)</b>

None of the trade and other receivables were pledged as security.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 9 Trade and other receivables from non-exchange transactions

Trade and other receivables from non-exchange transactions consist of:

Property rates debtors  
Traffic fines debtors

2021	2020 Restated
69 706 024	49 453 451
3 724 807	837 433
<b>73 430 831</b>	<b>50 290 884</b>

Gross debtors

Property rates debtors  
Traffic fines debtors

166 208 975	148 094 975
24 999 162	5 822 009
<b>191 208 137</b>	<b>153 916 983</b>

Less: Provision for impairment

Property rates debtors  
Traffic fines debtors

(96 502 951)	(98 641 523)
(21 274 355)	(4 984 575)
<b>(117 777 306)</b>	<b>(103 626 099)</b>

Net debtors

Property rates debtors  
Traffic fines debtors

69 706 024	49 453 451
3 724 807	837 433
<b>73 430 831</b>	<b>50 290 884</b>

Ageing of receivables from non-exchange transactions - 2021

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Business and Commercial	4 690 019	3 312 226	2 998 038	121 785 879
Agricultural Purposes	1 280 043	921 444	759 557	11 004 870
Public Benefit Organisations	131	131	131	21 389
Residential Developed	1 245 151	642 461	582 381	8 385 097
Residential Vacant Land	13 210	10 849	10 955	693 411
Mining Properties	1 354 576	1 037 936	900 514	4 558 578
Traffic fines debtors	432 250	1 126 000	3 136 250	20 304 662
Less: provision for impairment	(15 666)	(2 667 554)	(4 532 999)	(110 561 087)
	<b>8 999 713</b>	<b>4 383 492</b>	<b>3 854 826</b>	<b>56 192 799</b>

Ageing of receivables from non-exchange transactions - 2020

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Business and Commercial	4 900 779	3 664 011	3 298 294	114 940 604
Agricultural Purposes	1 135 571	877 546	771 150	5 751 931
Public Benefit Organisations	2 011	2 003	276	30 638
Residential Developed	1 116 836	626 637	532 897	4 848 433
Residential Vacant Land	17 951	15 814	15 785	932 268
Mining Properties	900 192	725 663	625 089	2 362 597
Traffic fines debtors	17 200	10 000	10 000	5 784 809
Less: provision for impairment	(28 774)	(3 445 092)	(3 068 828)	(97 083 405)
	<b>8 061 765</b>	<b>2 476 581</b>	<b>2 184 663</b>	<b>37 567 874</b>

Reconciliation of the provision for impairment

Balance at the beginning of the year  
Impairment losses recognised  
Impairment losses reversed

(103 626 099)	(85 479 741)
(25 984 234)	(24 118 043)
11 833 027	5 971 685
<b>(117 777 306)</b>	<b>(103 626 099)</b>

Note 10 Inventories

Consumables  
Materials and Supplies  
Water

1 208 507	553 213
360 288	270 703
201 452	224 494
<b>1 770 248</b>	<b>1 048 410</b>

Gross inventory

Consumables  
Materials and Supplies  
Water

1 208 507	553 213
360 288	270 703
201 452	224 494
<b>1 770 248</b>	<b>1 048 410</b>

Provision for redundant, obsolete and slow moving stock

Consumables  
Materials and Supplies  
Water

-	-
-	-
-	-
<b>-</b>	<b>-</b>

No inventory was pledged as security for liabilities.

Inventory consumed during the period is disclosed in note 32.

As at year end (2020: R0) there was no redundant, obsolete or slow moving stock

Theft of inventory relating to stolen diesel occurred during December 2018 and again in January 2019. The value of the stolen diesel was R347,855.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 11 Borrowings

2021

2020  
Restated

Borrowings consists of:

Development Bank of South Africa  
Nedbank Term Loan

-	582 100
714 459	3 400 508
<b>714 459</b>	<b>3 982 609</b>

Split as follows:

Non-current portion  
Current portion (payable in the next 12 months)

-	-
714 459	3 982 609
<b>714 459</b>	<b>3 982 609</b>

**Development Bank of South Africa**

The loan bears interest at a fixed rate of 6.75% per annum. The loan is repayable in bi-annual instalments of R602,592 over an initial period of 8 years. The loan matured on 31 December 2020.

**Nedbank Term Loan**

The loan bears interest at a fixed rate of 10.03% per annum. The loan is repayable in quarterly instalments of R732,668 over an initial period of 8 years. The loan matured on 30 June 2021. The final payment was made on 12 July 2021.

Note 12 Provisions

Environmental rehabilitation provision (Landfill sites)  
Provision for legal fees  
Provision for performance bonuses  
**Total provisions**

11 546 202	6 935 674
1 839 091	-
-	-
<b>13 385 293</b>	<b>6 935 674</b>

**Non-current portion**

Environmental rehabilitation provision (Landfill sites)  
Provision for legal fees  
Provision for performance bonuses

11 546 202	6 631 891
-	-
-	-
<b>11 546 202</b>	<b>6 631 891</b>

**Current portion**

Environmental rehabilitation provision (Landfill sites)  
Provision for legal fees  
Provision for performance bonuses

-	303 783
1 839 091	-
-	-
<b>1 839 091</b>	<b>303 783</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 12 Provisions (continued):

12.1 Environmental rehabilitation provision (Landfill sites)

Opening balance  
Change in landfill closure provision  
Interest cost  
Other movements

	2021	2020 Restated
Opening balance	6 935 674	7 815 134
Change in landfill closure provision	4 610 528	(1 131 889)
Interest cost	-	252 429
Other movements	-	-
	<b>11 546 202</b>	<b>6 935 674</b>
Current portion*	-	303 783
Non-current portion	11 546 202	6 631 891
	<b>11 546 202</b>	<b>6 935 674</b>

\*The current portion represents the interest charge of the following year.

The landfill site to be rehabilitated is the Delmas disposal site. This site has an operational permit (permit number B33/2/220/9/P218) issued on 8 February 1996 in terms of Section 20 of the Environment Conservation Act, 1989.

The most recent engineer valuation of the estimated costs of rehabilitation and closure of the site was carried out on 30 June 2021 by Environmental & Sustainability Solutions CC (ESS), the specialist consulting engineers.

The provision is calculated as the net present value of future cash flows based on the expected remaining useful life of the landfill site and the size of the remaining available air space volume as at 30 June 2021. The remaining useful life of the landfill site is estimated at 22 years, and the current remaining available air space volume is 159,589 m3.

The key financial assumptions used for the purposes of the rehabilitation provision were as follows:

Discount Rate	8.82%	11.28%
Consumer price inflation	4.82%	6.61%
Net discount rate	4.00%	4.38%

12.2 Provision for legal fees

Opening balance  
Additions  
Reversals  
Paid out

Opening balance	-	-
Additions	1 839 091	-
Reversals	-	-
Paid out	-	-
	<b>1 839 091</b>	<b>-</b>

The provision for legal fees relates to estimates for all legal and advice costs for matters which have been finalised, however, have not yet been billed by the attorneys. These costs are expected to be invoiced and paid within the next financial period.

12.3 Provision for performance bonuses

Opening balance  
Additions  
Reversals  
Paid out

Opening balance	-	-
Additions	-	-
Reversals	-	-
Paid out	-	-
	<b>-</b>	<b>-</b>

A performance bonus is paid out to section 57 managers subject to certain performance criteria and conditions. The provision represents managements best estimate of the performance bonuses payable to the managers. The performance bonus is paid out at 14% of the managers total remuneration once the terms of the performance criteria are met, and is paid out within one year of council approval. During the year there were no performance assessments and hence no performance bonus provision.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 13 Employee benefit obligations

	2021	2020 Restated
Post-Retirement Medical Obligation	32 848 384	24 864 391
Long Service Awards	7 842 406	6 310 349
<b>Total employee benefit obligations</b>	<b>40 690 790</b>	<b>31 174 740</b>
<b>Non-current portion</b>		
Post-Retirement Medical Obligation	31 723 358	23 867 864
Long Service Awards	6 873 060	5 646 678
	<b>38 596 418</b>	<b>29 514 542</b>
<b>Current portion</b>		
Post-Retirement Medical Obligation	1 125 026	996 527
Long Service Awards	969 346	663 671
	<b>2 094 372</b>	<b>1 660 198</b>

13.1 Post-Retirement Medical Obligation

Balance at beginning of year	24 864 391	27 476 277
Current service cost	1 673 776	1 583 505
Interest cost	3 335 723	2 527 430
***Actuarial (gain) / losses	2 974 494	(6 722 821)
Balance at end of year	<b>32 848 384</b>	<b>24 864 391</b>

\*\*\*The actuarial gain / loss includes the medical contributions subsidies for continuation pensioners

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by ONE PANGEA, a Fellow of the Actuarial Society of South Africa. 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 Method.

The unfunded liability in respect of past service has been estimated as follows:

In-service Members (Employees)	2 456 254	2 044 701
In-service Non-members (Employees)	18 901 134	13 208 445
Continuation Members (Retirees, widowers and orphans)	11 490 996	9 611 245
<b>Total liability</b>	<b>32 848 384</b>	<b>24 864 391</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

13.1 Post-Retirement Medical Obligation (continued):

2021

2020  
Restated

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- (i) Bonitas
- (ii) Keyhealth
- (iii) LA Health
- (iv) Samwumed
- (v) Hosmed

The Current-service Cost for the year ending 30 June 2021 is estimated to be R1,673,776, whereas the cost for the ensuing year is estimated to be R2,206,593 (30 June 2020: R1,583,505 and R1,673,776 respectively).

The key financial assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	11.55%	13.69%
Expected consumer price inflation based on duration of liability	6.48%	7.91%
Health Care Cost Inflation Rate	7.98%	9.41%
Net Effective Discount Rate	3.31%	3.91%
Normal retirement age	65	65

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at beginning of year	24 864 391	27 476 277
Current service cost	1 673 776	1 583 505
Interest cost	3 335 723	2 527 430
***Actuarial (gain) / losses	2 974 494	(6 722 821)
Balance at end of year	<b>32 848 384</b>	<b>24 864 391</b>

\*\*\*The actuarial gain / loss includes the medical contributions subsidies for continuation pensioners

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	<b>32 848 384</b>	<b>24 864 391</b>
Unfunded Accrued Liability	<b>32 848 384</b>	<b>24 864 391</b>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 673 776	1 583 505
Interest cost	3 335 723	2 527 430
Actuarial losses / (gains)	2 974 494	(6 722 821)
	<b>7 983 993</b>	<b>(2 611 886)</b>

The history of experienced adjustments is as follows:

	2021	2020	2019	2018
Present Value of Defined Benefit Obligation	32 848 384	24 864 391	27 476 277	47 445 277
Fair value of plan assets		-	-	-
Experience adjustments	7 983 993	(2 611 886)	(19 969 000)	4 737 683

The effect of a 1% movement in the key assumptions is detailed below:

<b>Increase:</b>		
Health care inflation rate	7 074 704	5 865 120
Discount rate	4 581 475	4 581 475
<b>Decrease:</b>		
Health care inflation rate	5 028 899	4 317 595
Discount rate	6 635 572	5 531 155

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

13.2 Long Service Awards

	2021	2020 Restated
Balance at beginning of year	6 310 349	6 133 279
Current service cost	627 861	649 454
Interest cost	511 163	477 561
***Actuarial (gain) / losses	393 033	(949 945)
Balance at end of year	<b>7 842 406</b>	<b>6 310 349</b>

\*\*\*The actuarial gain / loss includes the expected benefit payments

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long service based on historical staff turnover.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by ONE PANGEA, a Fellow of the Actuarial Society of South Africa. 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 Method.

At year end, 373 (2020: 384) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2021 is estimated to be R627,861 (2020: R649,454), whereas the cost for the ensuing year is estimated to be R751,310.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.33%	8.55%
Expected consumer price inflation based on duration of liability	4.74%	3.47%
Salary increase rate	5.74%	4.47%
Net Discount Rate	2.45%	3.91%

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	6 310 349	6 133 279
Current service costs	627 861	649 454
Interest cost	511 163	477 561
***Actuarial (gain) / losses	393 033	(949 945)
	<b>7 842 406</b>	<b>6 310 349</b>

\*\*\*The actuarial gain / loss includes the expected benefit payments

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	<b>7 842 406</b>	<b>6 310 349</b>
Unfunded Accrued Liability	<b>7 842 406</b>	<b>6 310 349</b>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	627 861	649 454
Interest cost	511 163	477 561
Actuarial (gains) / losses	393 033	(949 945)
	<b>1 532 057</b>	<b>177 070</b>

The history of liabilities, assets and experience adjustments is as follows:

	2021	2020	2019	2018
Present Value of Defined Benefit Obligation	7 842 406	6 310 349	6 133 279	6 146 904
Fair value of plan assets	-	-	-	-
Experience adjustments	1 532 057	177 070	(13 625)	706 766

The effect of a 1% movement in the key assumptions is detailed below:

<b>Increase:</b>		
General earnings inflation rate	1 463 319	1 219 409
<b>Decrease:</b>		
General earnings inflation rate	1 274 705	1 066 307



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

**Note 14 Consumer deposits**

**2021**

**2020  
Restated**

Consumer deposits consists of:

Electricity deposits  
Water deposits

641 662	653 847
849 657	855 003
<b>1 491 319</b>	<b>1 508 850</b>

**Note 15 Trade and other payables from exchange transactions**

Trade payables  
Advance payments  
Agency fees payable  
Payroll clearing and control accounts  
Leave accrual  
Bonus accrual  
Unallocated deposits  
Income received in advance  
Retentions

631 386 292	511 391 499
12 370 482	18 280 327
26 162 438	26 162 438
5 426 687	3 583 893
13 341 405	16 722 302
3 087 773	2 792 893
3 244 266	2 195 879
-	905 705
6 487 448	6 004 516
<b>701 506 791</b>	<b>588 039 452</b>

**Note 15.1 Trade and other payables from non- exchange transactions (Unspent Grants)**

Disaster Management Grant unspent at year end

**10 910 257**

-

Refer to Note 19.4 for a reconciliation of the grant received and spending.

**Note 16 Property rates**

Agricultural Property  
Business and Commercial Properties  
Mining Properties  
Public benefit organisations  
Residential Properties

15 643 376	13 736 001
37 840 063	34 411 910
15 787 192	10 800 756
11 502	15 482
9 156 229	14 173 979
<b>78 438 362</b>	<b>73 138 128</b>

**Valuations**

Agricultural Property  
Business and Commercial Properties  
Mining Properties  
Municipal Properties  
Public benefit organisations  
Residential Properties

5 325 529 540	5 342 145 394
1 211 648 350	1 291 213 840
482 356 600	353 900 600
33 579 380	58 780 870
123 194 880	79 592 160
1 855 169 681	1 802 146 311
<b>9 031 478 431</b>	<b>8 927 779 175</b>

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

**Note 17 Fines Penalties and Forfeits**

Water and electricity disconnection penalties  
Traffic fines issued

47 519	24 267
19 985 600	1 988 400
<b>20 033 119</b>	<b>2 012 667</b>

During the current financial year, the Municipality implemented a speeding camera on the R42 and R555, these are main roads within the Municipality. The fines from these speeding cameras caused a large increase in the traffic fines issued for the year.

**Note 18 Public contributions and donations**

The following donations were received for the year:

Nkangala District Municipality:  
- Capital donations  
- Operational donations

Public donations:

5 525 523	37 349 270
1 304 457	3 231 270
-	10 661 990
<b>6 829 981</b>	<b>51 242 531</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 19 Government grants and subsidies

**Operating grants**

Equitable share
Financial management grant (FMG)
Expanded public works programme grant (EPWP)
Disaster management grant (COVID-19)

2021	2020 Restated
105 840 000	96 421 000
1 700 000	1 770 000
2 770 000	1 851 000
8 062 636	477 000
<b>118 372 636</b>	<b>100 519 000</b>

**Capital grants**

Municipal infrastructure grant (MIG)
Integrated National Electrification Programme (INEP)

22 380 107	24 912 000
9 942 000	-
<b>32 322 107</b>	<b>24 912 000</b>

**Total government grants and subsidies**

<b>150 694 743</b>	<b>125 431 000</b>
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Conditional grants
Unconditional grants

44 854 743	29 010 000
105 840 000	96 421 000

**Total government grants and subsidies**

<b>150 694 743</b>	<b>125 431 000</b>
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**19.1 Equitable share**

The grant is an unconditional grant and is used for the provision of indigent support through free basic services. During the year, the National Government allocated funds to Municipalities across South Africa to assist with Covid 19 relief. These funds are conditional and were paid together with the Equitable Share receipts. Victor Khanye Local Municipality received R16,889,000 in December 2020 to be utilised for Covid 19 relief. These funds have been transferred to the Disaster Management Grant.

**19.2 Finance management grant**

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue
Prior period error

-	-
1 700 000	1 770 000
(1 700 000)	(1 770 000)
-	-

**Unspent amount at year end**

-	-
---	---

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. All conditions of the grant were met.

**19.3 EPWP grant**

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue
Prior period error

-	-
2 770 000	1 851 000
(2 770 000)	(1 851 000)
-	-

**Unspent amount at year end**

-	-
---	---

The grant is used for extended public works programmes. All conditions of the grant were met.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 19 Government grants and subsidies (continued):

2021

2020  
Restated

19.4 Disaster management grant (COVID-19)

Balance unspent at beginning of year  
Current-year receipts (allocated from Equitable Share)  
Current-year receipts (allocated from Municipal Infrastructure Grant)  
Conditions met - transferred to revenue  
Prior period error

-	-
16 889 000	477 000
2 083 893	-
(8 062 636)	(477 000)
-	-

**Unspent amount at year end**

**10 910 257**

-

This grant is to assist Municipalities in responding to the COVID-19 pandemic in the 2020/21 municipal financial year. This grant assists municipalities to provide additional access to basic services for vulnerable communities during the lockdown and to sanitize public facilities. During the year, the National Government allocated funds to Municipalities across South Africa to assist with Covid 19 relief. These funds are conditional and were paid together with the Equitable Share. Victor Khanye Local Municipality received R16,889,000 in December 2020 to be utilised for Covid 19 relief from Equitable Share and was required to use up to 10% of the Municipal Infrastructure Grant on Covid 19 relief (transferred to Disaster Management Grant).

19.5 Municipal Infrastructure Grant

Balance unspent at beginning of year  
Current-year receipts  
Transferred to Disaster Management Grant  
Conditions met - transferred to revenue  
Prior period error

-	-
24 464 000	24 912 000
(2 083 893)	-
(22 380 107)	(24 912 000)
-	-

**Unspent amount at year end**

-

-

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of households. All conditions of the grant were met. During the current year, the National Government allocated funds to Municipalities across South Africa to assist with Covid 19 relief. Victor Khanye Local Municipality was required to use up to 10% of the Municipal Infrastructure Grant on Covid 19 relief (transferred to Disaster Management Grant).

19.6 Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year  
Current-year receipts  
Conditions met - transferred to revenue  
Prior period error

-	-
9 942 000	-
(9 942 000)	-
-	-

**Unspent amount at year end**

-

-

This grant is used for the electrification of households. All conditions of the grant were met.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

**Note 20 Service charges**

Sale of electricity - conventional electricity
Sale of electricity - prepaid electricity
Waste Management (Refuse)
Waste Water Management (Sewerage and sanitation charges)
Sale of conventional water and meter reading fees
Sale of prepaid water
Flat rate charges

2021	2020 Restated
136 896 652	121 838 628
38 094 713	34 586 685
9 786 337	9 113 313
10 406 697	11 671 358
53 260 218	38 564 014
-	2 687 091
49 927 785	46 422 502
<b>298 372 402</b>	<b>264 883 590</b>

**Note 21 Rental of facilities and equipment**

Rental income comprise of:
Rental of property
Community assets

2 517 010	2 250 376
215 628	43 307
<b>2 732 638</b>	<b>2 293 683</b>

**Note 22 Other operational revenue**

Administrative Handling Fees
Transaction Handling Fees
Request for Information - Plan Printing and Duplicates
Cemetery and Burial
Clearance Certificates
Insurance pay-out
Fire Services
Merchandising Jobbing and Contracts
Town Planning and Servitudes

381 443	341 480
184 412	129 923
178 929	162 607
381 684	354 189
17 715	14 692
137 649	31 381
117 148	61 116
198 546	-
1 339 738	472 638
<b>2 937 264</b>	<b>1 568 027</b>

**Note 23 Interest income**

Interest Income comprises of:
Bank
Trade and other receivables

371 572	714 337
54 236 590	76 203 202
<b>54 608 162</b>	<b>76 917 539</b>

**Note 24 Employee related costs**

Basic salaries
Bonuses
Medical contributions
Pension contributions
Unemployment Insurance contributions
Bargaining Council
Travel or motor vehicle allowance
Standby allowance
Overtime
Leave pay
Housing Benefits
Cellular and Telephone allowance
(Reversal) / Increase in leave accrual
Increase in bonus accrual
Post retirement benefits: Long service award: current service costs
Post retirement benefits: Medical: current service costs
Post retirement benefits: long service awards: actuarial (gains) / losses
Post retirement benefits: Medical: actuarial (gains) / losses

97 444 168	93 225 968
6 393 286	5 851 337
8 115 718	7 227 797
17 998 565	16 854 166
738 139	750 574
46 134	44 205
6 579 590	6 308 452
4 656 489	3 885 655
7 374 119	10 154 786
1 963 615	1 121 197
941 319	1 053 599
22 800	15 800
(3 380 898)	6 266 920
294 880	313 786
627 861	649 454
1 673 776	1 583 505
393 033	(949 945)
2 974 494	(6 722 821)
<b>154 857 089</b>	<b>147 634 435</b>

**Remuneration of senior managers**

**Municipal Manager**

Annual Remuneration
Travel allowance
Acting allowance
Contributions to UIF, Medical and Pension Funds
Bargaining council
SDL
Cell phone allowance

874 196	930 175
144 000	144 000
-	111 778
67 546	106 400
119	112
9 511	16 932
-	-
<b>1 095 372</b>	<b>1 309 397</b>

\*ST Matladi resigned from the Municipal Manager post on 21 June 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 24 Employee related costs (continued):

**Chief Financial Officer**

Annual Remuneration
Acting allowance
Travel allowance
Contributions to UIF, Medical and Pension Funds
Bargaining council
SDL
Cell phone allowance

2021	2020 Restated
976 807	987 120
2 329	-
102 000	102 000
54 655	76 344
119	112
10 675	15 823
-	-
<b>1 146 585</b>	<b>1 181 399</b>

**Director: Technical services**

Annual Remuneration
Bonus
Travel allowance
Bargaining council
Acting allowance
Contributions to UIF, Medical and Pension Funds
SDL

726 575	679 115
78 633	-
120 000	120 000
119	112
-	-
130 636	176 005
9 512	11 864
<b>1 065 475</b>	<b>987 096</b>

**Director: Corporate Services**

Annual Remuneration
Travel allowance
Acting allowance
Bargaining council
Contributions to UIF, Medical and Pension Funds
Leave sold
SDL

773 935	1 288 506
102 000	102 000
13 756	22 358
119	112
93 149	187 967
125 033	-
9 916	19 527
<b>1 117 908</b>	<b>1 620 469</b>

Note 25 Remuneration of councillors

Mayor
Speaker
Chief whip
Other councillors

905 259	903 190
733 088	733 088
690 046	644 856
6 029 909	6 018 395
<b>8 358 302</b>	<b>8 299 530</b>

**Mayor**

Basic Salary
Cell phone Allowance
Travel or motor vehicle allowance
Medical contribution
Pension Fund Contributions

538 556	540 692
44 400	44 400
173 376	168 181
78 144	71 522
70 783	78 395
<b>905 259</b>	<b>903 190</b>

**Speaker**

Basic Salary
Cell phone Allowance
Travel or motor vehicle allowance
Medical contribution
Pension Fund Contributions

402 681	406 837
44 400	44 400
138 701	134 545
70 072	70 072
77 234	77 234
<b>733 088</b>	<b>733 088</b>

**Chief Whip**

Basic Salary
Cell phone Allowance
Travel or motor vehicle allowance
Medical contribution
Pension Fund Contributions

439 582	397 778
44 400	40 700
130 032	115 689
-	19 536
76 032	71 153
<b>690 046</b>	<b>644 856</b>

**Other councillors**

Basic Salary
Cell phone Allowance
Travel or motor vehicle allowance
Medical contribution
Pension Fund Contributions

3 549 837	3 568 625
617 900	621 600
1 089 952	1 055 837
109 762	109 800
662 458	662 533
<b>6 029 909</b>	<b>6 018 395</b>

Note 26 Impairment loss

Impairment loss on property, plant and equipment
Impairment loss on Intangible Assets
Debt impairment: contributions to debt impairment provision

136 888	3 957 256
-	1 866 074
-	35 555 181
<b>136 888</b>	<b>41 378 512</b>

Debt impairment: reversal of debt impairment provision

<b>12 663 235</b>	<b>-</b>
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

**Note 27 Debts written off**

Debtors balances written off during the year

2021	2020 Restated
<b>113 420 978</b>	<b>91 944 504</b>

**Note 28 Depreciation and amortisation**

Property, plant and equipment  
Investment property  
Intangible assets

51 938 458	61 375 002
1 477 975	3 450 387
-	50 997
<b>53 416 433</b>	<b>64 876 386</b>

**Note 29 Finance costs**

Interest on borrowings: Nedbank  
Interest on borrowings: DBSA  
Interest on rehabilitation provision  
Interest on post-retirement benefits: Long service awards  
Interest on post-retirement benefits: Medical  
Interest on late payment to suppliers

242 967	498 738
21 226	95 511
-	252 429
511 163	477 561
3 335 723	2 527 430
27 124 099	37 092 545
<b>31 235 178</b>	<b>40 944 214</b>

**Note 30 Bulk purchases**

Electricity  
Water

149 104 608	140 216 315
65 748 913	75 516 933
<b>214 853 521</b>	<b>215 733 248</b>

**Note 31 Inventory consumed**

Consumables  
Materials and supplies

8 962 487	8 470 619
3 841 214	2 668 019
<b>12 803 701</b>	<b>11 138 638</b>

**Note 32 Contracted services**

**Consultants and Professional Services**

Business and Advisory services  
Laboratory Services: Water  
Legal Advice and Litigation

5 737 825	4 842 290
202 975	175 070
8 284 013	7 150 095
<b>14 224 812</b>	<b>12 167 455</b>

**Contractors**

Employee wellness  
Maintenance of Buildings and Facilities  
Maintenance of Equipment  
Maintenance of Unspecified Assets  
Pest Control and Fumigation  
Tracing Agents and Debt Collectors

7 592	30 553
137 250	58 000
7 867 726	6 545 468
12 564 395	10 693 458
128 350	100 000
4 394 554	2 287 617
<b>25 099 867</b>	<b>19 715 096</b>

**Outsourced Services**

Burial Services  
Business and Advisory  
Catering Services  
Professional Staff  
Security Services  
Sewerage Services

15 217	19 200
2 749 651	2 891 610
284 079	270 215
422 318	303 500
12 491 073	16 397 700
4 618 014	3 938 118
<b>20 580 353</b>	<b>23 820 343</b>

**Total contracted services**

<b>59 905 032</b>	<b>55 702 894</b>
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

**Note 33 Operating leases**

The municipality has the following significant leasing arrangements. No contingent rent is payable under any of the arrangements.

**Significant leasing arrangements**

Leasing of chemical toilets  
Leasing of printers  
Leasing of vehicles

**Minimum lease payments due**

- within one year  
- in second to fifth year inclusive  
- more than five years

**2021**

**2020  
Restated**

3 696 000	3 696 000
1 061 848	914 279
1 170 739	1 191 900
<b>5 928 587</b>	<b>5 802 179</b>
617 227	582 289
263 390	980 009
-	-
<b>880 617</b>	<b>1 562 298</b>

**Note 34 Operational costs**

Advertising Publicity and Marketing  
Bank Charges Facility and Card Fees  
Communication  
Commission expense  
Contribution to Provisions: Decommissioning Restoration and Similar Liabilities  
Deeds  
Entertainment  
External Audit Fees  
External Computer Service  
Hire Charges  
Insurance Underwriting  
Learnerships and Internships  
Motor Vehicle Licence and Registrations  
Municipal Services  
Printing Publications and Books  
Registration Fees (Professional, Regulatory Bodies, Seminars Conferences Workshops and Events)  
Skills Development Fund Levy  
Travel and Subsistence  
Uniform and Protective Clothing

382 921	424 346
410 392	450 575
5 113 937	4 319 381
34 968 513	30 377 507
-	(3 174 710)
81 556	63 643
3 784	18 343
6 141 093	5 109 404
7 133 099	7 334 553
2 217 541	81 100
3 897 634	4 526 619
265 323	119 883
320 631	220 048
4 616 431	9 135 223
332 100	347 894
3 927 068	3 154 936
1 305 041	1 816 550
822 338	2 191 598
2 534 763	1 335 345
<b>74 474 164</b>	<b>67 852 237</b>

**Note 35 Cash generated from operations**

Deficit for the year

**Adjustments for non cash items:**

Public contributions and donations  
Impairment loss  
Provision for doubtful debt reversal  
Debts written off  
Depreciation and amortisation  
Loss from fair value adjustment  
Loss from disposal of assets  
Interest on rehabilitation provision  
Gain on debt write off

**Adjustments for items disclosed separately:**

Interest on DBSA and Nedbank

**Changes in working capital:**

Receivables from exchange transactions  
Receivables from non-exchange transactions  
Inventories  
VAT Receivable  
Trade and other payables from exchange transactions  
Trade and other payables from non-exchange transactions  
Employee benefit obligations  
Consumer deposits

(110 168 791)	(159 027 928)
(6 829 981)	(51 191 445)
136 888	57 217 483
(12 663 235)	
113 420 978	74 988 761
53 416 433	64 787 570
12 302	38 774
8 076 523	5 170 500
-	252 429
-	-
264 193	594 249
(95 377 818)	(130 310 935)
(37 252 589)	(27 812 661)
(721 838)	602 449
(10 615 709)	5 678 691
118 480 017	179 591 448
10 910 257	-
9 516 050	(2 434 816)
(17 531)	66 120
<b>40 586 149</b>	<b>18 210 688</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

**Note 36 Commitments**

**36.1 Capital expenditure**

Approved and contracted for:  
- *Infrastructure assets*

Approved and not yet contracted for:  
- *Infrastructure assets*

**Total capital commitments**

**2021**

**2020  
Restated**

11 978 669	11 978 669
-	-
<b>11 978 669</b>	<b>11 978 669</b>

**36.2 Lease commitments**

Refer to Note 33 for disclosure on all the Municipality's lease commitments

**36.3 Other operational commitments**

Supplier commitments

42 902 990 32 180 910

**Note 37 Fruitless and wasteful expenditure**

Opening  
Current year fruitless & wasteful expenditure  
Prior period adjustment  
Amounts written off by council

60 487 957	32 316 985
-	37 147 752
-	-
-	(8 976 780)
<b>60 487 957</b>	<b>60 487 957</b>

**Note 38 Irregular expenditure and Unauthorised expenditure**

**38.1 Irregular expenditure**

Opening balance  
Current year irregular  
Incurred in the prior year but identified in current year  
Prior period adjustment (refer to note 39)  
Amounts written off by council

122 907 109	57 810 079
65 411 787	31 520 440
-	690 000
-	56 518 240
-	(23 631 650)
<b>188 318 895</b>	<b>122 907 109</b>

**38.2 Unauthorised expenditure**

Opening balance  
Current year unauthorised  
Prior period adjustment (refer to note 39)  
Amounts written off by council

129 309 539	73 851 338
60 489 490	104 711 358
-	-
-	(49 253 157)
<b>189 799 029</b>	<b>129 309 539</b>

**38.3 Deviations from supply chain management regulations**

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

Paragraph 36 of the gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and these are reported appropriately in the annual financial statements.

The amounts below represent the quotation and tender deviation for the year as approved by the Accounting Officer. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

38.3 Deviations from supply chain management regulations (continued):

2021

Description of deviation	Reason for deviation	Amount
Provision of technical advisory services to prepare turn around business plan in line with MFMA chapter 13.	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process.	197 600
Emergency strip old pump and install self priming pump at Golf course pumpstation.	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process.	54 500
Emergency strip and quote of tailgate for refuse compactor truck: FHF 746 MP.	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process.	173 823
Emergency repair of sewer pumps at Botleng waste water treatment works	SCM Sec 36(1)(a)(i) emergency procurement	180 174
Repairs of 5 Kudu lawn mowers.	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process.	65 347
Supply and delivery of firefighting PPE	SCM Sec 36(1)(a)(i) emergency procurement	725 983
Application for township establishment Arbour village foot rail track	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process.	17 755
Installation of storm water culvert pipes at Botleng N12	SCM Sec 36(1)(a)(i) emergency procurement	77 800
Emergency repair of the remainder of the ozone disinfection system at Delmas water treatment plant	SCM Sec 36(1)(a)(i) emergency procurement	217 222
Payment of IOD to health practitioner for 4 employees	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process.	7 592
Study fees for Ms C Vilakazi for higher certificate in public management	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process.	23 070
Strip and quote of refuse compactor truck tailgate: FHF 746 MP	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process.	173 823
Strip and quote refurbishment of the two 100kva transformers	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process.	172 500
Emergency fixing of the compactor truck: JSZ 654 MP	SCM Sec 36(1)(a)(i) emergency procurement	47 817
Emergency hiring of refuse compactor truck for 30 days	SCM Sec 36(1)(a)(i) emergency procurement	220 800
Supply 0.3 IBR plus other roofing essentials, paint removal and repainting outside with own paint, building, plastering using own cement and sand, labour, and electrical works	SCM Sec 36(1)(a)(i) emergency procurement	56 150
Breakdown of a truck along the road, road assistance is required from UD truck: ISZ 654 MP	SCM Sec 36(1)(a)(i) emergency procurement	3 965
Repair rotating assembly at Golf course sewer pump stations	SCM Sec 36(1)(a)(i) emergency procurement	43 588
Hiring of x2 tipper trucks for removal of illegal dumping sites	SCM Sec 36(1)(a)(i) emergency procurement	49 000
Calibration of speed camera prolaser 4	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process.	5 263
Covid-19 testing for 23 traffic learners	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process.	19 550
Repair of kudu and brush cutters	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process.	14 380
Repairs of aerator 2-damaged gearbox, motor and variable speed drive (vsd), Aerator- damaged variable speed drive at Botleng waste water treatment plant	SCM Sec 36(1)(a)(i) emergency procurement	262 402
Strip and quote of rotating assembly pump and shaft	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process	94 153
Procurement of super activated effective microbes	SCM Sec 36(1)(a)(i) emergency procurement	122 006
Hiring of a combination truck to unblock the sewer mainlines	SCM Sec 36(1)(a)(i) emergency procurement	59 630
Road assistance fee registration ISZ 654 MP	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process	3 965
Investigate, audit and reconcile the revenue collected by Ruvick and shared with Municipality	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process	762 270
Repair of x2 hp laptops	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process	6 918
Study fees for Ms Sikhosana attending Bcom financial management	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process	26 180
Study fees for Mr T Moloto towards his honours Bcom	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process	30 141
Study fees for Mr TE Segone diploma in business management	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process	32 110
Repairs of five kudu lawn mowers for parts out of warranty	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process	13 070
Emergency procurement of an electrical switch gear	SCM Sec 36(1)(a)(i) emergency procurement	130 200
VKLM in the high court lawsuit instituted Rand Water emanating from outstanding short payment	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process	327 724
Emergency repair on control panel and installing of voltage and surge arrestor to protect components at Botleng reservoir	SCM Sec 36(1)(a)(i) emergency procurement	175 824
Emergency repair of damaged roads	SCM Sec 36(1)(a)(i) emergency procurement	1 599 650
Consultation of employees for Orthopaedic surgeon	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process	6 000
Emergency Servicing and maintenance of 15 pneumatic value and actuators at Botleng water treatment	SCM Sec 36(1)(a)(i) emergency procurement	372 500
Emergency supply and install of switch gear at fet collage	SCM Sec 36(1)(a)(i) emergency procurement	130 200
Strip & quote of laptop	SCM Sec 36(1)(a)(v) in any other exceptional case where it is impractical to follow formal procurement process	2 994
Emergency hiring of refuse trucks x2	SCM Sec 36(1)(a)(i) emergency procurement	279 680
Emergency supply and install of submersible slurry pump including 12m cable	SCM Sec 36(1)(a)(i) emergency procurement	863 650
Emergency procurement of eradication of sanitation backlog in rural areas	SCM Sec 36(1)(a)(i) emergency procurement	2 318 159

**10 167 128**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

**Note 39 Prior period errors and reclassifications**

A summary of the restatement impacting 2019/2020 as well as 2018/2019 and prior are summarised in the table below. The detail of these restatements are indicated in the various sub notes of Note 39. Each detail indicates the Nature, Timing and Extent of the prior period error as required by the relevant standards.

	2020 Previously reported	Error	2020 After correction	Note
<b>Revenue from non exchange transactions</b>				
Property rates (Taxation revenue)	73 386 589	(248 461)	73 138 128	<b>39.1</b>
Public contributions and donations	51 191 445	51 086	51 242 531	<b>39.11</b>
<b>Revenue from exchange transactions</b>				
Service charges	257 215 517	7 668 073	264 883 590	<b>39.2</b>
Other operational revenue	1 536 645	31 382	1 568 027	<b>39.12</b>
<b>Expenditure</b>				
Debts written off	74 988 761	16 955 743	91 944 504	<b>39.4</b>
Impairment loss	57 217 483	(15 838 971)	41 378 512	<b>39.13</b>
Depreciation and amortisation	64 787 571	88 815	64 876 386	<b>39.14</b>
Operational costs	66 588 444	1 263 793	67 852 237	<b>39.8</b>
<b>Current Assets</b>				
Trade and other receivables from exchange transactions	88 839 986	9 228 869	98 068 855	<b>39.7</b>
Trade and other receivables from non-exchange transactions	65 934 484	(15 643 600)	50 290 884	<b>39.6</b>
VAT receivable	30 840 586	189 573	31 030 159	<b>39.9</b>
<b>Non Current Assets</b>				
Property, plant and equipment	943 252 320	(4 339)	943 247 981	<b>39.15</b>
Investment property	74 114 918	(5 152 906)	68 962 012	<b>39.15</b>
<b>Accumulated surplus</b>	574 937 315	(11 382 404)	563 554 911	<b>39.3 &amp; 39.5</b>
<b>Irregular expenditure</b>	66 388 869	56 518 240	122 907 109	<b>39.10</b>

**39.1 Property rates revenue**

The property rates revenue was restated for the following reasons:

Nature	Timing	Amount
<b>39.1.1.</b> The Municipality identified properties on the valuation roll but not on the billing module. These properties therefore needed to be billed and placed in the billing system.	2019/2020	132 559
<b>39.1.2.</b> The Municipality was incorrectly billing itself (i.e., Municipal Properties) for property rates. These rates were required to be reversed.	2019/2020	(743 400)
<b>39.1.3.</b> There were debtors that were incorrectly billed a property rate instead of a flat rate. The properties were below 450 square meters and were therefore supposed to be billed a flat rate	2019/2020	(338 198)
<b>39.1.4.</b> Properties on the 'Munsoft billing report who were incorrectly not being billed Rnil in 2019/2020 Financial year	2019/2020	700 579
<b>Total restatement to property rates revenue</b>		<b>(248 461)</b>

**39.2 Service charges**

Service charges revenue was restated for the following reasons:

Nature	Timing	Amount
<b>39.2.1.</b> The Municipality was incorrectly billing itself for Water usage. This billing inappropriately inflated Water revenue and has therefore now been reversed	2019/2020	439 167
<b>39.2.2.</b> There were properties on the valuation roll which were below 450 meters squared and were supposed to receive a flat rate billing, however, were not being billed for the full financial year. A restatement was therefore required to correctly bill these customers the flat rate	2019/2020	(10 937 855)
<b>39.2.3.</b> The Municipality was incorrectly billing itself for Electricity usage. This billing inappropriately inflated Electricity revenue and has therefore now been reversed	2019/2020	2 830 614
<b>Total restatement to Service Charges revenue</b>		<b>(7 668 073)</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 39 Prior period errors and reclassifications (continued):

39.3 Accumulated surplus opening balance

The restatement to accumulated surplus was as a result of the restatement to the 2018/2019 financial year for the following components:

Nature	Timing	Amount
There were properties on the valuation roll which were below 450 meters squared and were supposed to receive a flat rate billing, however, were not being billed for the full financial year. A restatement was therefore required to correctly bill these customers the flat rate	2018/2019	(9 911 064)
Properties on the 'Munsoft billing report who were being billed Rnil in 2018/2019 Financial year	2018/2019	(657 702)
Properties on the general valuation roll which were not billed for 2018/2019	2018/2019	(157 003)
The Municipality was incorrectly billing itself for Rates, Electricity and Water usage. This billing inappropriately inflated revenue and has therefore now been reversed	2018/2019	6 597 504
The Municipality was incorrectly billing itself for Rates. This billing inappropriately inflated revenue and has therefore now been reversed	2018/2019	5 228 286
The debtors balance for the prepaid electricity vendor was incorrect due to an understatement of commission expense for years prior to 2018/2019. An adjustment has been performed to correct for the understatement which resulted in a prior period error.	2018/2019	10 186 689
The Municipality identified that stands were disposed off in previous years as well as duplicated assets. The fixed asset register was then updated with the information from the sale of stands per the deeds office and register of stands sold from the office of the Accounting Officer.	2018/2019	5 131 850
<b>Total restatement to accumulated surplus opening balance</b>		<b>16 418 560</b>

39.4 Debts written off

Nature	Timing	Amount
The bad debts written off for the prior financial year was understated due to council resolution number A004/10/2019 approving the write off of debts owed by Delmas Development Corporation not being implemented. The subsequent implementation of this resolution resulted in a restatement of R16,955,743 increasing in bad debts written off.	2019/2020	16 955 743

39.5 Accumulated surplus restatement

The 2019/2020 accumulated surplus was restated as a result of the above transactions and events which may be reconciled as follows:

Nature	Timing	Amount
Decrease to property rates revenue per Note 39.1	2019/2020	(248 461)
Increase in donations per Note 39.11	2019/2020	51 086
Increase to service charges revenue per Note 39.2	2019/2020	7 668 073
Increase in operational revenue per Note 39.12	2019/2020	31 382
Increase to bad debts written off per Note 39.4	2019/2020	(16 955 743)
Decrease in impairment loss per Note 39.13	2019/2020	15 838 971
Increase in depreciation per Note 39.14	2019/2020	(88 815)
Increase in traffic fines due to traffic fines recorded in wrong period	2019/2020	2 500
Increase in gain from disposal of assets	2019/2020	955
Understatement of commission expense for electricity vendor per Note 39.8	2019/2020	(1 263 793)
<b>Total restatement to accumulated surplus</b>		<b>5 036 156</b>

39.6 Trade and other receivables from non-exchange transactions

The trade and other receivables balance was restated as a result of the following transactions or events:

Reconciliation of restatement to Trade and other receivables from non-exchange transactions	Amount
Decrease to property rates debtors per Note 39.1	(248 461)
Decrease to property rates debtors per Note 39.4	(16 955 743)
Decrease to property rates debtors per Note 39.3	(5 228 286)
Increase in provision for doubtful debts as a result of removing Municipal debt	5 971 685
Increase to property rates debtors per Note 39.3	814 705
<b>Total restatement to debtors from non-exchange transactions</b>	<b>(15 646 099)</b>

39.7 Trade and other receivables from exchange transactions

The trade and other receivables balance was restated as a result of the following transactions or events:

Reconciliation of restatement to Trade and other receivables from exchange transactions	Amount
Increase to exchange debtors per Note 39.2	7 668 073
Decrease to exchange debtors per Note 39.3	(6 597 504)
Increase to exchange debtors per Note 39.3	9 911 064
Increase in provision for doubtful debts as a result of removing Municipal debt	9 867 286
Understatement of prepaid electricity debtor due to incorrect commission calculation	(11 640 051)
<b>Total restatement to debtors from non-exchange transactions</b>	<b>9 208 868</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 39 Prior period errors and reclassifications (continued):

39.8 Commission expense

Nature	Timing	Amount
The commission expense for the prepaid electricity vendor was incorrect calculation of the vendors commission expense. An adjustment has been performed to correct for the understatement which resulted in a prior period error.	2019/2020	1 263 793

39.9 VAT Receivable

Nature	Timing	Amount
The VAT input accrual receivable balance was restated as a result of incorrect calculation of commission expenditure per Note 39.8 above. The VAT impact of this error resulted in a restatement to the VAT asset balance.	2019/2020	189 569

39.10 Irregular expenditure

Nature	Timing	Amount
(1) During the preparation of the 2020/2021 Annual Financial Statements, it was noted that the Irregular Expenditure register used to prepare the 2019/2020 Annual Financial Statements did not cast. Upon recasting the register, the Municipality noted that the previously disclosed amount of R31 520 440, was incorrect. The correct amount should have been R30 639 409. The difference resulted in an overstatement of irregular expenditure of R881 031 and has now been corrected and disclosed as a prior period error.	2019/2020	(881 031)

(2) During the preparation of the 2020/2021 Annual Financial Statements, the Municipality noted that the following Regulation 32 appointments of service providers were not in compliance with Regulation 32 as a formal assessment was not prepared, the period of appointment by Victor Khanye Local Municipality (VKLM) went beyond the valid period of the original contract and prices paid were different compared to the original contract. These have resulted in an understatement of irregular expenditure for the following suppliers:

**2.1 Mavambo ITS (Pty) Ltd:** Original contract period is from 01 December 2017 to 31 December 2020 whilst the contract by VKLM runs from 07 August for a period of 36 months. Therefore this is non compliance with Regulation 32 and is irregular expenditure. No payments were made under this contract, therefore amount of prior period error is Rnil.

2019/2020

-

**2.2 Kumyolz Investments (Pty) Ltd:** Commission rate as per the original contract is 13.5%, however the contract with the Municipality is 14% for first year, 14.5% for second year and 15% for third year and therefore not consistent with the original contract. Furthermore the original contract period is from 14 February 2019 for a period of three(3) years whilst the period of the contract by the Municipality is from 04 September 2019 to 30 September 2022. Therefore this is non compliance with Regulation 32 and is irregular expenditure.

2019/2020

1 982 683

**2.3 Kwane Fleet Services (Pty) Ltd:** A formal needs assessment was not performed. Furthermore, the Municipality incorrectly used a period of three years from the date of the agreements, however, the original contract had already commenced and was valid for a period of less than three years. Therefore this is non compliance with Regulation 32 and is irregular expenditure. The amount paid to the supplier was already included in the Irregular Expenditure Register, therefore the prior period error is Rnil.

2019/2020

-

**2.4 Ruvick Energy Services (Pty) Ltd (2019/2020):** The original contract differs significantly in scope to the contract signed by the Municipality. Furthermore, the period of the agreement signed by the Municipality does not correspond to the original contract. Therefore this is non compliance with Regulation 32 and is irregular expenditure.

2019/2020

29 113 714

**2.5 Ruvick Energy Services (Pty) Ltd (2018/2019):** The original contract differs significantly in scope to the contract signed by the Municipality. Furthermore, the period of the agreement signed by the Municipality does not correspond to the original contract. Therefore this is non compliance with Regulation 32 and is irregular expenditure.

2018/2019

24 598 181

(3) During the preparation of the 2020/2021 Annual Financial Statements, the Municipality noted that there were transactions that were disclosed as irregular expenditure even though the procurement process was followed. The details are as follows:

**3.1. Mfungelwa cooperation:** There was a request to deviate from obtaining 3 quotations as normal service delivery was interrupted by an industrial action by municipal employees resulting in non-preparation of graves as per normal operation schedule which necessitated urgent grave digging. The deviation was approved by the Municipal Manager as required by paragraph 16 of the SCM Policy. This expenditure was not irregular meant to be included as irregular. Therefore, it is being removed

2019/2020

(30 000)

(4) The Municipality extended the fleet management contract on a month to month basis from December 2018. The payments as at the beginning of July 2019 had exceeded the maximum variation of 20% stipulated on paragraph 53(2) of the municipality's SCM Policy. All amounts incurred from December 2018 should have been accounted as irregular expenditure. This has resulted in a prior period error.

2018/2019

702 337

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

39.10 Prior period errors and reclassifications (continued):

(5) During the preparation of the 2020/2021 Annual Financial Statements, the Municipality noted that there was a payment made to a supplier in 2019/2020 where only the suppliers quotation was included in the payment batch. This was non compliance with SCM Policy as every payment less than R30 000 should have a minimum of three quotations. This was a management oversight and an isolated incident

	2019/2020	13 000
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(6) During the preparation of the 2020/2021 Annual Financial Statements, Management identified that the preference points were incorrectly calculated and incorrectly awarded in the procurement of Eradication of sanitation backlog in Mandela Block D project. The chosen supplier was incorrectly appointed as a successful bidder. Based on the Managements recalculations another supplier was supposed to be appointed as successful bidder. This was an arithmetic error that occurred in points scoring. Management further note that the entire RFQ population was assessed. The payments to this supplier are therefore irregular expenditure.

	2019/2020	152 998
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(7) During the preparation of the 2020/2021 Annual Financial Statements, Management noted that a deviation for provision of administration, referring, transport, catering and prices for the December 2019 tournament was identified. It was also noted on the motivation letter that the annual mayor's tournament has been held for the past 4 years. The deviation is not as a result of a serious and unexpected situation that poses an immediate risk to health, life, property or environment which calls an emergency to action. The municipality is aware that annually it will hold such event, therefore this cannot constitute an urgency or emergency. This has subsequently been included as irregular expenditure

	2019/2020	150 000
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(8) During the preparation of the 2020/2021 Annual Financial Statements, Management noted that payments to the below suppliers were correctly included in the irregular expenditure register, however, differences were noted between the ledger and the irregular expenditure register. The differences resulted in an understatement of the register, impact of which is below:

Sakhile ezweni group (Pty) Ltd	2019/2020	408 466
Newdawn Energy	2019/2020	296 367
Fleet Horizon (Pty) Ltd	2019/2020	11 526

<b>Total restatements to Irregular Expenditure</b>		<b><u>56 518 240</u></b>
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39.11 Public contributions and donations

Nature	Timing	Amount
Computer equipment that was donated in the previous year were excluded from total donations received	2019/2020	51 086

39.12 Other operational revenue

Nature	Timing	Amount
Computer equipment that was refunded by Insurance was not included in the prior years income.	2019/2020	31 382

39.13 Impairment loss

Nature	Timing	Amount
The Municipality was incorrectly billing itself for property rates, water and electricity and therefore incorrectly calculated a provision for doubtful debts for this balance. This was required to be reversed when identified.	2019/2020	(15 838 971)

39.14 Depreciation and amortisation

Nature	Timing	Amount
During the audit of the prior years financial statements, various errors relating to depreciation were noted and due to their insignificant nature, these were not corrected. These have now subsequently been correct as a restatement	2019/2020	88 815

39.15 Property plant and equipment and Investment property

Nature	Timing	Amount
The movement in non-current assets is reconciled as follows:		
Computer equipment included in asset register (Note 39.11 and 39.12)	2019/2020	82 468
Depreciation corrections (Note 39.14)	2019/2020	(88 815)
		<b><u>(6 347)</u></b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 40 Additional disclosure in terms of Municipal Finance Management Act

2021

2020

Restated

40.1 Material losses

Material losses through the distribution of electricity

Units purchased

135 118 315

126 870 803

Units sold during the year

(126 045 545)

(118 676 798)

Total losses

9 072 770

8 194 005

Percentage lost

7%

6%

The electricity losses can be classified into technical losses and non-technical losses. Technical losses relate to energy that is lost in the transportation of the electricity from point of supply to point of distribution through evaporation. Non-technical losses are attributable mainly to theft, bypass of meters, illegal recalibration of meters, damaged meters, transformers etc.

Material losses through distribution of water losses

Units purchased

6 472 486

7 434 101

Units sold during the year

(2 630 692)

(2 328 846)

Total losses

3 841 794

5 105 255

Percentage lost

59%

69%

40.2 Contributions to organised local government

Opening balance

1 940 337

97 302

Current year fees

1 972 500

1 843 035

Amount paid - current year

(1 768 230)

-

Closing balance

2 144 606

1 940 337

40.3 Auditor's remuneration

Opening balance

3 581 779

4 028 013

Current year fees

7 148 934

5 945 774

Amount paid - current year

(9 175 160)

(6 392 009)

Closing balance

1 555 554

3 581 779

40.4 PAYE, SDL and UIF

Opening balance

1 469 386

8 473 769

Current year returns

22 325 828

20 719 099

Amount paid - current year

(21 897 504)

(27 723 482)

Closing balance

1 897 710

1 469 386

The amounts represent PAYE, SDL and UIF.

40.5 Pension and Medical Aid Deductions \* Restated

Opening balance

2 114 678

-

Current year subscription / fee

44 642 577

39 578 729

Amount paid - current year

(43 228 278)

(37 464 051)

Closing balance

3 528 977

2 114 678

The amount represent pension and medical aid contributions deducted from employees.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 40 Additional disclosure in terms of Municipal Finance Management Act

2021

2020  
Restated

40.6 VAT

VAT receivable

41 645 868

31 030 159

Vat is paid over to SARS only once the payment is received from Debtors and is receivable from SARS once the payment has been made to Creditors . All VAT returns for the year have been submitted.

40.7 Councillors' arrear consumer accounts

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

2021

	Outstanding less than 90 days	Outstanding more than 90 days	Total
SH Mahlangu	2 429	11 913	14 342
	<b>2 429</b>	<b>11 913</b>	<b>14 342</b>

2020 \*Restated

	Outstanding less than 90 days	Outstanding more than 90 days	Total
SH Mahlangu	1 897	12 093	13 990
	<b>1 897</b>	<b>12 093</b>	<b>13 990</b>

In accordance with the provisions of Schedule 1, of the Municipal Systems Act, 32 of 2000, an elected councillor residing within demarcated area of the Council and is individually or jointly responsible for account, may not be in arrears for municipal service fees, surcharges on fees rates or any other municipal taxes, levies and duties levied by the Council for more than 3 (three) months.

Note 41 Comparison of the budget to actual amounts

Explanation on material differences between the final budget and actuals for the year ended 30 June 2021

41.1 Property rates

Budgeted property rates revenue exceeds actual property rates revenue due to unbudgeted for adjustments in late May 2021. It was discovered that the Municipality was billing itself and hence, all Municipal revenue was reversed. This was not budgeted for in the adjustment budget.

41.2 Rental of facilities and equipment

Rental of facilities and equipment was slightly less than budgeted for due to an unexpected level 4 lockdown implemented by National Government during 2021. This was not included in the adjustment budget as the Municipality was expecting a large increase in the Hall fees for the upcoming local elections.

41.3 Interest earned

The actual interest earned is significantly lower than budgeted interest because of the large bad debt write off's impacted during the year. The debtors book has decreased significantly as a result of these write off's and this has had a negative impact on the interest earned.

41.4 Fines penalties and forfeits

Actual traffic fines income is significantly larger than budgeted fines income because of unexpected speeding fines. During the year, a new speeding camera was introduced by the external service provider on the main road between Delmas town and Botleng. This speeding camera has increased revenue by approximately R17m purely from infringements from motorists travelling faster than 60km/h. This was not budgeted for.

41.5 Public contribution and donations

These donations relate to donations received from Nkangala district Municipality as well other external donors. Donations are not budgeted for as they are impracticable to estimate.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

**Note 41 Comparison of the budget to actual amounts (continued):**

**Explanation on material differences between the final budget and actuals for the year ended 30 June 2021**

**41.6 Other revenue**

Other revenue is larger than budget due to the increase in the sale of stands. The Municipality has disposed of a large number of residential stands due to the population growth. These were not initially budgeted for.

**41.7 Remuneration of councillors**

During the current financial year there were unexpected movement in councillors which impacted the actual expenditure on councillors remuneration.

**41.8 Impairment losses and debt written off**

The bad debts written off were significantly higher than budgeted as during the current year, council approved a significant write off of corrections made to accounts. These write off's were not initially nor subsequently budgeted for in the adjustment budget.

**41.9 Finance charges**

Actual finance charges are significantly higher than budgeted because the finance costs for late payment of suppliers (more specifically Eskom and Rand Water), are taken into account under the bulk purchases budget in the budgeting process. Therefore the bulk purchases expenditure appear lower than budget and finance costs appear higher than budget.

**41.10 Bulk purchases**

Actual finance charges are significantly higher than budgeted because the finance costs for late payment of suppliers (more specifically Eskom and Rand Water), are taken into account under the bulk purchases budget in the budgeting process. Therefore the bulk purchases expenditure appear lower than budget and finance costs appear higher than budget.

**41.11 Inventory consumed**

Inventory consumed is significantly less than budgeted as the Municipality did not fully spend their Covid 19 grant expenditure due to timing issues. These expenditures will be spent in the following financial year.

**41.12 Contracted services and other expenditure**

The reason for the large variance between budget and actual is due the prepaid electricity vendors commission expense. This figure is budgeted for under contracted services however, occurs in other expenditure. Furthermore, the commission expenditure for the current year was larger than expected.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

**Note 42 Related Parties**

All related party transactions are conducted at arms length unless otherwise stated.

**Interests of related parties**

No Related Party Interests have been identified/declared for the financial year under review.

**Management**

Municipality has the following senior managers who may have significant influence over the financial and/or operating policies of the municipality.

<b>Names</b>	<b>Title</b>
LI Zwane	Acting Municipal Manager
T Mahlangu	Chief Financial Officer

Refer to note 24 for the disclosure of their remuneration.

\*ST Matladi resigned from the Municipal Manager post on **21 June 2021**

**Councillors**

The municipality has councillors that act as a governing body who may have significant influence over the financial and/or operating policies of the municipality.

All the Councillors are listed on page 1 of the Annual Financial Statements.

Refer to note 25 for the disclosure of their remuneration.

**Note 43 Financial Instrument**

**2021**  
**2020**  
**Restated**

In accordance with GRAP 104.13, the financial assets and liabilities of the municipality are classified as follows:

**Financial assets at amortised cost**

Trade and other receivables from exchange transactions	106 840 137	98 068 855
Trade and other receivables from non-exchange transactions	73 430 831	50 290 884
	<b>180 270 968</b>	<b>148 359 739</b>

**Financial assets at fair value**

Cash and cash equivalent	3 767 229	1 409 487
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**Total financial assets**

<b>184 038 197</b>	<b>149 769 226</b>
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**Financial liabilities at amortised cost**

Borrowings	714 459	3 982 609
Consumer deposits	1 491 319	1 508 850
Trade and other payables from exchange transactions	701 506 791	588 039 452
	<b>703 712 569</b>	<b>593 530 911</b>

**VICTOR KHANYE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**Note 44 Risk management**

**Financial risk management objectives**

Due to the nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by many entities. The Municipality's Finance department monitors and manages the financial risks relating to the operations of the Municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk. The Municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**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. The Municipality's future cash flow commitments are as follows:

<b>2021</b>	<b>&lt;= 1 Month</b>	<b>&gt; 1 Month &lt;= 3 Months</b>	<b>&gt; 3 Months &lt;= 1 Year</b>	<b>&gt; 1 Year &lt;= 5 Years</b>	<b>Total</b>
<b><u>Liabilities</u></b>					
Borrowings	714 459	-	-	-	714 459
Trade and other payables from exchange transactions	701 506 791	-	-	-	701 506 791
Consumer deposits	1 491 319	-	-	-	1 491 319
<b><u>Assets</u></b>					
Cash and cash equivalents	3 767 229	-	-	-	3 767 229
Trade and other receivables from exchange	106 840 137	-	-	-	106 840 137
Trade and other receivables from non-exchange transactions	73 430 831	-	-	-	73 430 831
<b>Net effect of exposure</b>	<b>519 674 371</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>519 674 371</b>
<b>Ratio</b>	<b>26%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>26%</b>
<b>2020</b>	<b>&lt;= 1 Month</b>	<b>&gt; 1 Month &lt;= 3 Months</b>	<b>&gt; 3 Months &lt;= 1 Year</b>	<b>&gt; 1 Year &lt;= 5 Years</b>	<b>Total</b>
<b><u>Liabilities</u></b>					
Borrowings	-	-	3 982 609	-	3 982 609
Trade and other payables from exchange transactions	588 039 452	-	-	-	588 039 452
Consumer deposits	1 508 850	-	-	-	1 508 850
<b><u>Assets</u></b>					
Cash and cash equivalents	1 409 487	-	-	-	1 409 487
Trade and other receivables from exchange	98 068 855	-	-	-	98 068 855
Trade and other receivables from non-exchange transactions	50 290 884	-	-	-	50 290 884
<b>Net effect of exposure</b>	<b>439 779 076</b>	<b>-</b>	<b>3 982 609</b>	<b>-</b>	<b>443 761 684</b>
<b>Ratio</b>	<b>25%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>25%</b>

**Measurement and management of liquidity risk**

Liquidity risk indicates the Municipality's ability to pay its current debts. The risk is that the Municipality will not have sufficient cash to meet its financial commitments in a timely manner. The majority of the gross exposure resides in the Municipality's Trade payables. Within the trade payables balance, approximately 95% relates to amounts owing for bulk purchases made by the Municipality. The Municipality measures liquidity risk by assessing the net exposure to the risk and calculating the applicable ratio's. The Municipality manages liquidity risk by prioritising certain payments according to the available cash flow. The Municipality further has debt collectors who are attempting to reduce the debtors book and generate cash flow for the Municipality in order for it to reduce the exposure to this risk.

**Credit risk**

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

**VICTOR KHANYE LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**Note 44 Risk management (continued):**

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

<b>Financial instrument</b>	<b>2021</b>	<b>2020</b>
Call deposits	2 671 429	299 360
Current accounts	1 090 825	986 043
Marketable securities	-	119 109
Trade and other receivables	180 270 968	148 359 739
	<b>184 033 222</b>	<b>149 764 251</b>

Trade and other receivables for government departments are not impaired.

Trade and other receivables that are neither past due nor impaired are as follows:

	<b>2021</b>	<b>2020</b>
Trade and other receivables from exchange transactions	30 072 246	49 496 114
Trade and other receivables from non-exchange transactions	8 999 713	8 061 765
	<b>39 071 959</b>	<b>57 557 879</b>

Debtors are impaired based on the ageing of the debt. When a debtor has a past due balance, any payment received will be allocated against the debtors oldest balances. Current debts (neither past due nor impaired) represent a mixture of high, medium and low quality credit standings.

Trade and other receivables that are past due but not impaired as at year end are as follows:

	<b>2021</b>	<b>2020</b>
31 - 60 days	6 285 922	3 919 115
61 - 90 days	7 284 813	3 420 307
Greater than 91 days	127 628 274	83 462 437
	<b>141 199 009</b>	<b>90 801 859</b>

No trade and other receivables are individually determined to be impaired at year end.

**Interest rates risk**

As the Municipality has no significant interest bearing assets, the Municipality's income and operating cashflows are substantially independent of changes in market interest rates. At year end, the financial instruments exposed to interest rate risk were as follows:

	<b>2021</b>	<b>2020</b>
Call deposits	2 671 429	299 360
Marketable securities	-	119 109
	<b>2 671 429</b>	<b>418 469</b>

Trade debtors are charged interest at fixed rates determined by the Municipality. Therefore these financial instruments do not attract exposure to interest rate risk. Interest rate risk is linked to the Repo rate as determined by the Reserve Bank. The Reserve Bank ordinarily only changes the Repo Rate by an increase or decrease of 0,25%. A 0,25 % increase or decrease would not have a material effect on the Municipalities interest bearing assets and its surplus/deficit.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

**Note 45 Going concern assessment**

Management considered the following matters relating to going concern:

- (i) During May 2021 the council adopted the 2021/2022 Budget. This three year Medium Term Revenue and Expenditure Framework ( MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash backed over the three year period.
- (ii) The municipality's Budget is subject to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash flow forecast supporting the Budget. The cash management process is complemented by monthly reporting, highlighting the actual cash position, including the associated risk and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in on going inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratio's, such as liquidity, cost coverage, debtors collection rates and creditors payment terms are closely monitored and the necessary corrective actions instituted (such as payment arrangements etc.).

Taking the aforementioned into account, management has prepared the annual financial statements on the Going Concern Basis.

**Note 46 Comparative figures**

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 39).

**Note 47 Events after the reporting date**

The Municipality did not have any adjusting nor non-adjusting events after the reporting date.

**Note 48 Private Public Partnerships**

The municipality was not party to any Private Public Partnerships during the year under review.

**Note 49 In-kind donations and assistance**

Please refer to note 18 for the In-kind donations and assistance received.

**Note 50 Contingent assets and liabilities**

Nkangala district Municipality - Waste Water Treatment Works  
Nkangala district Municipality - Construction of roads

2021	2020
10 145 737	-
-	4 028 554
<b>10 145 737</b>	<b>4 028 554</b>

The above contingent assets from Nkangala District Municipality relate to work in progress projects which are not yet complete at year end and have not yet been handed over by the district.

**Other contingent assets and liabilities**

The matters disclosed below are possible litigations to be charged against / for the municipality which have not yet been finalised.

**(1) L Pretorius v. VKLM**

The applicants have instituted a civil claim against the municipality for damages arising out of an outbreak of typhoid, the matter is at trial stage. There has not been movement on this case since it was instituted.

4 300 000 4 300 000

**(2) Telkom SOC v. VKLM**

Civil claim for damages arising from the damage of a telephone line. The matter has been settled in favour of council

- 60 000

**(3) Trio Supplies v. VKLM**

The claim was lodged by the supplier claiming that goods were delivered to the Municipality, however, no payment was received.

7 000 000 7 000 000

**(4) J Makhabane v. VKLM**

Civil claim arising from a motor vehicle accident. Judgement was handed down on the 30 June 2021 at the Delmas Magistrate Court in favour of the municipality.

- 160 000

**(5) Spank and Sons v. VKLM**

Civil claim for work performed but not paid. The applicant is seeking compensation for services rendered, however the Municipality's case is based on the fact that there was no contract for such works.

762 544 662 544

**(6) TE Mdluli v. VKLM**

Claimant seeks reinstatement in respect of the unexpired portion of her alleged contract. The matter has been settled out of court at the behest of the respondent.

- 2 200 000

**(7) RF Du Toit v. VKLM**

The applicant was previously appointed by the Municipality as the Manager of Corporate Services. When his fixed term contract came to an end in 2017, he indicated that he should be appointed on a permanent contract. He took the matter to the CCMA where the tribunal ruled in his favour. The municipality has filed opposing papers. The parties are awaiting a court date with the Labour Court.

5 000 000 4 000 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 50 Other contingencies (continued):

**(8) VKLM v. Public Protector's Report**

The Municipality is reviewing the Public Protector's Report 113 of 2019/2020, which mandated remedial action in respect of the alleged appointment for the position of Assistant Manager: Youth Development, and his subsequent transfer into the position of Assistant Manager: Local Economic Development.

458 580 458 580

**(9) Villa Del Country Estate v. VKLM**

The claimant is suing the Municipality for damages of breach of contract in the amount of R14,000,000 (fourteen million Rand). The potential attorney fees are currently R500,000 however, may be more than estimated.

14 500 000 14 500 000

**(10) VKLM v. Mavis Rumo**

The Municipality instructed counsel to cancel the title deed of ERF 773 BOTLENG TOWNSHIP which was erroneously transferred and registered in the name of Mavis Rumo.

60 000 60 000

**(11) VKLM v. Maki Miriam Buda**

The Municipality instructed counsel to cancel the title deed of Portion 189 of ERF 4783 situated in Botleng Ext 4 township. It was established that the said property is situated under electricity lines of which it is impossible to build a structure under those electricity lines. The Municipality has already allocated another property to the defendant.

60 000 60 000

**(12) Francis Hendrik Minnaar v. VKLM**

Claimant is suing the Municipality for an amount of R18,295.28 for damages suffered. He claims that he hit potholes and his tyres burst on a road that was not appropriately maintained by the Municipality.

33 295 33 295

**(13) Barend Rademeyer v. VKLM**

Claimant is suing the Municipality for an amount of R17,177.55 for damages suffered. He claims that he hit potholes and his tyres burst on a road that was not appropriately maintained by the Municipality.

32 178 32 178

**(14) Marthinus Greyling v. VKLM**

Claimant is suing the Municipality for an amount of R13,420.68 for damages suffered. He claims that he hit potholes and his tyres burst on a road that was not appropriately maintained by the Municipality.

28 420 23 421

**(15) Eksteen Oostenwald v. VKLM**

Medical costs claim against the Municipality. The parties have negotiated for a settlement on case No. 1922/2018 to avoid protracted and costly litigation, the plaintiff's attorneys have agreed in principle. Municipality complied with court order.

- 300 000

**(16) Astirshell No 14 CC v. VKLM**

Property value claim against the Municipality. The applicant is claiming the Municipality is overvaluing their property.

1 000 000 1 000 000

**(17) Standard Bank of South Africa v. RIATA Logistics and Other**

Rates and taxes claim. Standard Bank is liquidating Riata logistics cc and the municipality is owed rates & taxes hence the claim. The municipality will receive a full payment of overdue monies once the action and transfer of the property is effected for case No. 5552/10. Standard Bank refused the municipality's joinder rights and it indicated that once the matter is settled the municipality will receive its share of the money like all other creditors.

- 300 000

**(18) McCain Foods South Africa (Pty) Ltd**

This is a judicial review application brought primarily against Eskom but the Municipality is also an interested party as the decision has an impact on the implementation of the decision taken by ESKOM. The matter is pending in the Pretoria High Court

2 000 000 2 000 000

**(19) Astral Operations Limited v. VKLM**

This is a review application against ESKOM's decision to interrupt the bulk electricity supply. The matter is pending in the Pretoria High Court

250 000 250 000

**(20) Sunset Point Properties (Pty) Ltd**

This is a default judgement obtained against the Municipality for the balance of the purchase price of property bought by the Municipality. A payment plan arrangement has been entered into and is monitored until the final payment is made to ensure settlement of the matter.

- 150 000

**(21) SAMWU obo C Monama & 13 others v. VKLM**

The municipality was seeking relief based on the fact that the SALGBC is leading a process of parity as far as post remuneration is concerned. The applicants wanted to be moved to a higher task grade and the grading process led by the SALGBC and which includes SAMWU, SALGA and IMATU has not been concluded. The matter number: **MDP 031903** is filed with the labour court. The matter has been finalised and the employees were moved to the relevant task grade.

- 200 000

**(22) VKLM v. SAMWU Members**

The municipality is seeking relief based on the fact that the SALGBC is leading a process of parity as far as post remuneration is concerned. The applicants want to be moved to a higher task grade and the grading process led by the SALGBC and which includes SAMWU, SALGA and IMATU has not been concluded. The Municipality has applied against the enforcement of the award. The matter number: **MDP 081086** is filed with the labour court.

200 000 200 000

**(23) Ruvick Energy v. VKLM**

The applicant took the Municipality to the High Court challenging its premature termination of a debt collection and prepaid vending contract. The termination came as a result of the failure by Ruvick to pay the VKLM its outstanding dues

1 000 000 -

**(24) VKLM v. TD Gogwane**

The respondent has been placed on a precautionary suspension in terms of the regulations for disciplinary proceedings against senior managers for a variety of service delivery discrepancies. The investigation hearing is underway and the Municipality is awaiting on the investigator to finalise the charge sheet so the matter can be set down for hearing.

- -

**(25) VKLM v. the Department of Health**

The Municipality is seeking payment for unpaid invoices for services for three clinics to the value of R7,508,113.17

7 508 113 -

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 50 Other contingencies (continued):

2021

2020

**(26) TP Mahlangu vs VKLM**

The Municipality is in a constructive dismissal/unfair labour practice dispute referred by a Municipal employee (initially referred to and transferred from the CCMA).

**Total contingencies**

-	-
<b>44 193 130</b>	<b>37 950 018</b>

Note 51 Principal-agent arrangement

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

The Municipality (the Principal) has a principal-agent relationship with a service provider (Ruvick Energy (Pty) Ltd) which directs the service provider (Agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit. These transactions relate to the selling of prepaid electricity to the Municipality's consumers.

**Description of the arrangement and transactions undertaken**

The Municipality has a principal-agent arrangement with a service provider (Ruvick Energy (Pty) Ltd) which directs the service provider, through a binding agreement, to sell prepaid electricity to the Municipality's customers and collect all cash and funds relating to the sale of the prepaid electricity in a separate bank account and remit all funds due to the Municipality after deduction of any application costs and fees.

**Significant judgements applied in making the principal-agent assessment**

Under this arrangement, the Municipality is the principal and the service provider is the agent. No significant judgements were applied in making this assessment.

**Significant terms, conditions and changes of the arrangement during the reporting period**

The arrangement stipulates that the agent will sell and collect prepaid electricity revenue on behalf of the Municipality. All funds will be remitted to the Municipality after the agent has claimed their commission fee. There were no changes to this arrangement during the reporting period. Reference is made to Note 47 and Note 50.23 in these annual financial statements where the agent has taken the Municipality to court.

**Purpose of the principal-agent relationship and significant risks and benefits associated with the relationship**

The purpose of the arrangement is to seamlessly sell and collect all funds due to the Municipality for the sale of electricity. This can be established through the sale of prepaid electricity as the customer must buy electricity before they receive electricity. The agent then ensures that all prepaid electricity sold to customers is collected and paid over to the Municipality.

**Significany risks**

The agent may collect all the funds and not pay them over to the Municipality even though required to do so.

**Risk mitigating strategies**

The Municipality has access to the bank account used by the agent.

**Significany benefits**

The Municipality can reliably sell prepaid electricity without incurring the costs of establishing a system to be able to sell and collect prepaid electricity.

**Resources of the Municipality that are under the custodianship of an agent**

2021

2020

**Assets**

Cash at bank (Escrow account in the name of the service provider)  
Receivable from agent

352 717 1 289 971  
14 513 537 8 140 254

**Liabilities**

No liabilities

- -

**Revenue**

Prepaid electricity revenue

38 094 713 34 586 685

**Expenditure**

Commission fee

34 968 513 30 377 507

Resources remitted during the year

15 834 300 9 547 335

\* Remaining remittances are expected to be received within twelve months

**Fees paid as compensation to the agent**

2021

2020

Commission fee expense

34 968 513 30 377 507

**Cost or resource implications if the principal-agent arrangement is terminated**

The principal-agent arrangement was terminated during December 2020. The agent then took the principal to court in order to be re-instated. The courts re-instated the agent in February 2021 and the principal has challenged the ruling. The court case is still ongoing.