

Emalaheni Local Municipality

(Registration number MP-312)

Annual Financial Statements for the year ended 30 June 2021



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

* See Note 54

Emalahleni Local Municipality

(Registration number MP-312)

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity

Local Municipality MP 312 Governed by MFMA

Nature of business and principal activities

The main business of the municipality is to structure and manage the administration, budgeting and planning process to give priority to basic needs of the community. The main type of services rendered by the municipality includes the provision of electricity, water, collection, purifying and disposal of water and the construction and maintenance of roads and provision of parks, sport and recreation facilities.

Mayoral committee

Executive Mayor

L M Malatjie

Speaker

M B Hlumbane

Chief Whip

C N Nkalitshana

Members of Mayoral committee

D M Skhosana - MMC Community services

B H Maseko - MMC Development planning

S J Matshipa - MMC Corporate services

C P Maseko - MMC Financial services

T T Mathebula - MMC Environmental and waste

M S Nkosi - MMC Technical services

MPAC Chairperson

P J Djiane

Councillors

M Bhamjee

A J J Brits

D C Chembe

N F Coetzer

R E Cronje

P L Debeila

M T Fakude

L B Goqo

D H Grobler

T P Gulube

M S Jallal

M B Jiyane

R W Kgomo

A B Khumalo

K N Khumalo

T G Mabula

M J Makola

T D Malahle

M M Malaza

V J Manana

S M S Magagula

M Z Maseko

G B Masilela

M A Matemane

P N Mazibuko

L Mbekeni

V J Nhlapho

D E Mlaba

Z B Mlangeni

N L Mofokeng

S L Mokoena

Emalahleni Local Municipality

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General Information

	P L Mokwena T G Mabula L Mphego J J Msibi D N Mthimkhulu Z V Z Mtshweni A S Mtsweni N Naidu B D Nkosi S L Nkosi B P Nukani M B Phahlane M H Phahlamohlaka J Schneider - Breetzke T C Shabalala M E Shongwe K Silaule L Steyn M A Tswaledi W A Van Dyk H J Venter M Venter P H Wilken J M Zondo V L Hills M E Morokolo J S Mathebula G D Gates M Mmargetla
Grading of local authority	5
Chief Finance Officer (CFO)	P J Hlatshwayo
Accounting Officer	H S Mayisela
Registered office	Civic centre Mandela street Emalahleni 1035
Postal address	P O Box 3 Emalahleni 1035
Bankers	ABSA Bank Limited
Auditors	Auditor General of South Africa
Country of incorporation	South Africa
Central email contact details	admin@emalahleni.gov.za

Emalahleni Local Municipality

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General Information

Audit committee members

Audit committee chairperson

S A B Ngobeni

B Mathibela

P Mngoma

N Msibi

Emalahleni Local Municipality

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DBSA	Development Bank of South Africa
UIF	Unemployment Infrastructure Fund
GRAP	Generally Recognised Accounting Practice
INCA	Infrastructure Finance Corporation Limited
SARS	South African Revenue Services
PPE	Property , plant and Equipment
AGSA	Auditor - General of South Africa
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart Of Accounts
MSIG	Municipal Systems Improvement Grant
PAYE	Pay As You Earn
VAT	Value Added Tax
MPAC	Municipal Public Accounts Committee
MREP	Municipal Revenue Enhancement Program
NDPG	Neighbourhood Development Program Grant
COVID-19	Coronavirus Disease 2019
SETA	Sector Education & Training Authority
CLLR	Councillor
FNB	First National Bank
FMG	Financial Management Grant
ABSA	Amalgamated Banks of South Africa

Emalaheni Local Municipality

(Registration number MP-312)

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The 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 11.

The annual financial statements set out on page 11, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

H S Mayisela
Accounting officer

Emalahleni Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2021.

The Audit Committee reports that it has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

1. Audit Committee members and attendance

The Audit Committee, consisting of independent outside members, meets at least four times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises. The table below illustrates the number of meetings held during the 2020/2021 financial year and the attendance thereof by members:

Surname and Initial	Ordinary meeting	Special meetings	Total
Ngobeni SAB	4	2	6
Mangoma CP	4	2	6
Msibi N	4	2	6
Mathibela B	4	2	6

Internal control environment system have slightly improved significantly. However, there were several deficiencies in the system of internal control and/or deviations which were reported by the internal auditors and the Auditor-General.

3. In-Year Management and Monthly/Quarterly Report

The municipality does not have an effective monthly and quarterly reporting system to the Council as required by the Municipal Finance Management Act (MFMA).

4. Risk Management

The AC is of the opinion that municipality's risk management appears to be effective for the better of the year in material respect, and the municipality did implement a comprehensive risk management strategy and related policies. Management has sound and effective approach has been followed in developing strategic risk management plans and there is a sense of appreciation of the impact of the municipality's risk management framework on the control environment. However, there is a room for improvement in so far as implementation of hotline as part of fraud prevention strategy.

5. Compliance with laws and regulations

A number of non-compliance with the enabling laws and regulations were revealed by Audit Committee, AGSA, and Internal Audit during the year. Consequently, an establishment of an effective system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance is key.

6. Internal Audit

The AC is satisfied with the effectiveness of Internal Audit and commend Management and Council for capacitating this unit.

7. Progress in implementation of Internal Audit and AGSA findings from prior year

AGSA and Internal Audit recommendations were not implemented by management at the time of this report which is concerning.

8. Implementations of Audit Committee Recommendations by management

A material number of Audit Committee recommendations to management were not implemented which is concerning.

9. Draft Annual Financial Statements and Annual Performance Report

Emalahleni Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Audit Committee Report

Audit Committee reviewed the draft unaudited Annual Financial Statements and draft Annual Performance report before submission to AGSA for audit and concur with the submission subject to all the inputs being factored in by management.

10. Conclusion

The Audit Committee wishes to acknowledge the commitment from Council, management and staff of the municipality. The stability in terms of the political and administrative leadership of the municipality has contributed to these improvements reported above. We would also like to thank the Executive Mayor for her support, Councillors, senior management for their efforts and internal audit for their contribution

Chairperson of the Audit Committee

Date: _____

Emalahleni Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net deficit of the municipality was R 671 040 464 (2020: deficit R 587 287 643)

2. Going concern

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

3. Subsequent events

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

4. Accounting policies

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

5. Reclassification

During the financial year the accounting officer has reclassified certain amounts in the financial statements in order to achieve fair presentation.

6. Accounting Officer

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

Name
H S Mayisela

7. Auditors

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

H S Mayisela
Accounting officer

Emalahleni Local Municipality

(Registration number MP-312)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	9	30 730 126	40 582 750
Receivables from other exchange transactions	10	12 993 168	18 984 149
Receivables from non-exchange transactions	11	43 168 709	79 178 499
VAT receivable	12	358 089 318	274 830 832
Consumer debtors	13	2 633 670 408	2 183 791 426
Cash and cash equivalents	14	40 175 130	56 342 018
		3 118 826 859	2 653 709 674
Non-Current Assets			
Biological assets	3	4 386 274	2 680 349
Investment property	4	900 351 182	905 700 347
Property, plant and equipment	5	5 609 298 633	5 660 145 946
Intangible assets	6	1 391 857	2 244 774
Heritage assets	7	400 000	400 000
Other financial assets	8	1 174 306	1 030 053
		6 517 002 252	6 572 201 469
Total Assets		9 635 829 111	9 225 911 143
Liabilities			
Current Liabilities			
Loans	17	6 964 169	17 070 713
Finance lease obligation	15	538 694	190 428
Payables from exchange transactions	19	5 888 152 764	4 848 720 041
Consumer deposits	20	133 787 298	136 796 629
Unspent conditional grants and receipts	16	36 245 679	22 210 823
Provisions	18	88 008 049	78 118 436
		6 153 696 653	5 103 107 070
Non-Current Liabilities			
Loans	17	22 193 049	33 898 297
Provisions	18	430 769 706	388 695 612
		452 962 755	422 593 909
Total Liabilities		6 606 659 408	5 525 700 979
Net Assets		3 029 169 703	3 700 210 164
Accumulated surplus		3 029 169 697	3 700 210 168
Total Net Assets		3 029 169 697	3 700 210 168

Audited
By
2022 -02- 07
Auditor General South Africa
Mpumalanga Business Unit

* See Note 55 & 54

Emalahleni Local Municipality

(Registration number MP-312)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	1 623 308 433	1 529 769 697
Rental of facilities and equipment	23	11 597 784	11 554 180
Commission received	25	43 406 128	34 581 469
Licences and permits	26	3 325 846	2 933 238
Sundry income	28	28 661 909	38 989 448
Fees earned	29	677 293	497 630
Interest received	30	364 510 220	308 009 480
Fair value adjustments	46	1 850 178	205 159
Actuarial gains	45	20 465 660	68 659 006
Inventories reversal	44	-	145 252
Dividends received	30	22 227	65 021
Total revenue from exchange transactions		2 097 825 678	1 995 409 580
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	642 075 915	560 173 176
Transfer revenue			
Government grants & subsidies	33	604 358 144	535 555 260
Public contributions and donations	34	8 484 073	24 683 437
Fines	24	159 889 613	223 413 496
Total revenue from non-exchange transactions		1 414 807 745	1 343 825 369
Total revenue	21	3 512 633 423	3 339 234 949
Expenditure			
Employee related costs	35	(996 643 736)	(962 593 964)
Remuneration of councillors	36	(30 422 593)	(24 057 072)
Depreciation and amortisation	37	(275 976 172)	(288 603 157)
Impairment loss	38	(18 591 953)	(9 861 045)
Finance costs	39	(161 158 494)	(359 592 152)
Lease rentals on operating lease	27	(37 105 887)	(34 367 581)
Debt Impairment	40	(678 228 094)	(406 320 954)
Bulk purchases	41	(1 333 901 308)	(1 214 456 288)
Contracted services	42	(471 382 494)	(360 106 396)
Grants and subsidies	32	(29 097 771)	(20 447 349)
Loss on disposal of assets	5	(7 536 566)	(91 651 995)
General Expenses	43	(143 628 819)	(154 464 639)
Total expenditure		(4 183 673 887)	(3 926 522 592)
Deficit for the year		(671 040 464)	(587 287 643)

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By
2022 -02- 07
Auditor General South Africa
Mpumalanga Business Unit

* See Note 55 & 54

Emalahleni Local Municipality

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2019	5 385 839 185	5 385 839 185
Prior year adjustments	(1 098 341 374)	(1 098 341 374)
Net income (losses) recognised directly in net assets	(1 098 341 374)	(1 098 341 374)
Deficit for the year	(587 287 643)	(587 287 643)
Total recognised income and expenses for the year	(1 685 629 017)	(1 685 629 017)
Total changes	(1 685 629 017)	(1 685 629 017)
Restated* Balance at 01 July 2020	3 700 210 161	3 700 210 161
Changes in net assets		
Deficit for the year	(671 040 464)	(671 040 464)
Total changes	(671 040 464)	(671 040 464)
Balance at 30 June 2021	3 029 169 697	3 029 169 697

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Mpumalanga Business Unit

* See Note 55 & 54

Emalahleni Local Municipality

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Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Taxation		617 854 936	554 286 656
Sale of goods and services		1 412 435 361	2 289 622 830
Grants		618 393 000	549 715 999
Interest income		364 510 220	308 009 480
Dividends received		22 227	65 021
		<u>3 013 215 744</u>	<u>3 701 699 986</u>
Payments			
Employee costs		(938 425 120)	(1 374 256 060)
Suppliers		(942 978 011)	(576 013 144)
Finance costs		(144 947 525)	(364 861 750)
Other payments		(638 779 258)	(1 175 749 988)
		<u>(2 665 129 914)</u>	<u>(3 490 880 942)</u>
Net cash flows from operating activities	49	<u>348 085 830</u>	<u>210 754 023</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(366 807 389)	(211 958 136)
Proceeds from sale of investment property	4	3 805 109	57 096 239
Net cash flows from investing activities		<u>(363 002 280)</u>	<u>(154 861 897)</u>
Cash flows from financing activities			
Repayment of loans		(1 598 704)	(17 072 787)
Finance lease payments		348 266	(1 441 900)
Net cash flows from financing activities		<u>(1 250 438)</u>	<u>(18 514 687)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(16 166 888)</u>	<u>37 442 460</u>
Cash and cash equivalents at the beginning of the year		56 342 018	18 899 558
Cash and cash equivalents at the end of the year	14	<u>40 175 130</u>	<u>56 342 018</u>

Audited
By
2022 -02- 07
Auditor General South Africa
Mpumalanga Business Unit

* See Note 55 & 54

Emalahleni Local Municipality

(Registration number MP-312)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on accrual basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	1 984 177 000	(158 750 000)	1 825 427 000	1 623 308 433	(202 118 567)	-11%
Rental of facilities and equipment	3 659 000	7 280 000	10 939 000	11 597 784	658 784	6%
Commission received	2 712 000	35 639 000	38 351 000	43 406 128	5 055 128	13%
Licences and permits	287 000	(83 000)	204 000	3 325 846	3 121 846	1530%
Sundry income	59 825 000	(20 438 000)	39 387 000	28 661 909	(10 725 091)	-27%
Fees earned	-	-	-	677 293	677 293	100%
Interest received	331 913 000	23 302 000	355 215 000	364 510 220	9 295 220	3%
Gains on disposal of assets	4 500 000	-	4 500 000	-	(4 500 000)	100%
Dividends received	248 000	-	248 000	22 227	(225 773)	-91%

Total revenue from exchange transactions **2 387 321 000** **(113 050 000)** **2 274 271 000** **2 075 509 840** **(198 761 160)**

Revenue from non-exchange transactions

Taxation revenue

Property rates 614 398 000 29 907 000 **644 305 000** 642 075 915 **(2 229 085)** 0%

Transfer revenue

Government grants & subsidies 599 144 000 24 719 000 **623 863 000** 604 358 144 **(19 504 856)** -3%

Public contributions and donations 16 971 000 - **16 971 000** 8 484 073 **(8 486 927)** 50%

Fines 40 359 000 (6 422 000) **33 937 000** 159 889 613 **125 952 613** 370%

Total revenue from non-exchange transactions **1 270 872 000** **48 204 000** **1 319 076 000** **1 414 807 745** **95 731 745**

Total revenue **3 658 193 000** **(64 846 000)** **3 593 347 000** **3 490 317 585** **(103 029 415)**

Expenditure

Employee related costs (994 369 000) 72 575 000 **(921 794 000)** (996 643 736) **(74 849 736)** 8%

Remuneration of councillors (32 528 000) - **(32 528 000)** (30 422 593) **2 105 407** -6%

Depreciation and amortisation (355 689 000) - **(355 689 000)** (275 976 172) **79 712 828** -23%

Impairment loss - - - (18 591 953) **(18 591 953)** 100%

Finance costs (363 602 000) 124 793 000 **(238 809 000)** (161 158 494) **77 650 506** -33%

Lease rentals on operating lease - - - (37 105 887) **(37 105 887)** 100%

Debt Impairment (845 618 000) 12 548 000 **(833 070 000)** (678 228 094) **154 841 906** -19%

Bulk purchases (1 277 605 000) - **(1 277 605 000)** (1 333 901 308) **(56 296 308)** 4%

Contracted Services (352 474 000) (9 106 000) **(361 580 000)** (471 382 494) **(109 802 494)** 4%

Grants and subsidies (1 850 000) (3 148 000) **(4 998 000)** (29 097 771) **(24 099 771)** 482%

Loss on disposal of assets (3 083 000) 254 000 **(2 829 000)** - **2 829 000** 100%

General Expenses (292 822 000) 26 147 000 **(266 675 000)** (143 628 819) **123 046 181** -10%

Total expenditure **(4 519 640 000)** **224 063 000** **(4 295 577 000)** **(4 176 137 321)** **119 439 679**

Operating deficit **(861 447 000)** **159 217 000** **(702 230 000)** **(685 819 736)** **16 410 264**

Loss on disposal of assets - - - (7 536 566) **(7 536 566)**

Fair value adjustments - - - 1 850 178 **1 850 178** 100%

Actuarial gains - - - 20 465 660 **20 465 660** 100%

Emalahleni Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage
Figures in Rand						
	-	-	-	14 779 272	14 779 272	
Deficit before taxation	(861 447 000)	159 217 000	(702 230 000)	(671 040 464)	31 189 536	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(861 447 000)	159 217 000	(702 230 000)	(671 040 464)	31 189 536	
Reasons for material variance are on note 65						

The accounting policies on pages 18 to 40 and the notes on pages 41 to 88 form an integral part of the annual financial statements.

Audited
By
2022-02-07
Auditor General South Africa
Mpumalanga Business Unit

Emalahleni Local Municipality

(Registration number MP-312)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Figures in Rand

Note(s)

2021

2020

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

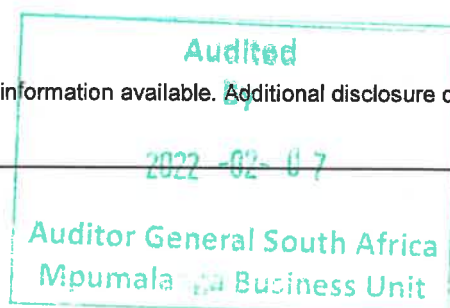
Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.



Emalahleni Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

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

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

Effective interest rate

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

Allowance for doubtful debts

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

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

Land held is currently held for use in the production or supply of goods or services or for administrative purposes.

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

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

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

Investment property are depreciated on the straight-line basis over their expected useful lives.

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1.4 Investment property (continued)

Subsequent measurement

Subsequent to initial measurement investment property is measured at cost model. The investment property is measured at cost less accumulated depreciation and accumulated impairment. The investment property is depreciated over a period of 10 - 50 years.

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

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

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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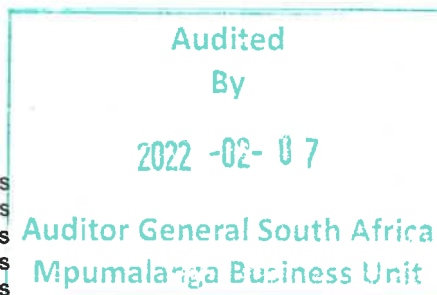
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Accounting Policies

1.5 Property, plant and equipment (continued)

Item	Average useful life
Infrastructure	
• Roads and paving	3- 80 years
• Pedestrian malls	3-80 years
• Electricity	3-80 years
• Water	5-100 years
• Sewerage	10-80 years
Community assets	
• Buildings	5-80 years
• Recreational facilities	5-80 years
• Security	5-80 years
• Halls	5-80 years
• Libraries	5-80 years
• Parks and gardens	5-80 years
Finance leased assets	
• Office equipment	3-15 years
Heritage assets	
• Buildings	
• Painting and artifacts	
Other assets	
• Specialist vehicles	4-20 years
• Motor cycles	3-20 years
• Trucks/ Bakkies	4-20 years
• Busses	4-20 years
• Fire engines	3-10 years
• Computer hardware & software	3-15 years
• Office machines	3-15 years
• Air conditioners	3-15 years
• Furniture & fittings	3-15 years
• Household refuse bins	5-15 years
• Bulk containers	10-55 years
• Landfill sites	10-55 years
• Quarries	10-55 years
• Emergency equipment	10-55 years
• Airport/Radio Beacons	10-30 years
• Security systems / access control	3-5 years
• Fencing	3-5 years



1.6 Property , plant and equipment - Biological assets

In the 2020/21 financial year the municipality accounts for Game as other property , plant and equipment in accordance with GRAP 17 this game does not meet the definition of inventory as it is not sold or used in the ordinary course of operations nor is this an agricultural produce at the point of harvest. The activities undertaken for recreational purposes i.e Biological assets are on nature reserve and are not agricultural activities for purposes of GRAP 27. The auction price has been used in the determination of the market value.

1.7 Site restoration and dismantling cost

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

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1.7 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

1.8 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost model.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	Average useful life
Computer software, internally generated	5 years
Computer software, other	5 years

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1.9 Heritage assets

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

1.10 Financial instruments

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

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

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

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

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

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

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

A financial asset is:

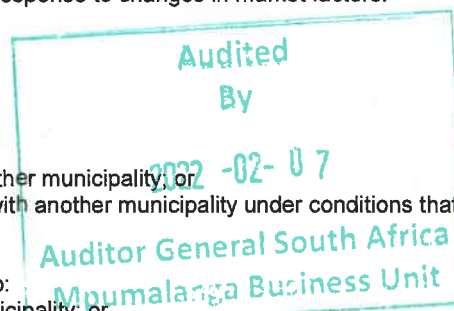
- cash;
- a residual interest of another municipality; or
- a contractual right to:
 - receive cash or another financial asset from another municipality; or
 - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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

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



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Accounting Policies

1.10 Financial instruments (continued)

Classification

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

Class	Category
Investments	Financial asset measured at amortised cost
Consumable debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non -exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Consumable deposits	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Loans	Financial liability measured at amortised cost



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Accounting Policies

1.10 Financial instruments (continued)

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and liabilities

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

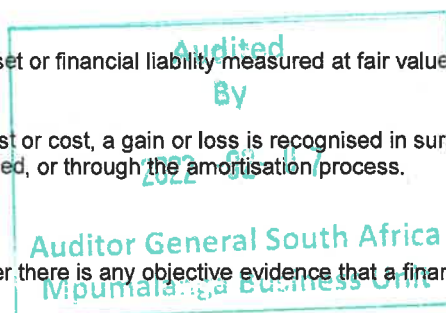
Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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



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Accounting Policies

1.10 Financial instruments (continued)

amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

the contractual rights to the cash flows from the financial asset expire, are settled or waived;
the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In this case, the municipality :

-derecognise the asset; and

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

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

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

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

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

Financial liabilities

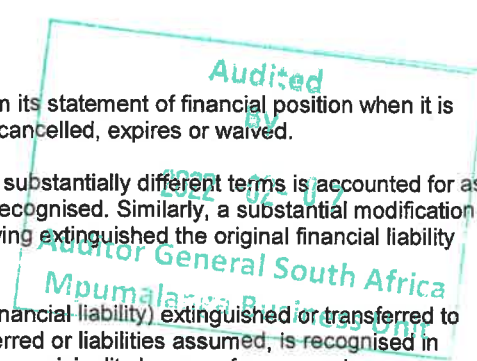
The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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

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

Presentation

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



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1.10 Financial instruments (continued)

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

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

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

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

1.11 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.12 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for:

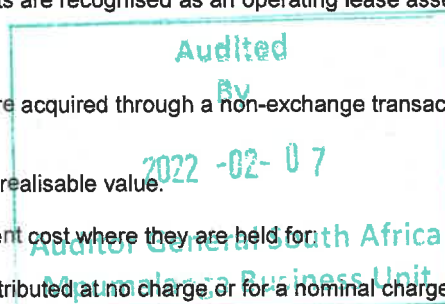
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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



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1.12 Inventories (continued)

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.13 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.14 Impairment of cash-generating assets

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

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

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

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

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1.14 Impairment of cash-generating assets (continued)

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

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

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

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

Useful life is either:

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

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

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

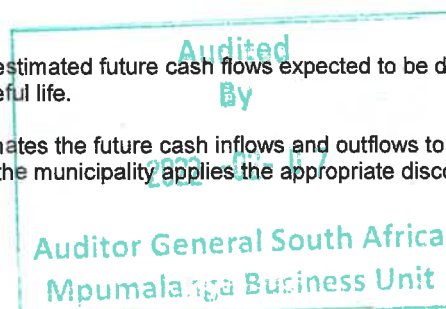
Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

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



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1.14 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

Cash-generating units

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

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

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

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

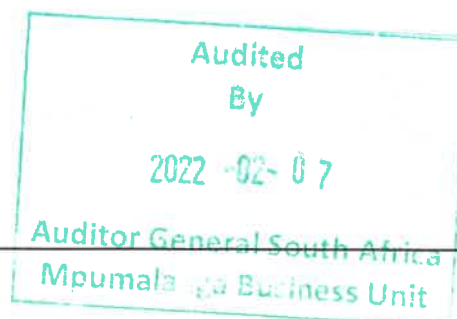
An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each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

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

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

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

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



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1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.15 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

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Accounting Policies

1.15 Employee benefits (continued)

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

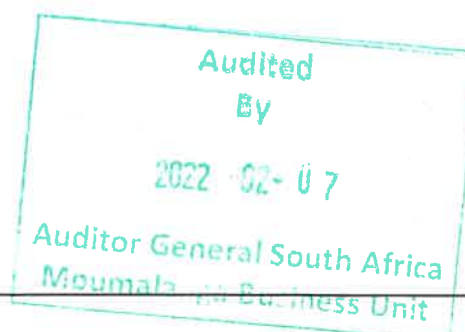
The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity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

Post-employment benefits

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

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

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



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1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

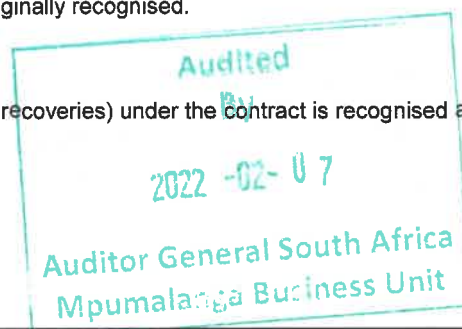
Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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

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

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

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



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1.16 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

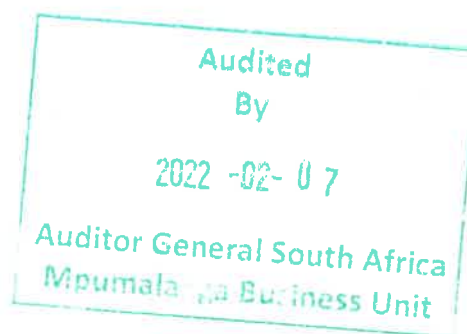
No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 51.

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



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Accounting Policies

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and .

If the related asset is measured using the revaluation model:

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

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

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

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

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

1.18 Revenue from exchange transactions

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

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1.18 Revenue from exchange transactions (continued)

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest, royalties and dividends

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

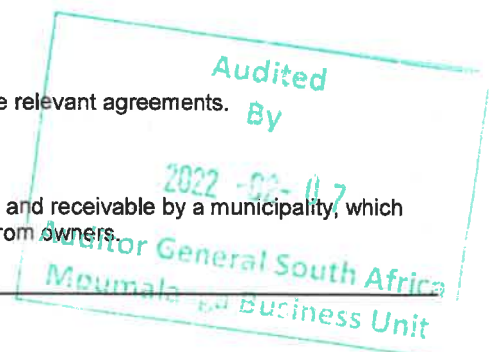
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method .

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

1.19 Revenue from non-exchange transactions

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



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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

Measurement

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

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

Transfers

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

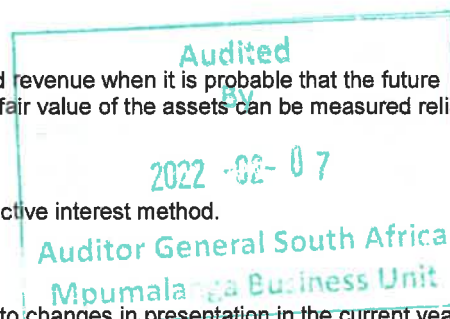
Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.20 Investment income

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

1.21 Comparative figures

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



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Accounting Policies

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year 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.

1.23 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 nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by standard of GRAP.

1.26 Conditional grants and receipts

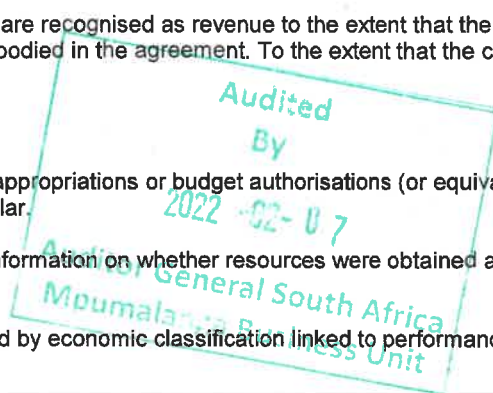
Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have been met a liability is recognised.

1.27 Budget information

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

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

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



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Accounting Policies

1.27 Budget information (continued)

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

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

1.28 Related parties

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

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

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

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

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

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

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

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

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

1.29 Events after reporting date

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

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

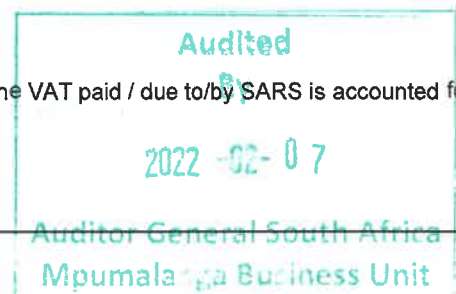
The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

1.30 Value Added Tax

The municipality accounts for value added tax on an accrual basis. However the VAT paid / due to/by SARS is accounted for on a cash basis.

1.31 Prior period errors



Emalahleni Local Municipality

(Registration number MP-312)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

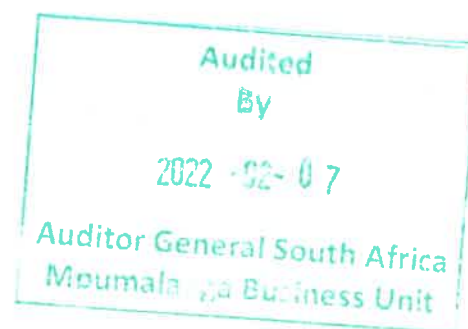
1.31 Prior period errors (continued)

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

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

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

The correction of a prior period error is excluded from surplus or deficit for the period in which the error is discovered. Any information presented about prior periods, including any historical summaries of financial data, is restated as far back as is practicable.



Emalahleni Local Municipality

(Registration number MP-312)

Annual Financial Statements for the year ended 30 June 2021

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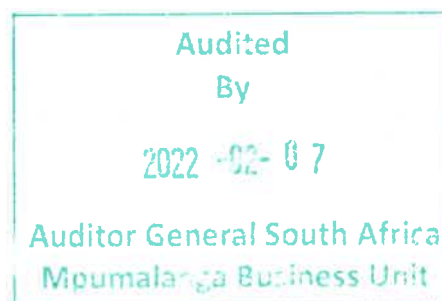
2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 List of effective Interpretations of the Standards of GRAP

- | | |
|---|---------------|
| • Directive 7 (revised): The Application of Deemed Cost | 01 April 2021 |
| • GRAP 20: Related parties | 01 April 2021 |
| • GRAP 32: Service Concession Arrangements: Grantor | 01 April 2021 |
| • GRAP 108: Statutory Receivables | 01 April 2021 |
| • GRAP 109: Accounting by Principals and Agents | 01 April 2021 |



Emalahleni Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

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3. Biological assets

	2021	2020
Cost	4 386 274	2 680 349
Accumulated depreciation and accumulated impairment	-	-
Carrying value	4 386 274	2 680 349
Accumulated depreciation and accumulated impairment	-	-
Carrying value	4 386 274	2 680 349

Game in nature reserve

Reconciliation of biological assets - 2021

Opening balance	2 680 349	Fair value adjustment	1 705 925	Total	4 386 274
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Game in nature reserve

Reconciliation of biological assets- 2020

Opening balance	1 972 470	Fair value adjustment	707 879	Total	2 680 349
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Game in nature reserve

Pledged as security

None of the Biological assets owned by the municipality has been pledged as a security during the 2020/21 financial year

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2022-02-07
Auditor General South Africa
Mpumalanga Business Unit

Emalahleni Local Municipality

(Registration number MP-312)
Annual Financial Statements for the year ended 30 June 2021

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4. Investment property

Cost	2021		2020		
	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	
944 400 898	(44 049 716)	900 351 182	949 563 770	(43 863 423)	905 700 347

Investment property

Reconciliation of investment property - 2021

Opening balance	905 700 347	Disposals	(3 454 800)	Impairments	(186 293)	Depreciation	(1 708 072)	Total	900 351 182
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Investment property

Reconciliation of investment property - 2020

Opening balance	941 970 489	Disposals	(34 546 762)	Depreciation	(1 723 380)	Total	905 700 347
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Investment property

Pledged as security

None of the Investment property owned by the municipality has been pledged as a security during the 2020/21 financial year

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.



Emalahleni Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment

	2021		2020			
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	527 861 786	-	527 861 786	529 229 386	-	529 229 386
Buildings	1 372 366 635	(860 501 743)	511 864 892	1 364 407 807	(824 186 372)	540 221 435
Furniture and fixtures	29 730 285	(17 259 084)	12 471 201	29 454 363	(13 845 752)	15 608 611
Motor vehicles	124 559 851	(73 643 252)	50 916 599	112 272 769	(69 065 326)	43 207 443
Water	2 305 229 806	(1 082 016 188)	1 223 213 618	2 268 309 169	(1 037 178 971)	1 231 130 198
Other property, plant and equipment	32 145 242	(20 625 394)	11 519 848	32 396 525	(19 813 520)	12 583 005
Sewerage	1 944 770 190	(938 382 859)	1 006 387 331	1 874 813 689	(906 137 435)	968 676 254
Roads	3 391 836 961	(2 215 873 682)	1 175 963 279	3 377 813 163	(2 130 641 466)	1 247 171 697
Emergency equipment	200 821	(146 152)	54 669	200 821	(124 945)	75 876
Electricity mains	2 007 522 308	(956 243 000)	1 051 279 308	1 933 283 095	(896 000 707)	1 037 282 388
Leased Assets	8 144 769	(7 654 097)	490 672	7 610 508	(7 379 647)	230 861
Tip sites	103 302 173	(67 077 970)	36 224 203	93 646 457	(60 060 792)	33 585 665
Library books	2 365 511	(1 314 284)	1 051 227	2 365 511	(1 222 384)	1 143 127
Total	11 850 036 338	(6 240 737 705)	5 609 298 633	11 625 803 263	(5 965 657 317)	5 660 145 946

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2022-02-07

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Mpumalanga Business Unit

Emalahleni Local Municipality

(Registration number MP-312)
Annual Financial Statements for the year ended 30 June 2021

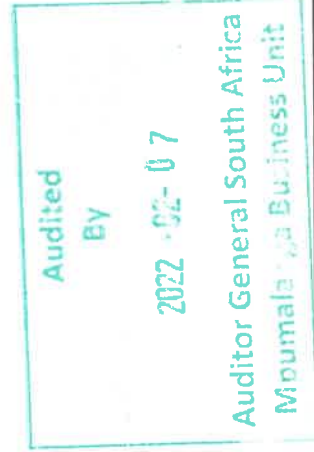
Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Work in progress additions	Work in progress transfers	Transfers	Disposals	Adjustments to accumulated depreciation	Depreciation	Impairment loss	Total
Land	529 229 386	-	-	-	-	(1 367 600)	-	-	-	527 861 786
Buildings	540 221 435	-	9 019 131	(1 060 302)	-	-	-	(33 413 057)	(2 902 315)	511 864 892
Furniture and fixtures	15 608 611	1 636 747	-	-	-	(257 521)	-	(4 494 058)	(22 578)	12 471 201
Motor vehicles	43 207 443	21 422 520	-	-	-	(999 205)	-	(12 702 635)	(11 524)	50 916 599
Water	1 231 130 198	65 046 406	35 591 429	(58 459 093)	-	(276 659)	-	(49 055 601)	(763 062)	1 223 213 618
Other property, plant and equipment	12 583 005	1 701 999	-	-	-	(190 710)	-	(2 542 354)	(32 092)	11 519 848
Sewerage	968 676 254	29 515 602	68 740 220	(27 097 783)	-	(907 640)	-	(30 743 341)	(1 795 981)	1 006 387 331
Roads	1 247 171 697	4 907 003	9 641 043	-	-	(82 252)	-	(85 229 020)	(445 192)	1 175 963 279
Emergency equipment	75 876	-	-	-	-	-	-	(21 207)	-	54 669
Electricity mains	1 037 282 388	105 470 383	27 514 516	(58 723 892)	-	(181)	-	(47 830 994)	(12 432 912)	1 051 279 308
Leased assets	230 861	534 261	-	-	-	-	-	(274 450)	-	490 672
Tip sites	33 585 665	-	-	-	9 665 689	-	(9 975)	(7 017 176)	-	36 224 203
Library books	1 143 127	-	-	-	-	-	-	(91 900)	-	1 051 227
	5 660 145 946	230 234 921	150 506 339	(145 341 070)	9 665 689	(4 081 768)	(9 975)	(273 415 793)	(18 405 656)	5 609 298 633



Emalahleni Local Municipality

(Registration number MP-312)
Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Work in progress additions	Work in progress transfers	Transfers received	Disposals	Depreciation	Impairment loss	Total
Land	529 016 497	221 888	-	-	-	(8 999)	-	-	529 229 386
Buildings	580 528 080	446 145	956 949	(956 949)	6 563 445	(10 284 684)	(35 142 608)	(1 888 943)	540 221 435
Furniture and fixtures	17 813 065	2 307 841	-	-	-	(33 554)	(4 448 832)	(29 909)	15 608 611
Motor vehicles	48 768 286	5 604 041	-	-	-	(210 316)	(10 703 869)	(250 699)	43 207 443
Water	1 239 520 371	1 921 954	46 633 906	-	3 648 592	(11 259 058)	(49 290 353)	(45 214)	1 231 130 198
Other property, plant and equipment	14 292 677	737 946	-	-	-	-	(2 421 184)	(26 434)	12 583 005
Sewerage	950 568 137	15 892 985	54 965 636	(14 101 436)	12 806 201	(18 888 555)	(32 219 450)	(347 264)	968 676 254
Roads	1 340 759 681	16 099 393	12 552 616	(15 891 664)	762 577	(1 512 817)	(99 910 239)	(5 687 850)	1 247 171 697
Emergency equipment	97 142	-	-	-	-	-	(21 266)	-	75 876
Electricity mains	1 015 452 115	45 634 941	39 153 832	-	-	(14 882 745)	(46 946 057)	(1 129 698)	1 037 282 388
Leased Assets	987 632	-	-	-	-	-	(756 771)	-	230 861
Tip sites	38 027 251	-	-	-	-	(24 510)	(3 962 042)	(455 034)	33 585 665
Library books	1 235 893	-	-	-	-	-	(92 766)	-	1 143 127
	5 777 066 827	88 867 134	154 262 939	(30 950 049)	23 780 815	(57 105 238)	(285 915 437)	(9 861 045)	5 660 145 946

Pledged as security

None of the property, plant and equipment owned by the municipality has been pledged as a security during the 2020/21 financial year

Audited

By

2022-02-07

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Emalahleni Local Municipality

(Registration number MP-312)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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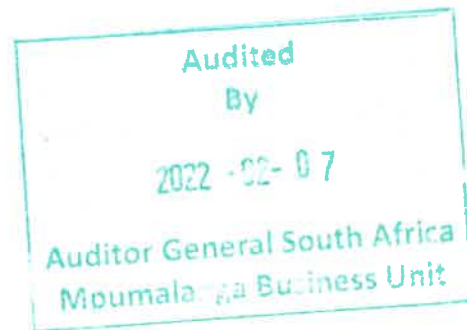
2021

2020

5. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2021

	Opening balance	Additions	Transfers	Closing balance
Buildings	1 746 007	9 019 130	(1 060 302)	9 704 835
Electricity	54 524 663	27 514 516	(58 723 891)	23 315 288
Roads and stormwater	8 956 027	9 641 043	-	18 597 070
Sanitation	127 162 981	68 353 313	(26 712 871)	168 803 423
Water	87 605 802	35 591 424	(58 459 092)	64 738 134
	279 995 480	150 119 426	(144 956 156)	285 158 750



Emalahleni Local Municipality

(Registration number MP-312)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand 2021 2020

5. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Opening balance	Additions	Transfers	Closing balance
Buildings	1 746 007	956 949	(956 949)	1 746 007
Electricity	15 370 831	39 153 832	-	54 524 663
Roads and stormwater	12 295 074	12 552 617	(15 891 664)	8 956 027
Sanitation	86 298 781	54 965 637	(14 101 436)	127 162 982
Water	40 971 897	46 633 906	-	87 605 803
Tip sites	5 357 066	2 397 682	(7 754 748)	-
	162 039 656	156 660 623	(38 704 797)	279 995 482

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

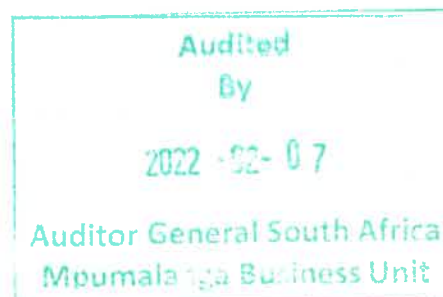
Contracted services - Buildings	2 775 172	3 982 438
Contracted services - Equipment	21 891 245	23 344 804
Contracted services - Infrastructure Assets	183 731 326	140 715 460
	208 397 743	168 042 702

Work in progress projects taking long to complete

During the 2019/20 financial year the following Work in progress projects are taking long to complete due to budget constraints :

Construction of Blancville bridge	2 692 561
Substation for Siyanqoba Phase 2	14 810 505
Paved Roads in Klarinet	1 362 288
Access control systems	83 731
Air conditioner	47 335
NDCP - Non motorised transport	1 614 941
MIG - Comprehensive infrastructure plan	844 163
Paved roads & storm water Kwaguqa Ext 11 road 1 & 2	407 521
Electrification of Thubelihle Ext 5	347 826

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.



Emalahleni Local Municipality

(Registration number MP-312)
Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

6. Intangible assets

Cost	2021		2020	
	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment
Computer software, other	(7 673 462)	1 391 857	9 065 319	(6 820 545)
				2 244 774

Reconciliation of intangible assets - 2021

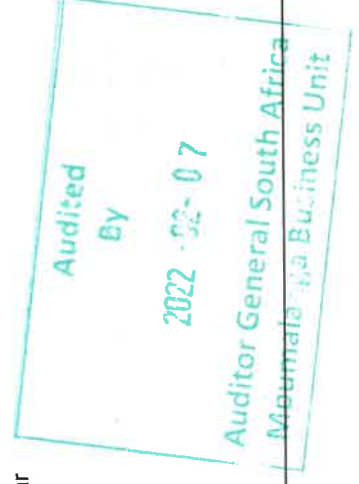
Opening balance	Amortisation	Total
2 244 774	(852 917)	1 391 857

Reconciliation of intangible assets - 2020

Opening balance	Additions	Amortisation	Total
2 483 137	725 976	(964 339)	2 244 774

Pledged as security

None of the Intangible assets owned by the municipality has been pledged as a security during the 2020/21 financial year



Emalahleni Local Municipality

(Registration number MP-312)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
8. Other financial assets (continued)	1 174 306	1 030 053
Non-current assets		
Designated at fair value	1 174 306	1 030 053
9. Inventories		
Consumable stores	24 404 122	36 866 733
Water stock	551 850	1 161 100
Face value documents	75 531	75 416
Purification material	5 698 623	2 479 501
	30 730 126	40 582 750
10. Receivables from other exchange transactions		
Other receivables	1 394 540	749 700
Nu Water Pre payment	-	3 035 026
Housing / Ervens loans	11 509 848	15 199 423
Recoverable projects	88 780	-
	12 993 168	18 984 149
11. Receivables from non-exchange transactions		
Traffic Fines	250 309 006	519 683 673
Less : Impairment	(207 140 297)	(440 505 174)
	43 168 709	79 178 499
12. VAT receivable		
VAT	358 089 318	274 830 832
13. Consumer debtors		
Gross balances		
Rates	848 077 629	746 877 124
Electricity	1 585 421 023	1 176 064 380
Water	1 861 219 013	1 760 850 583
Sewerage	671 757 492	642 325 695
Refuse	435 498 259	412 065 759
Other (specify)	375 451 410	340 864 406
	5 777 424 826	5 079 047 947
Less: Allowance for impairment		
Rates	(316 216 314)	(239 236 788)
Electricity	(657 980 759)	(660 202 204)
Water	(1 316 461 216)	(1 125 952 276)
Sewerage	(402 859 415)	(439 996 245)
Refuse	(353 492 275)	(262 323 986)
Other (specify)	(96 744 439)	(167 545 022)
	(3 143 754 418)	(2 895 256 521)



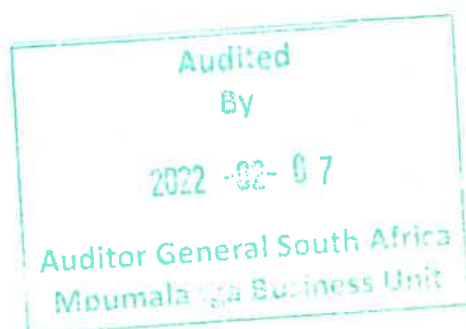
Emalahleni Local Municipality

(Registration number MP-312)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
13. Consumer debtors (continued)		
Net balance		
Rates	531 861 315	507 640 336
Electricity	927 440 264	515 862 176
Water	544 757 797	634 898 307
Sewerage	268 898 077	202 329 450
Refuse	82 005 984	149 741 773
Other (specify)	278 706 971	173 319 384
	2 633 670 408	2 183 791 426
Rates		
Current (0 -30 days)	47 088 711	50 764 034
31 - 60 days	70 633 066	76 146 050
61 - 90 days	23 544 355	25 382 017
91 - 120 days	47 088 711	50 764 034
121 - 365 days	94 177 421	101 528 067
> 365 days	188 354 842	203 056 134
	470 887 106	507 640 336
Electricity		
Current (0 -30 days)	61 569 757	30 529 720
31 - 60 days	32 007 859	15 871 282
61 - 90 days	25 312 178	12 551 190
91 - 120 days	23 514 954	11 660 026
121 - 365 days	22 017 499	10 917 504
> 365 days	875 924 938	434 332 452
	1 040 347 185	515 862 174
Water		
Current (0 -30 days)	15 818 089	19 429 237
31 - 60 days	11 609 650	14 260 044
61 - 90 days	13 140 125	16 139 914
91 - 120 days	12 248 452	15 044 679
121 - 365 days	10 877 013	13 360 151
> 365 days	453 201 818	556 664 283
	516 895 147	634 898 308
Sewerage		
Current (0 -30 days)	13 103 603	10 116 472
31 - 60 days	39 310 810	30 349 417
61 - 90 days	65 518 017	50 582 362
91 - 120 days	26 207 207	20 232 945
121 - 365 days	39 310 810	30 349 417
> 365 days	78 621 621	60 698 835
	262 072 068	202 329 448



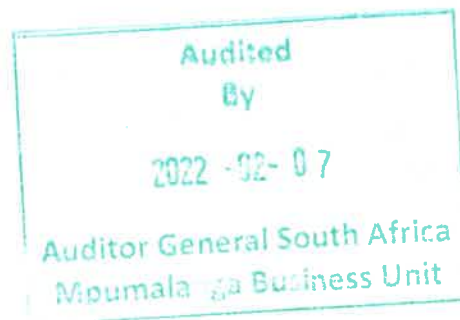
Emalahleni Local Municipality

(Registration number MP-312)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
13. Consumer debtors (continued)		
Refuse		
Current (0 -30 days)	2 868 703	5 922 355
31 - 60 days	2 001 673	4 132 396
61 - 90 days	1 870 919	3 862 459
91 - 120 days	1 760 116	3 633 710
121 - 365 days	1 814 782	3 746 565
> 365 days	62 216 552	128 444 288
	72 532 745	149 741 773
Other (specify)		
Current (0 -30 days)	13 559 368	8 665 969
31 - 60 days	40 678 104	25 997 908
61 - 90 days	27 118 736	17 331 939
91 - 120 days	40 678 104	25 997 908
121 - 365 days	40 678 104	25 997 908
> 365 days	108 474 945	69 327 754
	271 187 361	173 319 386
Reconciliation of allowance for impairment		
Balance at beginning of the year	2 895 256 522	1 639 677 886
Contributions to allowance	248 497 896	1 255 578 636
	3 143 754 418	2 895 256 522
14. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Collateral investments	254 678	247 687
Bank balances	8 776 084	13 198 541
Market Account	197 696	221 968
Call Account	30 915 609	42 648 759
Petty cash	31 063	25 063
	40 175 130	56 342 018



Emalaheni Local Municipality

(Registration number MP-312)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

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14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA BANK - Main account - 1360-000-091	5 228 438	12 089 807	12 281 539	17 400 082	13 010 564	10 435 651
ABSA BANK - Licensing - 4080-890-928	163 593	1 896 420	1 805 170	(237 566)	341 722	646 986
ABSA BANK - Traffic fines - 4080-890-910	379 300	736 937	620 787	(8 386 431)	(153 743)	(365 507)
ABSA BANK - Market - 1360-000-067	197 696	221 968	259 447	197 696	221 968	259 447
ABSA BANK - MIG call - 4080-885-959	16 694 114	36 005 453	4 511 849	16 694 105	36 005 444	4 511 841
ABSA BANK - DOE call - 4080-886-078	5 342 576	4 111 887	2 835 851	5 342 576	4 111 887	2 835 851
ABSA BANK - Cheque account - 4081-372-218	8 878 177	2 530 677	309 309	8 878 928	2 531 427	310 140
NEDBANK BANK - Collateral	197 146	192 662	184 189	197 146	192 662	184 189
FNB Collateral	57 531	55 024	51 197	57 531	55 024	51 197
Petty cash	-	-	-	31 063	25 063	29 763
Total	37 138 571	57 840 835	22 859 338	40 175 130	56 342 018	18 899 558

15. Finance lease obligation

Minimum lease payments due

- within one year

538 694

192 055

538 694

192 055

less: future finance charges

-

(1 627)

Present value of minimum lease payments

538 694

190 428

The municipality enters into finance lease agreement with Konica minolta and Motswako office solutions. The municipality leases its photo copier machines. The average lease term is 3 years and the average effective borrowing rate is 7% for all new leases entered into (2020:7%) interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Equitable shares

INEP

Municipal revenue enhancement

Human settlement grant

Neighbourhood Development Partnership Grant

Water Service Infrastructure Grant

	Audited		
	By		
	2022-02-07		
	Auditor General South Africa		
	Mpumalanga Business Unit		
	27 689 098	-	
	8 546 526	-	
	9 804	9 804	
	-	200 768	
	251	251	
	-	22 000 000	
	36 245 679	22 210 823	

The government grants recognised in the annual financial statements are grants received from National treasury, and provincial Treasury.

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

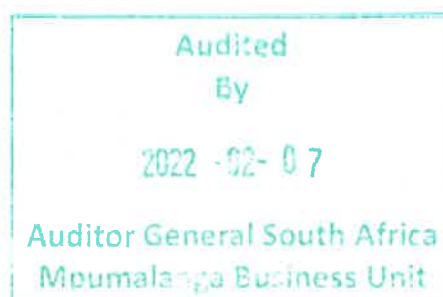
Emalahleni Local Municipality

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Figures in Rand	2021	2020
17. Other financial liabilities		
At amortised cost		
INCA - Standard Bank	-	8 102 830
The municipality has entered into the following agreements with INCA :		
1. The loan amount is R 2 519 347.00 for a period of 15 years with a redeemable date 31 June 2021 , The applicable interest rate 5% per annum with an installment of R 158 529.50 bi-annually.		
2. The loan amount is R 2 190 000.00 for period of 15 years with a redeemable date of 30 June 2021 , The applicable interest rate 11.12% per annum with an installment of R 102 833.81 bi-annually		
3. The loan amount is R 2 700 000.00 for a period 15 years with a redeemable date 30 June 2021 , The applicable interest rate 9.35% per annum with an installment of R 169 174.96 bi-annually		
4. The loan amount is R 4 802 852.00 for a period of 15 years with a redeemable date 30 June 2021 , The applicable interest rate 9.35% per annum with an installment of R 300 808.00 bi-annually		
Development Bank of South Africa	19 631 099	28 576 998
The municipality has entered into the following agreements with DBSA :		
1. The loan amount is R 82 547 000.00 for a period of 15 years with a redeemable date 30 June 2023 , The applicable interest rate 9.28% per annum with an installment of R 5 154 352.23 bi-annually.		
2. The loan amount is R 2 350 123.00 for period of 15 years with a redeemable date of 30 June 2023 , The applicable interest rate 5% per annum with an installment of R 112 314.77 bi-annually		
3. The loan amount is R 6 700 000.00 for period of 15 years with a redeemable date of 30 June 2022 , The applicable interest rate 9.34% per annum with an installment of R 839 820 bi-annually		
Nedbank	9 526 118	14 289 182
The municipality has entered into the following agreements with Nedbank :		
1. The loan amount is R 71 445 948.00 for a period of 15 years with a redeemable date 30 June 2023 , The applicable interest rate 11.39% per annum with an installment of R 4 668 261.00 bi-annually.		
	29 157 217	50 969 010
Total other financial liabilities	29 157 217	50 969 010
Non-current liabilities		
At amortised cost	22 193 049	33 898 297
Current liabilities		
At amortised cost	6 964 169	17 070 713



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18. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Interest	Total
Land fill sites	174 686 454	9 655 716	16 206 536	200 548 706
Employee benefit cost	214 009 158	16 211 842	-	230 221 000
Provision for staff leave	78 118 436	9 889 613	-	88 008 049
	466 814 048	35 757 171	16 206 536	518 777 755

Reconciliation of provisions - 2020

	Opening Balance	Additions	Interest	Total
Land fill sites	180 053 724	-	(5 367 270)	174 686 454
Employee benefit cost	251 466 188	(37 457 030)	-	214 009 158
Provision for staff leave	65 405 524	12 712 912	-	78 118 436
	496 925 436	(24 744 118)	(5 367 270)	466 814 048

Non-current liabilities	430 769 706	388 695 612
Current liabilities	88 008 049	78 118 436
	518 777 755	466 814 048

Landfill sites provision

The liability arose as a result of the obligation to rehabilitate the municipal landfill sites at the end of its useful life. The outflow is expected to occur at the end of the useful life of the land fill sites. No uncertainties were identified that may indicate a materially difference in the timing of the outflows.

No major assumptions were made other than the matters that resulted in the change in estimate of the remaining useful lives of some of the land fill sites. Furthermore, no reimbursements are expected

Employee benefit cost provision

Key assumptions used :

Financial Variable	Assumed Value 30-06-2021 (Current Valuation)	Assumed Value 30-06-2020 (Preceding Valuation)
Discount Rate	Yield Curve	13.5%
CPI (Consumer Price Inflation)	Difference between nominal and yield curves	7.39%
Medical Aid Contribution Inflation	CPI+1.5%	8.89%
Net Effective Discount Rate	Yield curve based**	3.91%

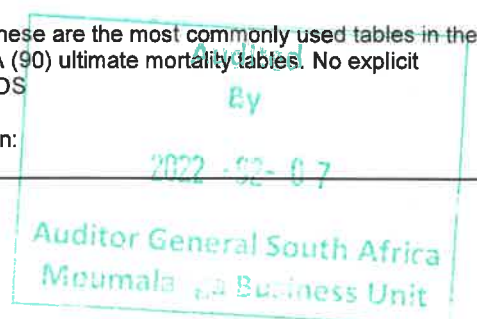
Average Retirement Age
The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS

Actuarial Loss/ (Gain)

The combined Accrued Liability is built-up as follows from the previous valuation:



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18. Provisions (continued)		
	30 June 2021	30 June 2020
Accrued Liability as at	214,009,158	251,466,188
Current Service Cost	13,911,184	16,485,396
Interest Cost	27,784,318	21,255,581
Benefits Paid	-5,018,000	-6,539,001
Actuarial Loss/(Gain)	-20,465,660	-68,659,006
Accrued Liability as at	230,221,000	214,099,158
Contributions to the medical aid are contributions to a defined contribution plan.		
19. Payables from exchange transactions		
Trade payables	5 662 084 655	4 627 099 901
Payments received in advanced	111 556 853	83 050 963
Other creditors	28 064 400	23 492 597
Retentions	48 246 198	44 169 928
Market agency	197 696	221 968
Deposits other	38 002 962	70 684 684
	5 888 152 764	4 848 720 041
20. Consumer deposits		
Water	133 787 298	136 796 629
21. Revenue		
Service charges	1 623 308 433	1 529 769 697
Rental of facilities and equipment	11 597 784	11 554 180
Commission received	43 406 128	34 581 469
Licences and permits	3 325 846	2 933 238
Sundry income	28 661 909	38 989 448
Fees earned	677 293	497 630
Interest received	364 510 220	308 009 480
Dividends received	22 227	65 021
Property rates	642 075 915	560 173 176
Government grants & subsidies	604 358 144	535 555 260
Public contributions and donations	8 484 073	24 683 437
Fines	159 889 613	223 413 496
	3 490 317 585	3 270 225 532

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21. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	1 623 308 433	1 529 769 697
Rental of facilities and equipment	11 597 784	11 554 180
Commission received	43 406 128	34 581 469
Licences and permits	3 325 846	2 933 238
Inventories reversal	-	145 252
Actuarial gains	20 465 660	68 659 006
Sundry income	28 661 909	38 989 448
Fees earned	677 293	497 630
Fair value adjustments	1 850 178	205 159
Interest received	364 510 220	308 009 480
Dividends received	22 227	65 021
	2 097 825 678	1 995 409 580

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	642 075 915	560 173 176
Transfer revenue		
Government grants & subsidies	604 358 144	535 555 260
Public contributions and donations	8 484 073	24 683 437
Fines	159 889 613	223 413 496
	1 414 807 745	1 343 825 369

22. Service charges

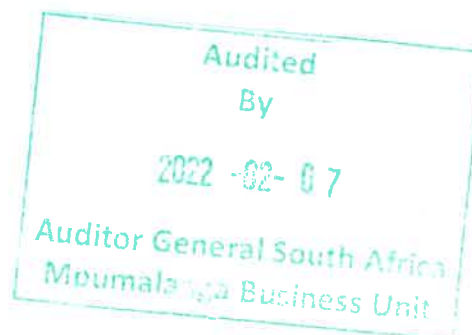
Sale of electricity	931 546 603	825 696 493
Sale of water	430 105 964	432 394 809
Sewerage and sanitation charges	139 226 264	146 802 420
Refuse removal	122 429 602	124 875 975
	1 623 308 433	1 529 769 697

23. Rental of facilities and equipment

Premises		
Premises	9 536 628	8 124 674
Theatre hire	36 854	60 721
Venue hire	364 645	1 115 952
Rental of furniture	6 182	3 298
	9 944 309	9 304 645

Facilities and equipment

Rental of equipment	1 653 475	2 249 535
	11 597 784	11 554 180



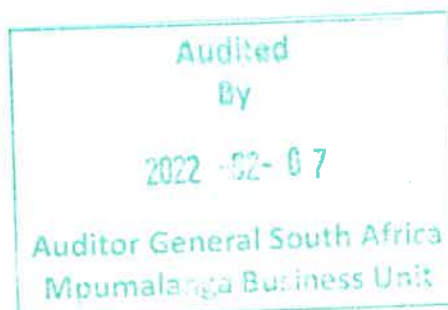
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Figures in Rand	2021	2020
24. Fines		
Building Fines	1 687 665	952 585
Illegal Connections Fines	982 844	806 325
Law Enforcement Fines	452 861	307 815
Overdue Books Fines	91	821
Municipal Traffic Fines	156 766 152	221 345 950
	159 889 613	223 413 496
25. Commission received		
Collection commission	2 818 128	2 208 418
Fees - Prov : Monies	40 588 000	32 373 051
	43 406 128	34 581 469
26. Licences and permits		
Drivers licenses	2 777 874	2 076 039
Flammable liquid licenses	261 115	221 530
Hawkers association	270 857	603 669
Health Certificates	16 000	32 000
	3 325 846	2 933 238
27. Lease rentals on operating lease		
Lease rentals on operating lease - Other		
Contractual amounts	37 105 887	34 367 581
28. Sundry income		
Tender documents	-	170 435
Building plans	4 701 566	3 571 810
SETA claims	1 501 019	1 593 037
Valuation roll	14 236	9 675
advertisements	4 165 608	3 791 621
Entrance fees	417 725	885 946
Incidental cash surplus	890	168
Fire services	127 013	24 231
Cemetery and burial	2 373 151	3 592 271
Administrative handling fees	4 089	3 893
Amendment fees	495 801	590 246
Breakages and losses recovered	4	3
Clearance certificates	4 477	2 371
Collection charges	7 007	6 938
Community and social services	35	42
Photocopies and faxes	38 525	2 580 154
Plan printing and duplicates	3 222 011	1 593 799
Traffic control	-	220
Jobbing and contractors	9 354 996	8 211 765
Insurance income	2 102 782	9 260 822
Proceeds from sale of stands	200	3 100 000
Staff recoveries	130 772	-
	28 661 907	38 989 447



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Figures in Rand	2021	2020
29. Fees earned		
Information	671 532	490 676
Library books	1 736	2 704
Parking	4 025	4 250
	677 293	497 630
30. Investment revenue		
Dividend revenue		
Listed financial assets - Local	22 227	65 021
Interest revenue		
Interest charged on arrear accounts	364 510 220	308 009 480
	364 532 447	308 074 501
31. Property rates		
Rates received		
Property rates	642 075 915	560 173 176
Valuations		
Residential	39 155 493 200	38 929 093 000
Commercial	9 226 638 000	9 044 133 000
State	1 202 384 400	1 201 384 400
Municipal	2 270 864 250	2 388 210 750
Other (Agricultural , mining, etc)	7 975 371 920	7 906 579 420
	59 830 751 770	59 469 400 570
32. Grants and subsidies paid		
Grants and subsidies paid to indigents	29 097 771	20 447 349

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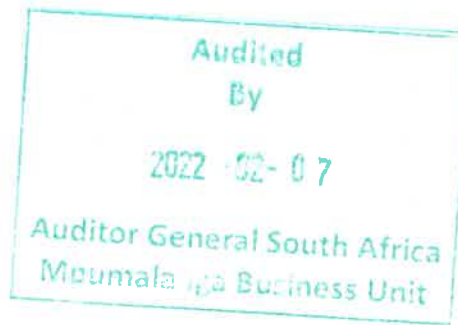
2021

2020

33. Government grants and subsidies

Operating grants

Equitable share	429 235 902	360 048 000
Municipal Infrastructure Grant	5 957 300	4 551 101
National Treasury (Fin.Man.Grant)	2 000 000	1 680 000
Expanded Public Works Programme	4 846 000	4 556 000



442 039 202 370 835 101

Capital grants

Municipal Infrastructure Grant	111 726 700	115 423 899
National Treasury (Fin.Man.Grant)	1 000 000	1 000 000
Intergrated National Electrical Programme	27 391 474	35 010 000
Human settlement Grant	200 768	799 854
Water Service Infrastructure Grant	22 000 000	12 039 406
Municipal Disaster Relief Grant	-	447 000

162 318 942 164 720 159

604 358 144 535 555 260

Equitable Share

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

All registered indigents receive a monthly subsidy of 248 (2020: -), which is funded from the grant.

Extended Public Works Incentive

Current-year receipts	4 846 000	4 556 000
Conditions met - transferred to revenue	(4 846 000)	(4 556 000)
	-	-

This grant was used to improve service delivery in municipalities as part of the upgrading of informal and formal settlements included in the roads, sewerage , water and fencing.

MIG

Current-year receipts	117 684 000	119 975 000
Conditions met - transferred to revenue	(117 684 000)	(119 975 000)
	-	-

This grant was used to provide specific capital finance for basic municipal infrastructure backlogs for poor to micro enterprises and social institutions poor communities.

FMG

Current-year receipts	3 000 000	2 680 000
Conditions met - transferred to revenue	(3 000 000)	(2 680 000)
	-	-

This grant was used to promote and support reforms in municipal financial management by building capacity to implement the local government : Municipal Finance Management Act.

Municipal Revenue Enhancement

Balance unspent at beginning of year	9 804	9 804
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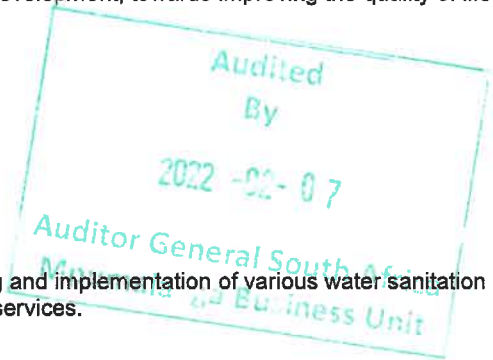
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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
33. Government grants and subsidies (continued)		
This grant was used to install services to new settlements		
Integrated National Electrical Programme		
Current-year receipts	35 938 000	35 010 000
Conditions met - transferred to revenue	(27 391 473)	(35 010 000)
	8 546 527	-
This grant was used to address the electrification backlog of permanently occupied residential dwellings , and the installation of bulk infrastructure and the rehabilitation and refurbishment of electricity infrastructure to improve quality .		
Human Settlement Grant		
Balance unspent at beginning of year	200 768	1 000 623
Conditions met - transferred to revenue	(200 768)	(799 855)
	-	200 768
This grant was used to improve service delivery in municipalities as part of the upgrading of informal and formal settlements.		
Neighbourhood Development Partnership Grant		
Balance unspent at beginning of year	251	251
This grant was used to support neighbourhood development projects that provide community infrastructure and create the platform for other public and private sector development, towards improving the quality of life of residents in targeted undeserved neighbourhoods .		
Water Service Infrastructure Grant		
Balance unspent at beginning of year	22 000 000	7 039 406
Current-year receipts	-	27 000 000
Conditions met - transferred to revenue	(22 000 000)	(12 039 406)
	-	22 000 000
This grant was used to facilitate the planning and implementation of various water sanitation projects to accelerate the backlog reduction and enhance the sustainability of services.		
Municipal Disaster Relief Grant		
Current-year receipts	-	447 000
Conditions met - transferred to revenue	-	(447 000)
	-	-
This grant was used in the intervention and response measures for COVID-19 pandemic.		
34. Public contributions and donations		
Mayors donation	-	5 000
Furniture and equipment	8 484 073	24 678 437
	8 484 073	24 683 437
Conditions still to be met - remain liabilities (see note 16)		



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Figures in Rand	2021	2020
35. Employee related costs		
Basic	575 121 761	560 488 448
Bonus	41 141 432	41 338 655
Medical aid - company contributions	59 604 102	55 778 069
UIF	2 701 634	2 787 164
Leave pay provision charge	18 687 125	14 893 956
Short term benefit	55 911 997	60 969 103
Pension fund contributions	108 194 757	105 762 572
Overtime payments	93 180 552	83 968 745
Interest cost	22 766 318	14 716 580
Housing benefits and allowances	3 632 948	3 661 349
Contributions - Group insurance	1 789 926	1 743 927
Current service costs	13 911 184	16 485 396
	996 643 736	962 593 964

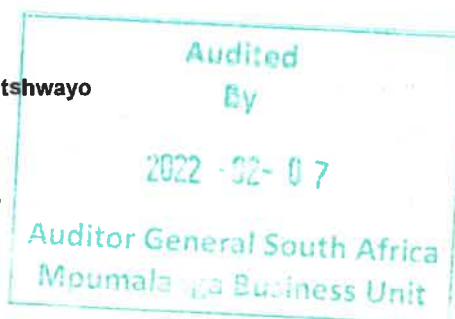
Remuneration of municipal manager : H S Mayisela

Annual Remuneration	1 195 671	871 495
Cellphone Allowance	48 000	48 000
Contributions to UIF, Medical and Pension Funds	460 874	441 274
Travel allowance	330 857	331 466
Other	2 500	101 821
	2 037 902	1 794 056

Appointed from 30 June 2018 to date.

Remuneration of chief finance officer : P J Hlatshwayo

Annual Remuneration	1 077 163	1 028 220
Cellphone Allowance	36 000	36 000
Contributions to UIF, Medical and Pension Funds	429 584	410 355
Travel allowance	653 769	657 549
Other	374 519	173 584
	2 571 035	2 305 708



Appointed from 01 July 2016 to date.

Remuneration of executive director - Community services : S Matlebjoane

Annual Remuneration	545 041	871 495
Cellphone Allowance	21 000	36 000
Contributions to UIF, Medical and Pension Funds	280 403	447 913
Travel allowance	382 434	657 549
Other	273 832	112 482
	1 502 710	2 125 439

Appointed from 01 November 2014 to January 2021.

Remuneration of executive director - corporate services : J M Vilane

Annual Remuneration	600 448	1 171 335
Cellphone Allowance	18 450	36 000
Contributions to UIF, Medical and Pension Funds	232 455	357 239
Travel allowance	340 421	658 071
Other	265 954	81 807

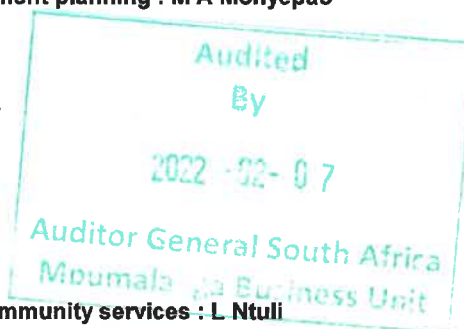
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Figures in Rand	2021	2020
35. Remuneration of councillors (continued)	1 457 728	2 304 452
Appointed from 01 november 2014 to January 2021.		
Remuneration of executive director - Environmental services : S F Maseko		
Annual Remuneration	544 255	1 018 480
Cellphone Allowance	18 000	36 000
Contributions to UIF, Medical and Pension Funds	163 269	305 679
Travel allowance	336 525	674 488
Other	150 537	99 431
	1 212 586	2 134 078
Appointed from 01 January 2016 to December 2020		
Remuneration of executive director - Infrastructure services : T M Lelaka		
Annual Remuneration	1 045 830	865 928
Cellphone Allowance	36 000	36 000
Contributions to UIF, Medical and Pension Funds	365 014	490 866
Travel allowance	168 000	168 000
Other	8 389	90 683
	1 623 233	1 651 477
Appointed from 01 July 2018 to date		
Remuneration of executive director - Development planning : M A Monyepao		
Annual Remuneration	785 994	705 978
Cellphone Allowance	36 000	36 000
Contributions to UIF, Medical and Pension Funds	249 418	233 513
Travel allowance	379 636	384 669
Other	1 000	63 367
	1 452 048	1 423 527
Appointed from 01 January 2019 to date		
Remuneration of acting executive director community services : L Ntuli		
Annual Remuneration	320 285	-
Cellphone allowance	15 000	-
Travel allowance	158 755	-
Contributions to UIF, Medical and Pension Funds	93 690	-
Other	108 705	-
	696 435	-
Remuneration of acting executive director environmental services : E J Nkabinde		
Annual Remuneration	384 342	-
Travel allowance	183 141	-
Cellphone allowance	12 000	-
Contributions to UIF, Medical and Pension Funds	112 428	-
Other	57 216	-
	749 127	-



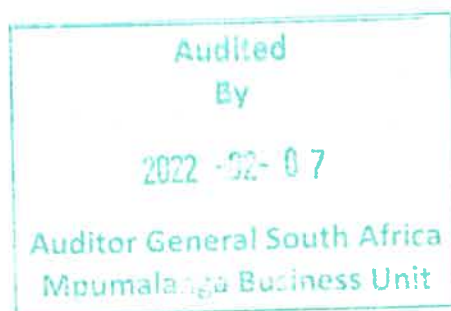
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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
35. Remuneration of councillors (continued)		
Remuneration of acting executive director corporate services : G Swan		
Annual Remuneration	320 285	-
Travel allowance	156 769	-
Cellphone allowance	15 000	-
Contributions to UIF, Medical and Pension Funds	93 690	-
Other	90 078	-
	675 822	-
36. Remuneration of councillors		
Councillors	27 857 670	21 306 336
Councillors' pension contribution	2 564 923	2 750 736
	30 422 593	24 057 072
In-kind benefits		
The Executive Mayor, Chief whip , Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The executive mayor ha use of council owned vehicle and driver for official duties. The executive mayor has a personal assistant to assist her in her duties.		
The remuneration of the political office-bearers and councilors are within the upper limits as determined by the framework envisaged in section 219 of the constitution.		
37. Depreciation and amortisation		
Property, plant and equipment	273 415 183	285 915 438
Investment property	1 708 072	1 723 380
Intangible assets	852 917	964 339
	275 976 172	288 603 157
38. Impairment of assets		
Property, plant and equipment	18 405 659	9 861 045
Investment property	186 294	-
	18 591 953	9 861 045
39. Finance costs		
Eskom account	140 273 602	358 476 807
Finance leases	4 433	97 672
Long term liabilities	4 673 923	6 384 943
Landfill sites	16 206 536	(5 367 270)
	161 158 494	359 592 152
40. Debt impairment		
Bad debts	250 126 535	70 986 285
Contributions to debt impairment provision	248 497 897	157 831 926
Traffic fines	179 603 662	177 502 743
	678 228 094	406 320 954



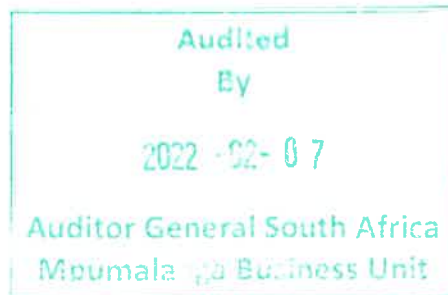
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Figures in Rand	2021	2020
41. Bulk purchases		
Electricity - Eskom	1 215 687 388	1 123 203 140
Water	118 213 920	91 253 148
	1 333 901 308	1 214 456 288
Electricity losses		
Units purchased	1 014 926 031	976 194 559
Sales	(719 813 745)	(715 082 902)
Real losses in units	295 112 286	261 111 657
Comprising of:		
Prepaid sales	(130 433 527)	(129 298 724)
Actual sales	(522 343 070)	(495 931 345)
Internal Consumption	(21 052 869)	(54 246 699)
Inherent losses @ 12% of financial losses	(45 984 279)	(35 606 134)
Financial losses	(719 813 745)	(715 082 902)
Percentage Loss	29 %	27 %
Losses in Rand value	390 214 497	287 222 822
Water losses		
Opening stock	155 020	93 032
Purchases	43 324 785	42 032 355
Less Closing stock	(65 000)	(155 020)
Less : Sales	(25 656 623)	(22 703 764)
Less : Own consumption	(3 888 864)	(3 888 864)
Less : apparent losses	(3 643 502)	(3 087 945)
Total	10 225 816	12 289 794
Unit cost	8	8
Losses in rand value	86 817 179	99 055 740
Total	86 817 187	99 055 748
Percentage Loss	24 %	29 %



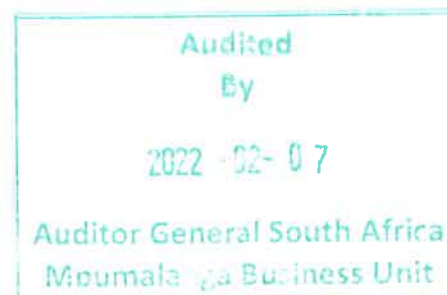
Emalahleni Local Municipality

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Figures in Rand	2021	2020
42. Contracted services		
Outsourced Services		
Insurance	29 278 324	13 823 342
Meter Management	8 073 116	12 273 936
Commission paid	15 573 167	13 028 766
Software licenses	17 263 747	7 464 671
Rentals	3 861 234	4 288 898
Protective clothing	5 630 569	2 472 522
Telephone & fax	2 407 163	989 378
Legal fees	22 447 493	28 362 834
Materials	28 636 945	579 024
Security Services	21 161 950	21 703 230
Traffic Fines Management	3 475 382	5 327 883
Water Tankers	46 979 768	27 151 898
Consultants and Professional Services		
Business and Advisory	18 838 675	12 817 196
Infrastructure and Planning	81 550	1 329 771
Laboratory Services	26 919 147	21 581 612
Contractors		
Electrical	4 126 368	7 322 076
Inspection Fees	653 743	724 032
Maintenance of Buildings and Facilities	2 775 172	3 982 438
Maintenance of Equipment	21 891 245	23 344 804
Maintenance of Unspecified Assets	183 731 326	140 715 460
Medical Services	-	14 051
Sewerage Services	7 576 410	10 808 574
	471 382 494	360 106 396



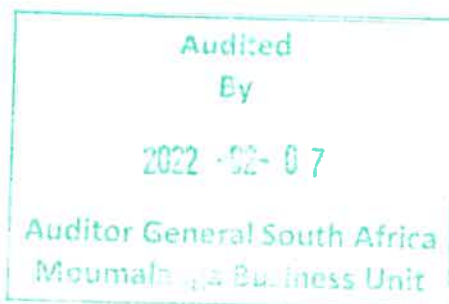
Emalahleni Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
43. General expenses		
Advertising	786 897	1 202 966
Auditors remuneration	10 928 207	9 275 668
Bank charges	5 450 587	6 630 180
Cleaning	43 146	327 698
Computer expenses	69 429	877 697
Discount allowed	13 415 617	-
Entertainment	242 122	516 327
Rentals	70 654	924 999
Animal Costs	121 620	123 585
Hire	256 393	161 770
Claims paid	715 378	268 218
Fire services	-	55 856
Burial costs	91 795	73 161
Levies	6 693 257	7 016 745
Motor vehicle expenses	2 485 457	2 253 317
Fuel and oil	20 569 870	11 599 385
Postage and courier	2 127 961	2 291 470
Printing and stationery	2 264 809	1 762 538
Promotions	70 450	3 245
Protective clothing	2 208 183	2 968 159
Royalties and license fees	2 005 392	1 144 442
Staff welfare	1 336 426	774 694
Subscriptions and membership fees	10 068 995	9 782 202
Telephone and fax	8 057 761	4 518 745
Transport and freight	39 660	56 928
Training	1 659 628	3 568 123
Travel - local	422 502	2 099 229
Connection fee	66 991	18 735 763
Employee wellness	1 187 455	1 069 193
Legal costs	8 114 948	1 916 987
Catering	40 152	1 091 735
Materials	41 052 601	56 980 882
Workmens compensation	184 335	3 832 790
Gardening services	780 141	559 942
	143 628 819	154 464 639
44. Inventories reversal		
Inventories reversal	-	145 252
45. Actuarial gains		
actuarial gains or losses	20 465 660	68 659 006
46. Fair value adjustments		
Biological assets	1 705 924	707 879
Investment	144 254	(502 720)
	1 850 178	205 159
47. Auditors' remuneration		
Fees	10 928 207	9 275 668



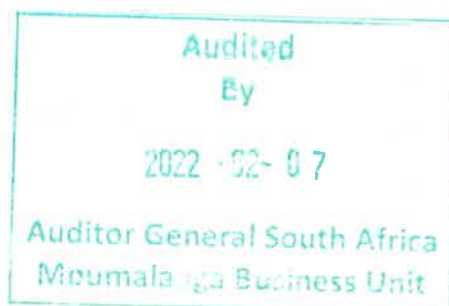
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Figures in Rand	2021	2020
48. Operating deficit		
Operating lease charges		
Lease rentals on operating lease - Other		
• Contractual amounts	37 105 887	34 367 581
Loss on sale of property, plant and equipment	(7 536 566)	(91 651 995)
Impairment on property, plant and equipment	18 405 659	9 861 045
Impairment on investment property	186 294	-
Amortisation on intangible assets	852 917	964 339
Depreciation on property, plant and equipment	273 415 183	285 915 438
Depreciation on investment property	1 708 072	1 723 380
Employee costs	1 027 066 329	986 651 036
49. Cash generated from operations		
Deficit	(671 040 464)	(587 287 643)
Adjustments for:		
Depreciation and amortisation	275 976 172	288 603 157
Loss on disposal of assets	7 536 566	91 651 995
Fair value adjustments	(1 850 178)	(205 159)
Impairment deficit	18 591 953	9 861 045
Debt impairment	678 228 094	406 320 954
Movements in provisions	51 963 707	(418 807 000)
Actuarial gains	(20 465 660)	(68 659 006)
Non - cas items	52 888 471	25 932 378
Other payments	(638 779 258)	1 175 749 988
Inventories reversal	-	(145 252)
Changes in working capital:		
Inventories	9 852 624	(5 568 512)
Consumer debtors	(383 657 232)	505 222 464
Payables from exchange transactions	1 039 432 723	1 217 537 617
VAT	(83 258 486)	(82 022 229)
Unspent conditional grants and receipts	14 034 856	14 160 739
Consumer deposits	(3 009 331)	1 227 274
Property rates receivables	(24 220 979)	(5 886 520)
Landfillsite provision	25 862 252	(5 367 270)
	348 085 830	210 819 044
50. Commitments		
Capital commitments		
Already contracted for but not provided for		
• Property, plant and equipment	532 571 462	184 107 548
Operational commitments		
• The municipality has entered into agreements with service providers for the provision of various services. At reporting date the municipality has outstanding operational commitments.	94 014 708	149 282 668



Contractual commitments are disclosed exclusive of VAT. Some contractual commitments are for a period longer than a year.

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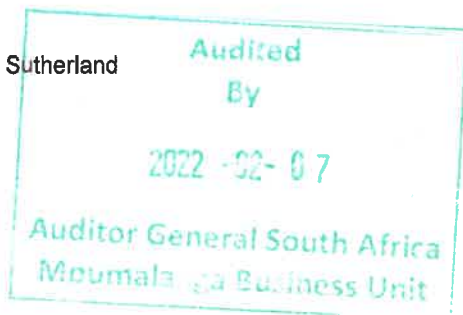
51. Contingencies

Forthwith is a list of possible liability claims where the outcome was unknown as at 30 June 2021

L C Coetzee

Cause of action	Status of the outcome of the dispute	2021	2020
Accident on Paul Sauer Street, on 15 October 2015, the Plaintiff overtook a vehicle when she collided with another vehicle. The Plaintiff alleges that the Municipality has a duty to the following; Construct and maintain roads in such a way that they are safe for all users; provide and display speed limit signs indicating the correct speed limit; manage and operate all roads in a manner commensurate with their design; and take appropriate steps to remove or limit danger on the roads.	AccideMatter removed from trial.No further steps taken by the plaintiff.	1 050 000	1 050 000
Claim for damages as a result of the Plaintiff's cables being damaged due to the alleged negligence of the Defendants employees.	Matter has been settled	-	920 000

Debbie Sutherland



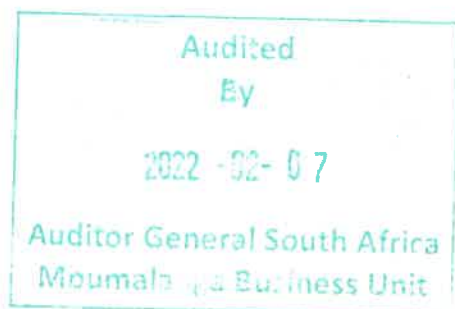
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Figures in Rand		2021	2020	
51. Contingencies (continued)				
NS Sgudla obbo Sbusiso Zwelibanzi Nkosi	Claim for damages as a result of a minor child playing at or near a substation wherein the minor child came into contact with high voltage electricity and sustained severe electrical shock resulting in sever facial and bodily burns.	Matter is pending awaiting for the trial date	2 500 000	2 500 000
PT Makwakwa obo Nthabiseng Pascaline Inematse	Claim for damages as a result of a minor child playing at or near a substation wherein the minor child came into contact with high voltage electricity and sustained severe electrical shock resulting in sever facial and bodily burns.	Matter is pending awaiting for the trial date	2 500 000	2 500 000
Sasol Gas	The plaintiff alleges that due to the municipal emplotees negligence in laying a water pipe , damage was was caused by gas line	Claim has been settled	-	3 334 111



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Figures in Rand		2021	2020
51. Contingencies (continued)			
Witbank abbator	The plaintiff alleges that on or before 19 and 23 February 2007 the municipality deliberately interrupted water supply to the abbator . as a result of same , the plaintiff could not conduct normal business and subsequently incurred damages	-	135 707
MP Kleynhans	Claim for damages as a result of failure by the Municipality to repair potholes. The Plaintiff broke his spinal cord while driving his motor bike and allegedly fell into a pothole	9 600 000	9 600 000
Martha Mthombeni Klaas	The Red Ants (Service Provider to the Municipality) demolished the Applicant's property. As a result, she is suing the Municipality for the damages	The Red Ants (Service Provider to the Municipality) demolished the Applicant's property. As a result, she is suing the Municipality for the damages	30 000



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Figures in Rand		2021	2020
51. Contingencies (continued)			
Anthony Nnadozi	Nnadozi has instituted a claim for damages in the amount of R200 000,00 for an alleged unlawful assault. The Municipality has delivered a Notice of Exception due to the vague and embarrassing averments contained in the particulars of claim.	Matter still pending	200 000 -
De Wt Kruger	Kruger has instituted a claim against ELM for damages in the amount of R500 000,00 resulting from an allegedly unlawful arrest and detention. The Municipality has defended the matter and delivered a Notice to Remove Cause of Complaint due to the vague and embarrassing Particulars of Claim	Matter still pending	500 000 -



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Figures in Rand		2021	2020
51. Contingencies (continued)			
Rand water	Randwater instituted a claim against the Municipality for payment in terms of the works concluded on sewage systems upgrades. The Municipality defended the Action and raised various exceptions to Rand Water's defective particulars of claim - after the Second Exception was taken, Rand Water amended its Particulars to allow the Municipality to plead. the Municipality is in the process of finalising the Plea	23 946 813	-
Ramlall	Ramlall has instituted a claim for approximately R35 000,00 based on payments incorrectly made to the Municipality when obtaining a clearance certificate	Matter still pending	35 475
OLIVER JR	Claim for damages as a result of colliding into apothole at montgomery street witbank while plaintiff was driving a motorbike	Matter still pending	1 900 000



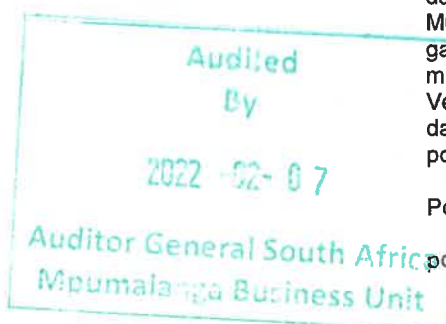
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Figures in Rand		2021	2020	
51. Contingencies (continued)				
Hleko sbusiso Ephraim	Electricity matter plaintiff was allegedly electrocuted lines. plaintiff is suing the municipality nad eskom	Matter is still pening	3 500 000	-
Khabokhedi waste management	Claim for the contractual damages as a result of cancelation of the contract by the municipality	Matter still pending	5 142 546	-
Julio Anne Matsinhe	Unlawful detention by members of the law enforcement	Matter still pending	200 000	-
Martha patronella Howard	Motor vehicle colission as a result of the plaintiff motor vehicle colliding into a pothole at Mathewes phosa	Matter still pending	71 946	-
Samishka Beeka	Rescission of matter	Matter still pending	13 101	-
Parsons transport holdings	Rescission of matter	Matter still pending	80 772	-
Riveo Pty Ltd	Claim for damages arising from motor vehicle collision between the plaintiff;s vehicle and the municipality;s vehicle	Matter still pending	28 886	-
M M Lesoalo	Vehicle Municipality gate malfunctioned	Awaiting maintenance schedule or report	13 632	13 632
K Wepener	Vehicle damage by pothole	Awaiting maintenance schedule or report	11 866	11 866
H R Peterson	Pothole claim	Matter is still pending	3 348 100	3 348 100
O B Mooketsi	pothole claim	Claim has been settled	-	17 736



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Figures in Rand		2021	2020
51. Contingencies (continued)			
T C Mabena	Wrongful power cut causing failure to electrical appliance	Claim has been settled	- 7 198
T N R Mashego	Claim for damage due to brush cutter		- 650
M S Nefale	Claim for damage due to brush cutter		- 2 184
K B Maunye	Claim for damage due to brush cutter		- 3 324
E P Short	Brush cutter		- 3 181
A Barkhuizen	Claim for damage due to brush cutter		- 895
C Mashabane	Claim for damage due to brush cutter		- 1 541
N Ndlovu	Claim for damage due to brush cutter		- 3 249
M Phoreng	Claim for damage due to brush cutter		- 2 000
Telkom			- 7 423
Telkom	Claim for damage due to brush cutter		- 21 480
L Mahlangu	Claim for damage due to brush cutter		- 5 466
		54 673 137	23 519 743



52. Related parties

Relationships
Councillors
Key management

Refer to note 36
Refer to note 35

53. Change in estimate

Property, plant and equipment

The municipality has reassessed the useful lives Tip sites which resulted in the remaining useful life to change. The effect of change in accounting estimate has resulted in a decrease in the depreciation amounting to 215 621.83 for the current period. The net impact of the change is as follows :

	2021	2021
	Depreciation effect (Before Adjustment)	Depreciation effect (After Adjustment)
Tip sites	6 717 666	6 502 044

the amount of the effect in future periods is not disclosed because estimating it is impracticable.

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Figures in Rand	2021	2020
54. Prior period errors		
Operational commitments		
Opening balance	150 256 477	150 256 477
Adjustments made	(973 809)	-
Restated opening balance	149 282 668	150 256 477

During the 2019/20 financial year management disclosed one of the commitment exclusive of VAT and the supplier is an exempt from VAT due to the nature of the service provided. Management also identified that one invoice from the supplier that was included on expenditure to date for 2019/20 was relating to the previous financial year as a result the correct invoice was included to correct the error

Capital commitments

Opening balance	184 656 241	184 656 241
Adjustments made	(548 693)	-
Restated opening balance	184 107 548	184 656 241

During the 2019/20 financial year management disclosed one of the commitment from suppliers inclusive of VAT as the appointment letter was not specific and subsequent to that clarity was obtained that the commitment amount was inclusive of VAT as a results an adjustment was made to correct the error.

Irregular expenditure

Opening balance	419 535 753	419 535 753
Adjustments made	35 315 754	-
Restated opening balance	454 851 507	419 535 753

During the 2019/20 financial year, findings were raised with regard to completeness of irregular expenditure, investigation was done by management during the 2020/21 financial year to identify additional irregular expenditure from similar non-compliance as a results an adjustment to the opening balance was made

55. Prior-year adjustments

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

Receivable from other exchange transactions

During the year, management identified cheques that were returned by the bank, however reversals of the related payments were not done on the cashbook as they were already accounted for as payments received.

VAT receivable

During 2020/21 financial year, management received invoices from suppliers that related to the previous financial years, as well as corrections made on errors identified on revenue (vatable) transaction as a results related revenue and expenditure/accumulated surplus was overstated/understated and VAT receivable was overstated/understated.

Consumer debtors

During the 2019/20 audit, management could not provide supporting documents for impairment calculated on outstanding consumer debtors, therefore management revised the calculations for 2019/20 impairment.

Investment property

During the year under review, management identified land disposed that was not accounted for in the 2019/20 financial year as a result the investment property was overstated.

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2021

2020

55. Prior-year adjustments (continued)

Property plant and equipment and Depreciation

During the financial year management identified assets on the floor not accounted for or assets double counted during the physical verification on certain classes of Property, Plant and Equipment and also assets not previously accounted for as a results assets and depreciation were understated/overstated.

Cash and cash equivalent

During the year under review management identified that there were transactions that were processed on the cashbook but not paid in the bank and transaction that were not accounted for in the cashbook from the prior years as a results cashbook was overstated.

Payables from exchange transactions

During 2020/21 financial year, management received invoices from suppliers that relate to the previous financial years, as well as corrections made on errors identified on revenue (vatable) transaction as a results related revenue and expenditure/accumulated surplus was overstated/understated and VAT receivable was overstated/understated.

Public contributions and donations

During the 2020/21 financial year received donated assets which were supposed to have been recognized as donations in the 2019/20 financial year as the donation letter related to the 2019/20 financial year.

Loss on disposal of assets

During the 2020/21 management identified land which was disposed in the 2019/20 financial year

Finance costs

During the 2020/21 financial year management received interest invoices from Department of water which relate to the 2019/20 financial year

General expenses

During the 2020/21 financial year management received invoices from suppliers that relate to the previous financial year end which resulted to an adjustment to the general expenses line item.

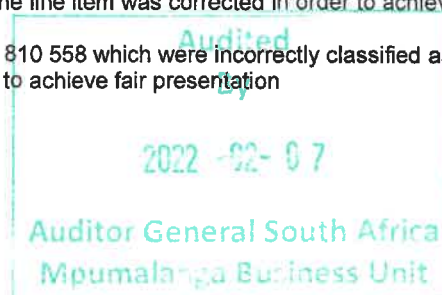
Reclassifications

During the 2019/20 financial year the Employee related costs line item was overstated with consumables of R95 220 posted on a vote which was incorrectly named as employee related management corrected the line item and moved it to general expenses,

The line item for Lease rentals on operating lease had transactions amounting to R 5 473 161 which were incorrectly classified as operating lease the transactions relate to General expenses the line item was corrected in order to achieve fair presentation

Contracted services line item had transactions amounting to R 8 810 558 which were incorrectly classified as contracted instead of general expenses the line item was corrected in order to achieve fair presentation

Statement of financial position



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Figures in Rand

2021

2020

55. Prior-year adjustments (continued)

2020

	Note	As previously reported	Correction of error	Restated
Receivables from other exchange transactions		15 093 445	3 890 704	18 984 149
VAT receivable		320 471 274	(45 640 442)	274 830 832
Consumer debtors		3 328 164 774	(1 144 373 348)	2 183 791 426
Cash and cash equivalents		74 277 226	(17 935 208)	56 342 018
Investment property		910 287 841	(4 587 494)	905 700 347
Property, plant and equipment		5 661 425 922	(1 279 976)	5 660 145 946
Payables from exchange transactions		(4 922 840 388)	74 120 347	(4 848 720 041)
		5 386 880 094	(1 135 805 417)	4 251 074 677

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Public contributions and donations		(24 461 549)	(221 888)	-	(24 683 437)
Employee related costs		962 498 744	-	95 220	962 593 964
Depreciation and amortisation		288 544 004	59 153	-	288 603 157
Lease rentals on operating lease		39 840 742	-	(5 473 161)	34 367 581
Contracted services		294 109 745	-	65 996 651	360 106 396
Loss on disposal of assets		57 531 633	34 120 362	-	91 651 995
General expenses		214 522 113	561 236	(60 618 710)	154 464 639
Finance costs		356 646 972	2 945 180	-	359 592 152
Surplus for the year		2 189 232 404	37 464 043	-	2 226 696 447

56. Risk management

Liquidity risk

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

Credit risk

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

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

Financial instrument	2021	2020
Receivables from other exchange transactions	12 993 168	18 984 149
Receivables from non-exchange transactions	43 145 593	79 178 499
Cash and cash equivalent	40 175 130	56 342 018

57. Going concern

We draw attention to the fact that at 30 June 2021, the municipality incurred a deficit of R 671 040 464 compared to a deficit of R 587 287 643 in the prior year and the municipality's total current liabilities exceeds its current assets by 3 034 869 794 (2019-20: 2 449 397 396). This is mainly due to municipality struggling to collect moneys owed to it by its customers, leading to serious cash flow problems being experienced, hence the difficulties in selling accounts on time.

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2021

2020

57. Going concern (continued)

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. This is strengthened by the fact that the municipality in terms of legislation has the power to levy rates which guarantees continued generation of revenue. The municipality is implementing various initiatives to improve the current situation.

58. Unauthorised expenditure

Opening balance as previously reported	187 222 018	518 787 643
Opening balance as restated	187 222 018	518 787 643
Add: Expenditure identified - current	444 726 152	187 222 018
Less: Expenditure authorised during the financial year	(187 222 018)	(518 787 643)
Closing balance	444 726 152	187 222 018

59. Fruitless and wasteful expenditure

Opening balance as previously reported	332 516 655	403 377 979
Opening balance as restated	332 516 655	403 377 979
Claims	-	54 699
Less: Interest on overdue accounts reversed	(8 594 249)	-
Less: Amount written off	(323 922 406)	(403 377 979)
Eskom interest	-	313 808 516
Interest accrued on late payments of suppliers	-	8 680 022
Department of water	-	9 973 418
Closing balance	-	332 516 655



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2021

2020

59. Fruitless and wasteful expenditure (continued)

Amounts written-off

The fruitless and wasteful expenditure incurred during the reporting period relates to interest charged on payments which were not made within 30 days on receipts of invoice in compliance with section 65 of the Municipal Finance Act of 2003. Council has resolved in its meeting held on 30 September 2021 item number A.206/21 to write-off R 323 922 406 incurred during the 2019/20 financial period

Disciplinary steps taken/criminal proceedings

The Municipal Public Accounts Committee investigated the 2019/20 Fruitless and Wasteful Expenditure and recommended it be referred to the Financial Disciplinary Board to finalise the determination of recoverable amounts if any and the responsible persons with applicable consequence management measures and that Council approves the writing off of the total cumulative fruitless and wasteful expenditure incurred and reported in the total Fruitless and Wasteful Expenditure for the 2019/20 FY R 476 029 906,48

60. Irregular expenditure

Opening balance as previously reported

Opening balance as restated

Add: Irregular Expenditure - current

Less: Amount written off

Closing balance

454 851 507	412 036 763
454 851 507	412 036 763
163 572 264	145 368 946
-	(102 554 202)
618 423 771	454 851 507

Disciplinary steps taken/criminal proceedings

The Municipal Public Accounts Committee investigated the 2019/20 irregular expenditure and recommended that the expenditure be included as a note to the Annual Financial Statements and that all accountable liable parties responsible for non-compliance within their field of competency for the incurred irregular expenditure listed above and as identified by the Financial Disciplinary Board appear before it to finalise the determination of recoverable amounts if any and the responsible persons with applicable consequence management measures.



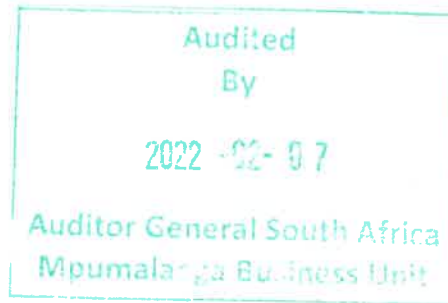
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Figures in Rand	2021	2020
61. In-kind donations and assistance		
Nkangala District municipality		
Disaster Management awareness campaign emalahleni	-	48 350
Co- sourced internal Audit support Emalahleni	-	692 478
HIV Aids campaign emalahleni	-	116 832
MHS Aids campaign Emalahleni	-	24 539
Moral Regeneration Emalahleni	-	72 981
Repairs : Fire and rescue : Emalahleni (CB)	-	964 708
	-	1 919 888
Standard Bank		
Food operated stands	-	12 890
62. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	10 008 339	9 291 385
Amount paid - current year	(1 008 339)	(9 291 385)
	9 000 000	-
Audit fees		
Opening balance	23 108	223 031
Current year subscription / fee	10 928 207	9 255 898
Amount paid - current year	(10 951 315)	(9 455 821)
	-	23 108
PAYE and UIF		
Current year subscription / fee	164 943 100	169 370 957
Amount paid - current year	(164 943 100)	(169 370 957)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	231 147 352	237 494 345
Amount paid - current year	(231 147 352)	(237 494 345)
	-	-
VAT		
VAT receivable	358 089 318	274 830 832



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

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

Councillors' arrear consumer accounts

None of the Councillors' had arrear accounts outstanding for more than 90 days.

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Figures in Rand	2021	2020
63. Deviation from supply chain management regulations		
Strip and route	3 405 300	826 999
Sole supplier	3 196 680	188 535
Emergencies	11 417 161	1 761 886
	18 019 141	2 777 420

64. Segment information

General information

Identification of segments

The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources.

Aggregated segments

The municipality aggregated two or more segments into a single segment as they have similar economic characteristics, and the segments share a majority of the following:

nature of goods and services delivered
the class of consumer to which goods and services are delivered



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64. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

Revenue	Community & public services	Trading services	Economic & Environmental services	Other support department	Total
Revenue from non-exchange transactions	157 276 529	150 669 707	32 116 836	1 074 744 672	1 414 807 744
Revenue from exchange transactions	13 715 642	1 623 706 013	10 237 928	450 166 096	2 097 825 679
Total segment revenue	170 992 171	1 774 375 720	42 354 764	1 524 910 768	3 512 633 423
Entity's revenue					3 512 633 423

Expenditure

Employee related costs	210 840 699	376 925 795	94 069 632	314 807 611	996 643 737
Remuneration of councillors	-	-	-	30 422 593	30 422 593
Depreciation and amortisation	101 370 055	86 816 119	85 229 009	2 560 989	275 976 172
Impairment loss	-	13 870 863	445 192	4 275 895	18 591 950
Bad debts written off	179 603 662	420 375 045	-	78 249 387	678 228 094
Operating leases	-	37 105 887	-	-	37 105 887
Bulk purchases	-	1 333 901 308	-	-	1 333 901 308
Finance costs	196 333	160 423 308	338 343	200 510	1 611 558 494
Loss on disposal assets	-	-	-	7 536 566	7 536 566
Transfers and subsidies	-	-	-	29 097 771	29 097 771
Operational costs	38 774 298	358 325 030	51 815 931	166 096 054	615 011 313
Total segment expenditure	530 785 047	2 787 743 355	231 898 107	633 247 376	4 183 673 885
Total segmental surplus/(deficit)					(671 040 462)



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64. Segment information (continued)

Assets	Community & public services	Trading services	Economic & Environmental services	Other support department	Total
Current assets	21 443	(59 045 463)	-	3 177 850 876	3 118 826 856
Non-current assets	79 635 789	4 543 825 454	1 495 962 785	397 578 222	6 517 002 250
Total segment assets	79 657 232	4 484 779 991	1 495 962 785	3 575 429 098	9 635 829 106
Total assets as per Statement of financial Position					9 635 829 106

Liabilities

Current liabilities	-	-	-	6 153 696 653	6 153 696 653
Non-current liabilities	-	-	-	452 962 755	452 962 755
Total segment liabilities	-	-	-	6 606 659 408	6 606 659 408
Total liabilities as per Statement of financial Position					6 606 659 408

2020

Revenue

Revenue from non-exchange transactions	221 346 771	148 789 137	50 336 284	923 353 175	1 343 825 367
Revenue from exchange transactions	14 742 324	1 530 130 654	12 926 719	437 609 881	1 985 409 578
Total segment revenue	236 089 095	1 678 919 791	63 263 003	1 360 963 056	3 339 234 945
Entity's revenue					3 339 234 945



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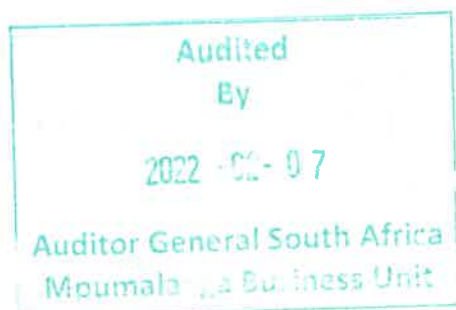
2021

2020

65. Budget differences

Material differences between budget and actual amounts

Service charges	-11%	Less income realised on electricity due to high illegal connections and the municipality experience water shortages due to mechanical faults on water infrastructure
Commission received	13%	As the lockdown restrictions where eased most motorists renew vehicle registrations
Licenses and permits	1530%	More licences issued and renewed as lockdown restrictions were eased, some of the shops were closed during lockdown, hence decrease in revenue as its depended on monthly inspection and less permits were issued this year as compared to last year as more temporary permits were issued during lockdown for hawkers who opted to sell at their own homes during lock down
Gains on disposal of assets	100%	Budget provided on this line item was informed by previous trends , no gains where realised in the current financial year
Dividends received	-91%	Budget provided on this line item was informed by previous trends while the actual is determined by the markets movements and that makes it difficult to budget accurately
Public contributions	-50%	Some of the projects from Nkangala districts have not been finalised
Fines	370%	Additional revenue realised due to I-Grap
Depreciation and amortisation	-23%	Depreciation budget included the new capital expenditure procured in the 2020/2021 financial year funded from municipal funds were removed as per the national treasury . the depreciation budget was not reduced during the December 2021 adjustment budget to cater for the reduction on capital budget
Grants and subsidies	482%	More grants and subsidies where provided for in the 2020/2021 financial year due to Covid-19 impact as unemployment rate increased
Sundry income	-27%	No tender documents sold as tenders were uploaded on e-tender for suppliers to download, Witbank Dam being closed during lockdown and it was used as a quarantine facility, less rezoning done in the current year due to COVID as the service was not available during lockdown, bookings on municipal facilities were cancelled during lockdown as a results there were less breakages and losses on properties that are available for bookings at the municipality and there was a decrease in usage of the library books services public due to lock-down



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65. Budget differences (continued)

Finance costs	-33%	Relieves from Eskom to municipalities on interest rate charged on overdue municipal bulk accounts from prime plus 5 per cent to prime plus 2.65 per cent, payment terms being extended from 15 days to 30 days for municipal bulk accounts and payments received from municipalities will be allocated to capital first and then the interest
Debt impairment	-19%	Decrease in debtor's book, with low collection rate and loss of household income which will have an impact in debt recovery, however the consumers inability to pay was less than anticipated. Traffic fines older than the prescribed period written off as they are no longer valid, which then reduced traffic fines receivable as a result less provision was made on traffic fines

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to the annual report.

66. COVID- 19 Expenditure to date

Operational expenditure	-	1 431 609
Capital expenditure	-	13 941 974
	-	15 373 583

