



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

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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### 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

C N Nkalitshana

Speaker

M S Nkosi

Chief Whip

C P Maseko

Members of Mayoral committee

B H Maseko - MMC Community services

V J Mhlapho - MMC Development planning

N H Mokwana - MMC Corporate services

S F Msibi - MMC Financial services

K B Maphosa - MMC Environmental and waste

M B Hlumbane - MMC Technical services

MPAC Chairperson

C L Maraba

Councillors

M Bhamjee

A J J Brits

N F R Coetzer

S S Buthelezi

C J Conradie

L Nzondzi

P K Faduk

G D Gates

D H Grobler

M E Khoza

A B Khumalo

G S Koko

S H Kriel

B S Lekhuleni

B T Lukhele

D M Mabena

M T Maila

N E Maphanga

S C Maseko

T E Maseko

T A Maserumule

J J Masilela

G B Masilela

D D Mathaba

R S Mathebula

J S Mathebula

S T Mathelele

K M Mbethe

K M Mdau

R S Mekoa

Z P P Mngube

W N Moela

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

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	M E Morokolo D P Mpfi S A Mthimunye A J Mtsweni Y A Ndizana M C Nematata X A Nkosi D M Phahlamoraswi M Scheepers S M Schlachter M M Sekgala T C Shabalala K Silaule J L Sindane V M Soko L Steyn N R Thobela B P Thwala L Thwala S T Tjatji N S Tlapy L M Tolo M A Tswaledi W A Van Dyk L Viviers Z M Vorster
<b>Grading of local authority</b>	5
<b>Acting Chief Financial Officer (ACFO)</b>	L M Africa
<b>Accounting Officer</b>	H S Mayisela
<b>Registered office</b>	Civic centre Mandela street Emalahleni 1035
<b>Postal address</b>	P O Box 3 Emalahleni 1035
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	Auditor General of South Africa
<b>Central email contact details</b>	admin@emalahleni.gov.za
<b>Audit and performance committee members</b>	
Audit committee chairperson	F Mudau S J Masite P Ntuli T Gafane M Chamane

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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

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### Abbreviations used:

ABSA	Amalgated Banks of South Africa
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
UIF	Unemployment Insurance Fund
INCA	Infrastructure Finance corporation Limited
SARS	South African Revenue Services
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
AGSA	Auditor - General of South Africa
PPE	Property , plant and equipment
MIG	Municipal Infrastructure Grant

# **Emalahleni Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **Accounting Officer's Responsibilities and Approval**

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

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

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

The municipality is 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 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 10.

The annual financial statements set out on page 10, which have been prepared on the going concern basis, were approved by the on 31 August 2022 and were signed on its behalf by:

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**H S Mayisela**  
Accounting officer

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Audit Committee Report

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### AUDIT AND PERFORMANCE COMMITTEE ANNUAL REPORT 2021/22

We are pleased to present our report for the financial year ended 30 June 2022

#### Audit & Performance Committee Responsibility

The Audit & Performance 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 & Performance Committee also reports that it has adopted appropriate formal terms of reference as its Audit & Performance 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. During the 2021/2022 financial year, the term of the Audit Committee that was appointed by Council for the municipality ended and the municipality joined the shared audit committee services provided by the Nkangala District Municipality from February 2022.

#### 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 2021/2022 financial year and the attendance thereof by members:

Audit Committee Members appointed by the Municipality	Surname and Initial	Ordinary meeting	Special meetings
Total	Ngobeni SAB	3	4
7	Mangoma CP	3	3
6	Msibi N	3	3
6	Mathibela B	3	3
6			
Audit & Performance Committee Members appointed by the Nkangala District Municipality	Surname and Initial	Ordinary meeting	Special meetings
Total	Mudau F	1	2
3	Masite S.J.	1	2
3	Ntuli P.	1	2
3	Gafane T.	1	0
1	Chamane M.	0	1
1			

# **Emalahleni Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **Audit Committee Report**

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### **The Effectiveness of Internal Control**

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.

### **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).

### **Risk Management**

The APC 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.

### **Compliance with laws and regulations**

A number of non-compliance with the enabling laws and regulations were revealed by Audit & Performance 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.

### **Internal Audit**

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

### **Progress in implementation of Internal Audit and AGSA findings from prior year**

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

### **Implementations of Audit Committee Recommendations by management**

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# **Emalahleni Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

## **Audit Committee Report**

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

### **Draft Annual Financial Statements and Annual Performance 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.

### **Conclusion**

The Audit & Performance 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.

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**F Mudau**  
Chairperson of the Audit & Performance Committee  
Emalahleni Local Municipality  
August 2022



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Report

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

### 1. Review of activities

#### Main business and operations

Net deficit of the municipality was R 1 061 683 877 (2021: deficit R 1 058 856 122)

### 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 impact on the results of the municipality in adopting the above policies is reflected in note - to the annual financial statements.

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.

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.

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H S Mayisela  
Accounting officer

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	11	38 173 734	30 730 126
Receivables from exchange transactions	12	11 168 308	12 993 168
Receivables from non-exchange transactions	13	124 553 926	43 299 339
VAT receivable	14	503 378 328	358 274 852
Consumer debtors	15	933 005 007	786 445 935
Cash and cash equivalents	16	13 778 872	40 175 130
		<b>1 624 058 175</b>	<b>1 271 918 550</b>
<b>Non-Current Assets</b>			
Biological assets	3	2 691 549	4 386 274
Investment property	4	899 880 794	897 964 182
Property, plant and equipment	5	5 578 286 660	5 607 707 075
Intangible assets	6	8 921 923	1 391 857
Heritage assets	7	400 000	400 000
Other financial assets	8	1 064 426	1 174 306
		<b>6 491 245 352</b>	<b>6 513 023 694</b>
<b>Total Assets</b>		<b>8 115 303 527</b>	<b>7 784 942 244</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Loans	19	14 607 061	6 964 169
Finance lease obligation	17	6 738 085	538 694
Payables from exchange transactions	9	7 312 884 327	5 913 382 598
Consumer deposits	10	131 664 608	133 787 297
Unspent conditional grants and receipts	18	5 010 055	36 245 679
Provisions	20	89 631 087	88 008 049
Other liability 1		1 051	-
		<b>7 560 536 274</b>	<b>6 178 926 486</b>
<b>Non-Current Liabilities</b>			
Loans	19	-	22 193 049
Provisions	20	463 398 142	430 769 706
		<b>463 398 142</b>	<b>452 962 755</b>
<b>Total Liabilities</b>		<b>8 023 934 416</b>	<b>6 631 889 241</b>
<b>Net Assets</b>		<b>91 369 111</b>	<b>1 153 053 003</b>
Accumulated surplus		91 369 108	1 153 053 003
<b>Total Net Assets</b>		<b>91 369 108</b>	<b>1 153 053 003</b>

**Audited**  
**By**  
**2022 -11- 30**  
**Auditor General South Africa**  
**Mpumalanga Business Unit**

\* See Note 55

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	1 731 606 287	1 622 658 083
Rental of facilities and equipment	23	9 498 498	11 430 415
Commission received	25	42 608 868	43 406 128
Licences and permits	26	3 295 447	3 325 846
Sundry income	27	44 905 109	28 661 909
Fees earned	31	1 354 243	677 293
Interest received	32	229 370 404	311 506 300
Fair value adjustments		-	1 850 178
Actuarial gains	49	2 102 000	20 465 660
Dividends received	32	104 938	22 227
<b>Total revenue from exchange transactions</b>		<b>2 064 845 794</b>	<b>2 044 004 039</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	33	683 480 060	642 075 915
Interest - Taxation revenue	29	47 583 836	52 936 425
<b>Transfer revenue</b>			
Government grants & subsidies	35	635 986 624	604 358 144
Public contributions and donations	36	19 294 162	8 484 073
Fines	24	303 989 956	159 889 613
<b>Total revenue from non-exchange transactions</b>		<b>1 690 334 638</b>	<b>1 467 744 170</b>
<b>Total revenue</b>	21	<b>3 755 180 432</b>	<b>3 511 748 209</b>
<b>Expenditure</b>			
Employee related costs	37	(1 028 121 656)	(999 427 648)
Remuneration of councillors	38	(29 545 817)	(30 422 593)
Depreciation and amortisation	39	(276 326 433)	(275 907 744)
Impairment loss	40	(3 548 888)	(18 591 953)
Finance costs	41	(280 811 280)	(161 158 494)
Lease rentals on operating lease	28	(37 945 956)	(37 105 887)
Debt Impairment	43	(861 309 953)	(1 061 471 117)
Bulk purchases	45	(1 588 592 125)	(1 333 901 308)
Contracted services	46	(455 698 209)	(465 679 747)
Grants and Subsidies	34	(23 233 226)	(29 097 771)
Loss on disposal of assets	5	(2 922 401)	(10 295 726)
Fair value adjustments	50	(1 804 605)	-
Inventories losses/write-downs		(26 424 981)	-
General Expenses	44	(200 578 779)	(147 544 343)
<b>Total expenditure</b>		<b>(4 816 864 309)</b>	<b>(4 570 604 331)</b>
<b>Deficit for the year</b>		<b>(1 061 683 877)</b>	<b>(1 058 856 121)</b>

**Audited**  
**By**  
**2022 -11- 30**  
**Auditor General South Africa**  
**Mpumalanga Business Unit**

\* See Note 55

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

**Statement of Changes in Net Assets**

Figures in Rand	Accumulated surplus / deficit	Total net assets
<b>Balance as at 01 July 2020 as previously reported</b>	<b>3 700 210 161</b>	<b>3 700 210 161</b>
Prior period adjustments	(1 488 301 054)	(1 488 301 054)
<b>Restated balance as at 01 July 2020</b>	<b>2 211 909 113</b>	<b>2 211 909 113</b>
Deficit for the year	(1 058 856 122)	(1 058 856 122)
<b>Restated* Balance at 01 July 2021</b>	<b>1 153 052 990</b>	<b>1 153 052 990</b>
Deficit for the year	(1 061 683 877)	(1 061 683 877)
<b>Balance at 30 June 2022</b>	<b>91 369 108</b>	<b>91 369 108</b>
Note(s)		

**Audited**  
**By**  
**2022 -11- 30**  
**Auditor General South Africa**  
**Mpumalanga Business Unit**

\* See Note 55

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		1 031 102 914	773 939 495
Grants		640 996 679	640 603 823
Dividends received		104 938	22 227
Rates received		557 234 377	605 662 270
Interest received		276 954 240	364 442 725
		<u>2 506 393 148</u>	<u>2 384 670 540</u>
<b>Payments</b>			
Employee costs		(1 025 243 434)	(1 003 748 786)
Suppliers		(1 280 493 525)	(1 057 244 495)
Finance costs		(2 822 571)	(4 673 923)
Other payments		(23 233 226)	(29 097 771)
		<u>(2 331 792 756)</u>	<u>(2 094 764 975)</u>
<b>Net cash flows from operating activities</b>	47	<u><b>170 388 227</b></u>	<u><b>289 905 564</b></u>
<b>Cash flows from investing activities</b>			
Additions property, plant and equipment	5	(175 705 506)	(284 604 493)
Purchase of other intangible assets	6	(11 585 290)	-
<b>Net cash flows from investing activities</b>		<u><b>(187 290 796)</b></u>	<u><b>(284 604 493)</b></u>
<b>Cash flows from financing activities</b>			
Repayment of loans		(14 550 157)	(21 811 792)
Finance lease payments		1 670 029	343 833
<b>Net cash flows from financing activities</b>		<u><b>(12 880 128)</b></u>	<u><b>(21 467 959)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>(26 393 256)</b></u>	<u><b>(16 166 888)</b></u>
Cash and cash equivalents at the beginning of the year		40 175 130	56 342 018
<b>Cash and cash equivalents at the end of the year</b>	16	<u><b>13 781 874</b></u>	<u><b>40 175 130</b></u>

Audited  
By  
2022 -11- 30  
Auditor General South Africa  
Mpumalanga Business Unit

\* See Note 55

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	2 096 680 000	(60 412 081)	2 036 267 919	1 731 606 287	(304 661 632)	-15%
Rental of facilities and equipment	11 325 000	6 263 004	17 588 004	9 498 498	(8 089 506)	-46%
Commission received	45 320 000	-	45 320 000	42 608 868	(2 711 132)	-6%
Licences and permits	307 000	100 968	407 968	3 295 447	2 887 479	708%
Sundry income	36 257 000	25 014 569	61 271 569	44 905 109	(16 366 460)	-27%
Fees earned	-	-	-	1 354 243	1 354 243	100%
Interest received	374 390 000	(39 601 687)	334 788 313	229 370 404	(105 417 909)	-31%
Gains on disposal of assets	4 685 000	(3 083 569)	1 601 431	-	(1 601 431)	-100%
Dividends received	259 000	-	259 000	104 938	(154 062)	-59%
<b>Total revenue from exchange transactions</b>	<b>2 569 223 000</b>	<b>(71 718 796)</b>	<b>2 497 504 204</b>	<b>2 062 743 794</b>	<b>(434 760 410)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	763 760 000	(6 744 221)	757 015 779	683 480 060	(73 535 719)	-10%
Interest - Taxation revenue	-	-	-	47 583 836	47 583 836	100%
<b>Transfer revenue</b>						
Government grants & subsidies	609 751 000	31 705 407	641 456 407	635 986 624	(5 469 783)	-1%
Public contributions and donations	14 600 000	-	14 600 000	19 294 162	4 694 162	32%
Fines	37 788 000	(864 633)	36 923 367	303 989 956	267 066 589	723%
<b>Total revenue from non-exchange transactions</b>	<b>1 425 899 000</b>	<b>24 096 553</b>	<b>1 449 995 553</b>	<b>1 690 334 638</b>	<b>240 339 085</b>	
<b>Total revenue</b>	<b>3 995 122 000</b>	<b>(47 622 243)</b>	<b>3 947 499 757</b>	<b>3 753 078 432</b>	<b>(194 421 325)</b>	
<b>Expenditure</b>						
Employee related costs	(908 839 000)	(60 690 745)	(969 529 745)	(1 028 121 656)	(58 591 911)	6%
Remuneration of councillors	(32 499 000)	-	(32 499 000)	(29 545 817)	2 953 183	-9%
Depreciation and amortisation	(335 236 000)	88 500 000	(246 736 000)	(276 326 433)	(29 590 433)	12%
Impairment loss	-	-	-	(3 548 888)	(3 548 888)	100%
Finance costs	(218 615 000)	5 013 512	(213 601 488)	(280 811 280)	(67 209 792)	31%
Lease rentals on operating lease	-	-	-	(37 945 956)	(37 945 956)	100%
Debt Impairment	(784 782 000)	101 000 000	(683 782 000)	(861 309 953)	(177 527 953)	26%
Bulk purchases	(1 268 502 000)	77 597 693	(1 190 904 307)	(1 588 592 125)	(397 687 818)	33%
Contracted Services	(332 546 000)	(64 216 433)	(396 762 433)	(455 698 209)	(58 935 776)	15%
Grants and Subsidies	(2 000 000)	(2 150 000)	(4 150 000)	(23 233 226)	(19 083 226)	460%
General Expenses	(205 184 000)	(142 808 193)	(347 992 193)	(200 578 779)	147 413 414	-42%
<b>Total expenditure</b>	<b>(4 088 203 000)</b>	<b>2 245 834</b>	<b>(4 085 957 166)</b>	<b>(4 785 712 322)</b>	<b>(699 755 156)</b>	
<b>Operating deficit</b>	<b>(93 081 000)</b>	<b>(45 376 409)</b>	<b>(138 457 409)</b>	<b>(1 032 633 890)</b>	<b>(894 176 481)</b>	
Loss on disposal of assets and liabilities	(3 083 320)	3 083 320	-	(2 922 401)	(2 922 401)	100%
Fair value adjustments	-	-	-	(1 804 605)	(1 804 605)	100%
Actuarial gains/losses	-	-	-	2 102 000	2 102 000	100%

2022 -11- 30  
Auditor General South Africa  
Mpumalanga Business Unit

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Percentage
Figures in Rand						
Inventories losses/write-downs				- (26 424 981)	(26 424 981)	100%
	(3 083 320)	3 083 320		- (29 049 987)	(29 049 987)	
Deficit before taxation	(96 164 320)	(42 293 089)	(138 457 409)	(1 061 683 877)	(923 226 468)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(96 164 320)	(42 293 089)	(138 457 409)	(1 061 683 877)	(923 226 468)	
<b>Reconciliation</b>						

Reasons for material variances are on note 64



# Emalaheni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

Figures in Rand

Note(s)

2022

2021

### 1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

#### Trade receivables

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

The impairment for trade receivables is 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 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 20 - Provisions.

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Municipal Finance Management Act



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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.

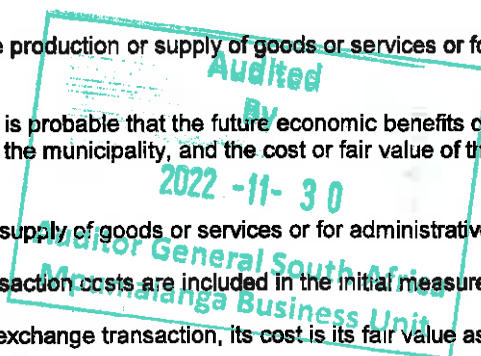
Land held is currently held for use in the production or supply of goods or services or for administrative purposes.

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.



# Emalaheni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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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.

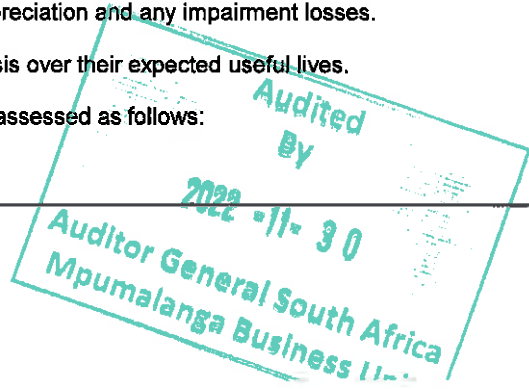
Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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:



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

Item	Average useful life
<b>Infrastructure</b>	
• Roads and paving	3-80 years
• Pedestrian malls	3-80 years
• Electricity	3-80 years
• Water	5-100 years
• Sewerage	10-80 years
<b>Community assets</b>	
• 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
<b>Finance lease assets</b>	
• Office equipment	3-15 years
<b>Heritage assets</b>	
• Buildings	
• Painting and artifacts	
<b>Other assets</b>	
• 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

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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## Accounting Policies

### 1.7 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

### 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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## Accounting Policies

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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 entity and a financial liability or a residual interest of another entity.

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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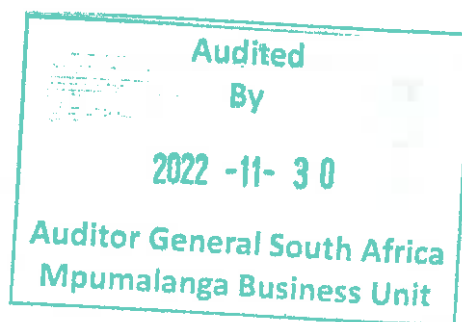
Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.10 Financial instruments (continued)

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



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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:

<b>Class</b>	<b>Category</b>
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:

<b>Class</b>	<b>Category</b>
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





# Emalaheni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 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.

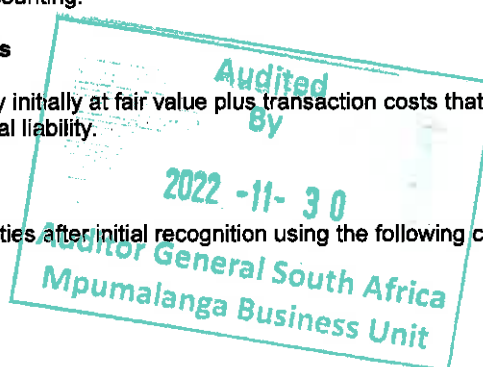
#### Impairment and uncollectibility of financial assets

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





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Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.10 Financial instruments (continued)

adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

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

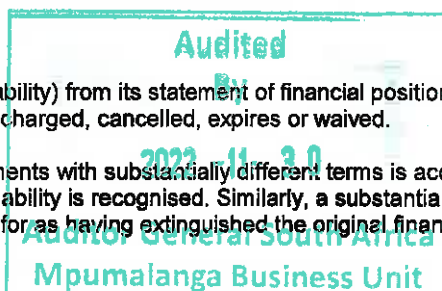
The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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.



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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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 Statutory receivables

#### Identification

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

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

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

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

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

#### Recognition

The municipality recognises statutory receivables as follows:

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

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

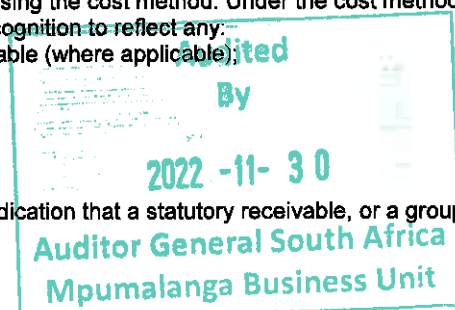
#### Subsequent measurement

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

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

#### Impairment losses

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



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.11 Statutory receivables (continued)

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

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

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

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

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

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

### 1.12 Leases

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

When a lease includes both land and buildings elements, the 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.

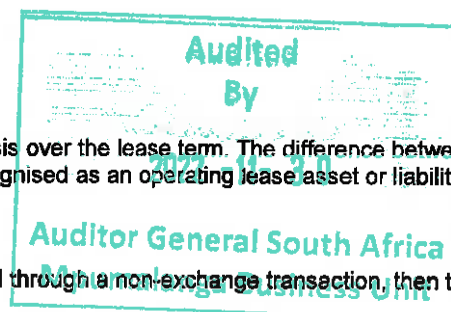
#### Operating leases - lessee

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.

### 1.13 Inventories

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

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



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.13 Inventories (continued)

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

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

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

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

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

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

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

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.

### 1.14 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 .

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.

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.15 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.

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.

#### Identification

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

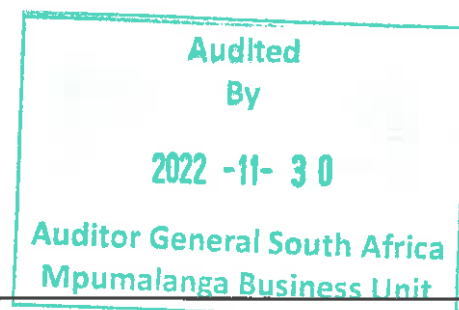
The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

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.





# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.15 Impairment of cash-generating assets (continued)

#### 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.

#### 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.



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.15 Impairment of cash-generating assets (continued)

#### Cash-generating units

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

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

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

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.



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.15 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.

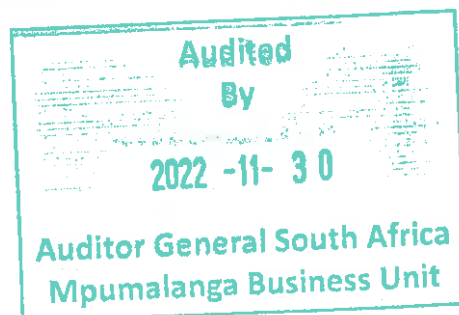
In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- 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.

### 1.16 Employee benefits

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





# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### 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.

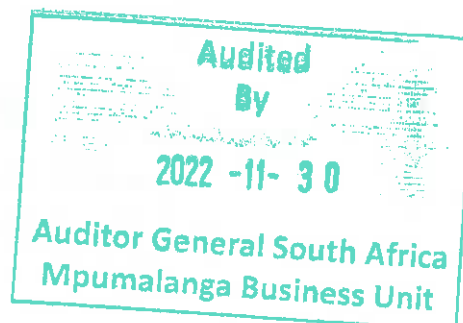
The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity 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.



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

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

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

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

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.16 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

### 1.17 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.

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.17 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating deficit.

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

A constructive obligation to restructure arises only when an entity:

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

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

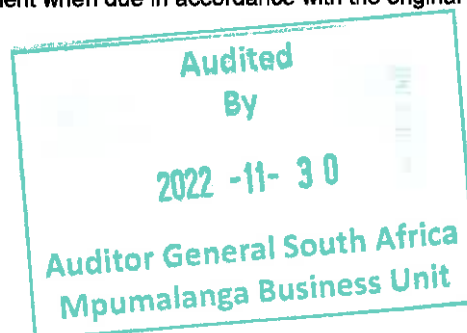
No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

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 52.

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.



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.17 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 1.15 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.

### 1.18 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.

### 1.19 Revenue from exchange transactions

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

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



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.19 Revenue from exchange transactions (continued)

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.

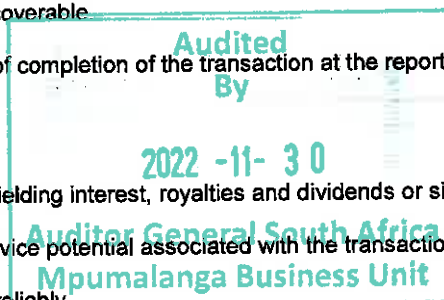
Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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

### 1.20 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.

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.



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

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.

### 1.21 Investment Income

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

### 1.22 Comparative figures

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

### 1.23 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.

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.23 Unauthorised expenditure (continued)

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.

### 1.24 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.

### 1.25 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.

### 1.26 Offsetting

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

### 1.27 Housing development fund

The Housing Development Fund was established in terms of the Housing Act (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 1.28 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.

### 1.29 Segment information

A segment is an activity of an entity:

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



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.29 Segment information (continued)

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

### 1.30 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.

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

The municipality considers any variance amount above the inflation of 10%.

### 1.31 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.

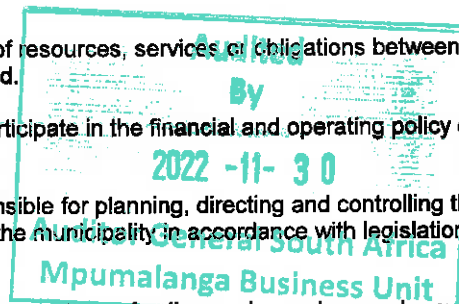
The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to 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.

### 1.32 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).



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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### 1.32 Events after reporting date (continued)

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.

### 1.33 Value Added Tax

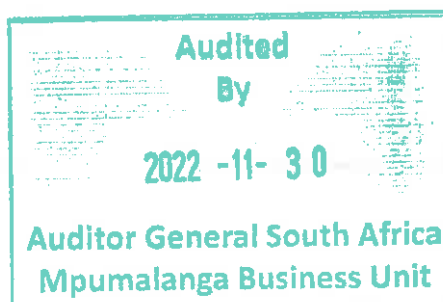
The municipality accounts for value added tax on an accrual basis. However the VAT paid / due to/by SARS is accounted for on a cash basis.

### 1.34 Prior period errors

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

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 2. New standards and Interpretations

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

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

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2009	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2009	Unlikely there will be a material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2009	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact



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

**Notes to the Annual Financial Statements**

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**3. Biological assets**

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game in nature reserve	2 691 549	-	2 691 549	4 386 274	-	4 386 274

**Reconciliation of biological assets - 2022**

	Opening balance	Fair value adjustment	Total
Game in nature reserve	4 386 274	(1 694 725)	2 691 549

**Reconciliation of biological assets - 2021**

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

**Pledged as security**

None of the Biological assets owned by the municipality has been pledged as a security.

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**Audited**  
**By**  
**2022 -11- 30**  
**Auditor General South Africa**  
**Mpumalanga Business Unit**

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 4. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	952 761 100	(52 880 306)	899 880 794	942 013 898	(44 049 716)	897 964 182

#### Reconciliation of investment property - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Investment property	897 964 182	5 225 887	(1 643 101)	(1 666 174)	899 880 794

#### Reconciliation of investment property - 2021

	Opening balance	Disposals	Impairments	Depreciation	Total
Investment property	903 313 347	(3 454 800)	(186 293)	(1 708 072)	897 964 182

#### 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

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

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#### 5. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	527 861 886	-	527 861 886	527 861 886	-	527 861 886
Buildings	1 372 548 930	(890 767 299)	481 781 631	1 370 620 630	(860 501 743)	510 118 887
Furniture and fixtures	45 431 893	(33 028 060)	12 403 833	29 805 387	(17 268 056)	12 537 331
Motor vehicles	148 671 016	(84 964 362)	63 706 654	123 894 676	(73 293 728)	50 600 948
Water	1 967 083 696	(726 182 332)	1 240 901 364	2 305 716 059	(1 080 140 312)	1 225 575 747
Other property, plant and equipment	33 084 769	(22 876 699)	10 208 070	32 152 742	(20 625 400)	11 527 342
Sewerage	1 989 111 577	(970 471 590)	998 639 987	1 944 770 192	(938 382 859)	1 006 387 333
Roads	3 424 765 291	(2 300 258 668)	1 124 506 623	3 390 992 799	(2 215 873 682)	1 175 119 117
emergency equipment	2 143 043	(2 107 662)	35 381	200 821	(146 152)	54 669
Electricity mains	2 078 489 610	(997 693 588)	1 080 796 022	2 006 678 752	(956 521 038)	1 050 157 714
Leased Assets	7 140 632	(1 675 644)	5 464 988	534 261	(43 590)	490 671
Tip sites	100 925 517	(69 909 324)	31 016 193	103 302 173	(67 077 970)	36 224 203
Library books	2 365 511	(1 401 483)	964 028	2 365 511	(1 314 284)	1 051 227
<b>Total</b>	<b>11 679 623 371</b>	<b>(6 101 336 711)</b>	<b>5 578 286 660</b>	<b>11 638 895 889</b>	<b>(6 231 188 814)</b>	<b>5 407 707 075</b>



## Emalaheni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

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

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

	Opening balance	Additions	Work in progress additions	Disposals	Transfers received	Cost adjustment	Other changes, movements	Depreciation	Impairment loss	Total
Land	527 861 886	-	-	-	-	-	-	-	-	527 861 886
Buildings	510 118 887	2 965 501	5 162 473	(488 404)	(2 965 500)	-	-	(32 933 976)	(79 349)	481 781 631
Furniture and fixtures	12 537 331	1 931 457	-	(31 917)	2 009 390	-	-	(3 959 684)	(82 744)	12 403 833
Motor vehicles	50 800 948	18 565 588	-	(72 415)	6 503 806	-	-	(11 535 855)	(355 418)	63 706 654
Water	1 225 675 747	8 676 755	64 034 305	(32 768)	(7 118 953)	-	-	(48 788 412)	(445 309)	1 240 901 364
Other property, plant and equipment	11 527 342	1 003 222	-	(90 461)	74 585	-	-	(2 138 323)	(168 295)	10 208 070
Sewerage	1 006 387 333	5 994 630	21 318 620	-	(3 012 843)	-	-	(31 345 770)	(701 983)	998 639 987
Roads	1 175 119 117	8 080 286	26 354 838	(68 029)	-	-	-	(84 875 188)	(104 400)	1 124 506 623
Emergency equipment	54 669	-	-	-	-	-	-	(19 288)	-	35 381
Electricity mains	1 050 157 714	51 565 736	44 484 653	(497 309)	(13 845 450)	-	-	(49 660 592)	(1 408 730)	1 080 796 022
Leased Assets	490 671	6 606 371	-	-	-	-	-	(1 625 901)	(6 153)	5 464 988
Tip sites	36 224 203	-	-	-	-	(4 740 275)	2 363 619	(2 634 849)	(196 505)	31 016 193
Library books	1 051 227	-	-	-	-	-	-	(87 199)	-	964 028
	<b>5 607 707 075</b>	<b>105 389 548</b>	<b>161 364 889</b>	<b>(1 279 303)</b>	<b>(18 364 965)</b>	<b>(4 740 275)</b>	<b>2 363 619</b>	<b>(270 605 037)</b>	<b>(3 648 886)</b>	<b>5 678 286 660</b>



## Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

### Notes to the Annual Financial Statements

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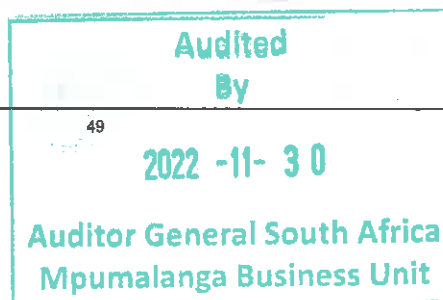
#### 5. Property, plant and equipment (continued)

##### 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	529 229 486	-	-	-	-	(1 367 600)	-	-	-	527 861 886
Buildings	538 475 429	-	9 019 132	(1 060 302)	-	-	-	(33 413 057)	(2 902 315)	510 118 887
Furniture and fixtures	15 637 388	1 685 928	-	-	-	(257 521)	(171)	(4 501 459)	(22 578)	12 537 331
Motor vehicles	43 207 443	21 422 521	-	-	-	(1 371 364)	-	(12 646 128)	(11 524)	50 600 948
Water	1 231 130 198	63 195 932	37 928 161	(56 608 613)	-	(276 664)	-	(49 030 205)	(763 062)	1 225 575 747
Other property, plant and equipment	12 583 005	1 709 499	-	-	-	(190 710)	14	(2 542 374)	(32 092)	11 527 342
Sewerage	968 676 254	29 515 604	68 740 220	(27 097 783)	-	(907 640)	-	(30 743 341)	(1 795 981)	1 006 387 333
Roads	1 246 327 536	4 907 002	9 641 043	-	-	(82 252)	-	(85 229 020)	(445 192)	1 175 119 117
Emergency equipment	75 876	-	-	-	-	-	-	(21 207)	-	54 669
Electricity mains	1 037 274 391	106 709 178	25 177 784	(58 737 892)	-	-	3 589	(47 836 424)	(12 432 912)	1 050 157 714
Leased Assets	230 861	534 260	-	-	-	-	-	(274 450)	-	490 671
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
	<b>5 657 576 659</b>	<b>229 679 924</b>	<b>150 506 340</b>	<b>(143 504 590)</b>	<b>9 665 689</b>	<b>(4 453 751)</b>	<b>(6 543)</b>	<b>(273 346 741)</b>	<b>(18 405 656)</b>	<b>5 607 707 075</b>

#### Pledged as security

None of the property, plant and equipment owned by the municipality has been pledged as a security.





# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

#### Work in progress projects taking long to complete

During the 2021/22 financial year the following work in progress projects taking long to complete due to budget constraints :

Construction and completion of sewer reticulation at Phola oyco and buffer zone	668 784
Construction and completion of sewer reticulation at phola	2 692 561
Empumelweni bulk outfall sewerline and pump station	4 631 821
Filter sand replacement for manganese treatment	14 632 486
Klarinet bulk water phase	7 551 545
Mig internal sewers for empumelweni	14 959 360
Paved road & storm water kwaguga ext 11 road	407 521
Paved road & storm water kwaguga ext 11	5 097 881
Paved road & storm water hlalanikahle	1 362 288
Paved roads klarinet	7 574 565
Upgrading of klipspruit wste water treatment works	13 285 330
	<b>72 864 142</b>

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

	Opening balance	Additions	Transfers	Closing balance
Buildings	7 958 828	5 162 473	(2 965 500)	10 155 801
Electricity	20 970 558	44 484 653	(13 845 450)	51 609 761
Roads and stormwater	17 752 908	26 354 837	-	44 107 745
Sanitation	168 805 415	21 318 620	(3 012 843)	187 111 192
Water	68 925 341	64 034 305	(7 118 953)	125 840 693
	<b>284 413 050</b>	<b>161 354 888</b>	<b>(26 942 746)</b>	<b>418 825 192</b>

#### Reconciliation of Work-In-Progress 2021

	Opening balance	Additions	Transfers	Closing balance
Buildings	-	9 019 130	(1 060 302)	7 958 828
Electricity	54 516 663	25 177 785	(58 723 891)	20 970 557
Roads and stormwater	8 111 865	9 641 043	-	17 752 908
Sanitation	127 162 981	68 740 216	(27 097 783)	168 805 414
Water	87 605 802	37 928 157	(56 608 618)	68 925 341
	<b>277 397 311</b>	<b>150 506 331</b>	<b>(143 490 594)</b>	<b>284 413 048</b>

#### 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	2 680 210	2 731 508
Contracted services - Equipment	18 342 269	17 963 786
Contracted services - Infrastructure assets	17 203 902	182 492 533
	<b>38 226 381</b>	<b>203 187 827</b>

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

**Emalaheni Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

**Notes to the Annual Financial Statements**

Figures in Rand

**6. Intangible assets**

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	13 830 063	(4 908 140)	8 921 923	9 065 319	(7 673 462)	1 391 857

**Reconciliation of Intangible assets - 2022**

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 391 857	11 585 290	(4 055 224)	8 921 923

**Reconciliation of intangible assets - 2021**

	Opening balance	Amortisation	Total
Computer software, other	2 244 774	(852 917)	1 391 857

**Pledged as security**

None of the Intangible assets owned by the municipality has been pledged as a security.

**Audited**  
By  
**2022 -11- 30**  
**Auditor General South Africa**  
**Mpumalanga Business Unit**

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

**Notes to the Annual Financial Statements**

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**7. Heritage assets**

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Sculptures	400 000	-	400 000	400 000	-	400 000

**Reconciliation of heritage assets 2022**

Sculptures

Opening balance	Total
400 000	400 000

**Reconciliation of heritage assets 2021**

Sculptures

Opening balance	Total
400 000	400 000

**Pledged as security**

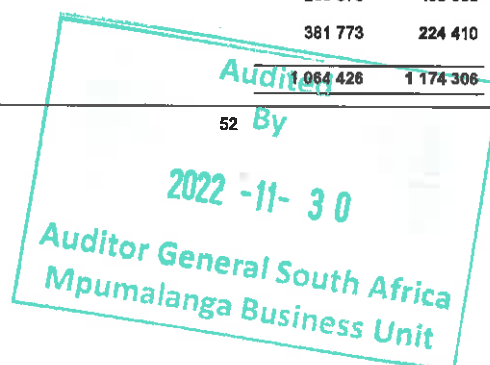
None of the heritage assets owned by the municipality has been pledged as a security.

**8. Other financial assets**

**Designated at fair value**

Listed shares - Old mutual	448 778	546 833
Listed shares - Qullter	233 875	403 063
Listed shares - Nedbank	381 773	224 410
	<u>1 064 426</u>	<u>1 174 306</u>

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# Emalaheni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>8. Other financial assets (continued)</b>		
<b>Non-current assets</b>		
Designated at fair value	1 064 426	1 174 306
<b>9. Payables from exchange transactions</b>		
Trade payables	7 061 335 102	5 662 490 653
Payments received in advanced	106 612 956	111 556 874
Other creditors	64 693 403	52 884 082
Retentions	50 302 018	48 246 198
Market agency	31 528	197 696
Deposits other	29 909 320	38 007 095
	<b>7 312 884 327</b>	<b>5 913 382 598</b>
<b>10. Consumer deposits</b>		
Electricity	78 719 355	80 572 434
Water	52 779 036	52 359 943
Housing rental	166 217	854 920
	<b>131 664 608</b>	<b>133 787 297</b>
<b>11. Inventories</b>		
Consumable stores	35 139 831	24 404 122
Water stock	1 789 018	551 850
Face value documents	66 140	75 531
Purification material	1 178 745	5 698 623
	<b>38 173 734</b>	<b>30 730 126</b>
<b>12. Receivables from exchange transactions</b>		
Other receivables	751 294	1 394 540
Housing / Ervens loans	10 357 014	11 509 848
Recoverable projects	60 000	88 780
	<b>11 168 308</b>	<b>12 993 168</b>
<b>13. Receivables from non-exchange transactions</b>		
Traffic Fines	342 599 993	250 309 006
Less : impairment	(276 693 620)	(207 140 297)
Consumer debtors - Rates	909 536 452	783 290 769
Less : Allowance for impairment - Rates	(850 888 899)	(783 160 139)
	<b>124 553 926</b>	<b>43 299 339</b>
<b>Rates - Net balance</b>		
Current (0-30 days)	-	12 603
31-60 days	14 276 074	18 904
61-90 days	14 227 100	25 206
91-120 days	14 568 731	15 123
121 -365 days	10 796 114	22 685
>365 days	4 779 533	36 109
	<b>58 647 552</b>	<b>130 630</b>



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>13. Receivables from non-exchange transactions (continued)</b>		
<b>Total receivables from non-exchange transactions</b>	<b>124 553 926</b>	<b>43 299 339</b>
<b>14. VAT receivable</b>		
VAT	503 378 328	358 274 852
<b>15. Consumer debtors</b>		
<b>Gross balances</b>		
Electricity	1 662 602 709	1 580 574 507
Water	2 073 781 423	1 832 443 459
Sewerage	719 105 316	668 117 224
Refuse	488 951 799	435 443 919
Other (specify)	610 008 695	440 528 060
	<b>5 554 449 942</b>	<b>4 957 107 169</b>
<b>Less: Allowance for impairment</b>		
Electricity	(1 240 104 785)	(1 154 913 315)
Water	(1 930 267 985)	(1 820 482 197)
Sewerage	(713 105 866)	(612 928 330)
Refuse	(467 696 718)	(434 148 957)
Other (specify)	(270 269 581)	(148 188 435)
	<b>(4 621 444 935)</b>	<b>(4 170 661 234)</b>
<b>Net balance</b>		
Electricity	422 497 924	425 661 192
Water	143 513 438	11 961 262
Sewerage	5 999 450	55 188 894
Refuse	21 255 081	1 294 962
Other (specify)	339 739 114	292 339 625
	<b>933 005 007</b>	<b>786 445 935</b>
<b>Electricity</b>		
Current (0 -30 days)	42 901 110	43 236 182
31 - 60 days	64 351 665	64 854 273
61 - 90 days	85 802 220	86 472 363
91 - 120 days	51 481 332	51 883 418
121 - 365 days	77 221 998	77 825 127
> 365 days	100 739 599	101 389 829
	<b>422 497 924</b>	<b>425 661 192</b>
<b>Water</b>		
Current (0 -30 days)	4 376 517	366 040
31 - 60 days	3 212 135	268 654
61 - 90 days	3 635 583	304 070
91 - 120 days	3 388 877	283 436
121 - 365 days	3 009 430	251 701
> 365 days	125 890 896	10 487 361
	<b>143 513 438</b>	<b>11 961 262</b>



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>15. Consumer debtors (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	292 085	2 759 444
31 - 60 days	876 254	8 278 334
61 - 90 days	1 460 423	13 797 224
91 - 120 days	584 169	5 518 889
121 - 365 days	1 910 265	8 278 334
> 365 days	876 254	16 556 669
	<b>5 999 450</b>	<b>55 188 894</b>
<b>Refuse</b>		
Current (0 -30 days)	785 316	51 216
31 - 60 days	547 964	35 737
61 - 90 days	512 170	33 402
91 - 120 days	481 837	3 142 420
121 - 365 days	496 802	32 400
> 365 days	18 430 992	(2 000 213)
	<b>21 255 081</b>	<b>1 294 962</b>
<b>Other (specify)</b>		
Current (0 -30 days)	17 126 453	14 616 981
31 - 60 days	51 379 359	43 850 944
61 - 90 days	34 252 906	2 923 362
91 - 120 days	51 379 358	43 850 944
121 - 365 days	51 379 359	43 850 944
> 365 days	134 221 679	143 246 450
	<b>339 739 114</b>	<b>292 339 625</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(4 416 546 733)	(856 517 747)
Contributions to allowance	(204 898 202)	3 314 143 487
	<b>(4 621 444 935)</b>	<b>(4 170 661 234)</b>
<b>16. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Collateral investments	262 470	254 678
Bank balances	(6 416 838)	8 776 084
Market accounts	31 528	197 696
Call Accounts	19 886 040	30 915 609
Petty cash	15 672	31 063
	<b>13 778 872</b>	<b>40 175 130</b>



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
ABSA BANK -Main account - 1360-000-091	8 251 828	5 228 438	12 089 807	(14 028 398)	17 400 082	13 010 564
ABSA BANK - Licensing - 4080-890-928	6 560 474	163 593	1 896 420	5 588 051	(237 566)	341 722
ABSA BANK - Traffic fines - 4080-890-910	1 855 393	379 300	736 937	1 857 332	(8 386 431)	(153 743)
ABSA BANK - Market - 1360-000-067	31 528	197 696	221 968	197 696	197 696	221 968
ABSA BANK - MIG call - 4080-885-959	2 159 787	16 694 114	36 005 453	2 159 787	16 694 105	36 005 444
ABSA BANK - DOE call - 4080-886-078	11 843 426	5 342 576	4 111 887	11 843 426	5 342 576	4 111 887
ABSA BANK -cheque account - 4081-372-218	5 882 836	8 878 177	2 530 677	5 882 836	8 878 928	2 531 427
NEDBANK BANK - Collateral	9 803	197 146	192 662	9 803	197 146	192 662
FNB Collateral	252 667	57 531	55 024	252 667	57 531	55 024
Petty cash	-	-	-	15 672	31 063	25 063
<b>Total</b>	<b>36 847 742</b>	<b>37 138 571</b>	<b>57 840 835</b>	<b>13 778 872</b>	<b>40 175 130</b>	<b>56 342 018</b>

### 17. Finance lease obligation

### 18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal revenue enhancement	9 804	9 804
Provincial treasury	5 000 000	-
Intergrated national electrical programme	-	8 546 526
Neighbourhood development partnership grant	251	251
Equitable shares	-	27 689 098
	<b>5 010 055</b>	<b>36 245 679</b>

See note 35 for reconciliation of grants from National/Provincial Government.

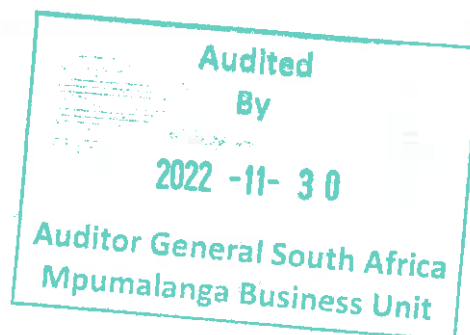


# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>19. Other financial liabilities</b>		
<b>At amortised cost</b>		
<b>Development Bank of South Africa</b>	9 843 997	19 631 099
The municipality has entered into the following agreements with Nedbank		
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 4 668 261.00 bi-annually.		
2. The loan amount is R 2 350 123.00 for a period of 15 years with a redeemable date 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 a period of 15 years with a redeemable date 30 June 2022 , The applicable interest rate 9.34% per annum with an installment of R 839 820.00 bi-annually.		
<b>Nedbank</b>	4 763 064	9 526 118
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 5 154 352.23.00 bi-annually.		
	<b>14 607 061</b>	<b>29 157 217</b>
<b>Total other financial liabilities</b>	<b>14 607 061</b>	<b>29 157 217</b>
<b>Non-current liabilities</b>		
At amortised cost	-	22 193 049
<b>Current liabilities</b>		
At amortised cost	14 607 061	6 964 169





# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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### 20. Provisions

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Interest	Reduction	Total
Landfill sites	200 548 706	2 535 219	21 759 231	(22 467 014)	202 376 142
Employee benefit cost	230 221 000	30 801 000	-	-	261 022 000
Provisions for staff leave	88 008 049	1 623 038	-	-	89 631 087
	<b>518 777 755</b>	<b>34 959 257</b>	<b>21 759 231</b>	<b>(22 467 014)</b>	<b>553 029 229</b>

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Interest	Total
Landfill 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
	<b>466 814 048</b>	<b>35 757 171</b>	<b>16 206 536</b>	<b>518 777 755</b>

Non-current liabilities

463 398 142

430 769 706

Current liabilities

89 631 087

88 008 049

**553 029 229**

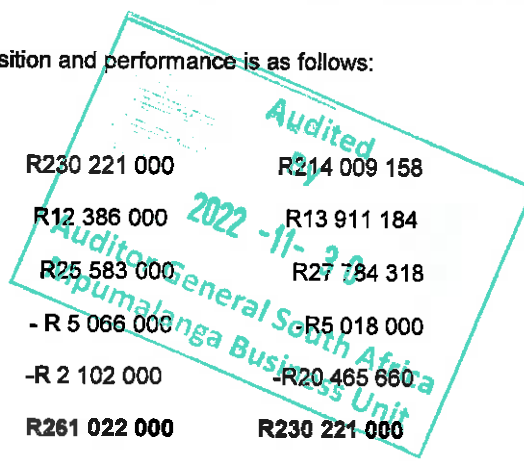
**518 777 755**

#### Post employment medical aid benefits.

The Municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme. All existing continuation members (pensioners) will continue to receive a 60% subsidy subject to the maximum (CAP) amount of R 5007 (per month per employee) for the period from 1 July 2022 to 30 June 2023.

The amounts recognised in the statement of financial position and performance is as follows:

Accrued Liability as 30 June 2021	R230 221 000	R214 009 158
Current Service Cost	R12 386 000	R13 911 184
Interest Cost	R25 583 000	R27 784 318
Benefit paid	- R 5 066 000	R5 018 000
Actuarial Loss/(Gain)	-R 2 102 000	-R20 465 660
Accrued Liability as at 30 June 2022	<b>R261 022 000</b>	<b>R230 221 000</b>



The post-employment benefit plan is wholly unfunded. Contributions to the medical aid are Defined benefit plan.

#### Assumptions for actuarial valuation

Assumptions for actuarial valuation Assumptions made from the actuarial valuation as at 30 June 2022 were as follows:

2022

2021

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 20. Provisions (continued)

Discount rate	13.00 %	7.41 %
Consumer inflation	8.85 %	4.75 %
Medical inflation	10.35 %	6.25 %
Net Effective Discount rate	2.40%	1.09%
Maximum subsidy inflation rate	75% of inflation	75% of inflation
Average retirement Age (years)	63	63
Normal retirement age (years)	65	65



#### Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

#### Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rate of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa. We have illustrated the effect of higher and lower

#### 2022

	-20% Mortality rate	Valuation assumption	+20% Mortality rate
Total accrued Liability	R280 386 000	R261 022 000	R244 533 000
Interest Cost	R34 453 000	R32 045 000	R29 992 000
Service Cost	R14 341 000	R13 337 000	R12 467 000

#### 2021

	-20% Mortality rate	Valuation assumption	+20% Mortality rate
Total accrued Liability	R249 054 000	R230 221 000	R214 356 000
Interest Cost	R27 707 000	R12 386 000	R23 793 000
Service Cost	R13 418 000	R12 386 000	R11 504 000

#### Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees. We have tested the effect of a 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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2021

### 20. Provisions (continued)

#### 2022

	-1% Mortality rate	Valuation assumption	+1% Mortality rate
Total accrued Liability	R245 731 000	R261 022 000	R271 593 000
Interest Cost	R30 132 000	R32 045 000	R 33 361 000
Service Cost	R12 453 000	R13 337 000	R13 899 000

#### 2021

	-1% Mortality rate	Valuation assumption	+1% Mortality rate
Total accrued Liability	R215 892 000	R230 21 000	R240 277 000
Interest Cost	R23 954 000	R25 583 000	R26 723 000
Service Cost	R11 470 000	R12 386 000	R12 990 000

### 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.

### 21. Revenue

Service charges	1 731 606 287	1 622 658 083
Rental of facilities and equipment	9 498 498	11 430 415
Agency services	42 608 868	43 406 128
Licences and permits	3 295 447	3 325 846
Sundry income	44 905 109	28 661 909
Fees earned	1 354 243	677 293
Interest received	229 370 404	311 506 300
Dividends received	104 938	22 227
Property rates	683 480 060	642 075 915
Government grants & subsidies	635 986 624	604 358 144
Public contributions and donations	19 294 162	8 484 073
Fines	303 989 956	159 889 613
	<b>3 705 494 596</b>	<b>3 436 495 946</b>

**Audited**  
**By**  
**2022 -11- 30**  
**Auditor General South Africa**  
**Mpumalanga Business Unit**

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>21. Revenue (continued)</b>		
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	1 731 606 287	1 622 658 083
Rental of facilities and equipment	9 498 498	11 430 415
Agency services	42 608 868	43 406 128
Licences and permits	3 295 447	3 325 846
Sundry income	44 905 109	28 661 909
Fees earned	1 354 243	677 293
Interest received	229 370 404	311 506 300
Dividends received	104 938	22 227
	<b>2 062 743 794</b>	<b>2 021 688 201</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	683 480 060	642 075 915
<b>Transfer revenue</b>		
Government grants & subsidies	635 986 624	604 358 144
Public contributions and donations	19 294 162	8 484 073
Fines	303 989 956	159 889 613
	<b>1 642 750 802</b>	<b>1 414 807 745</b>
<b>22. Service charges</b>		
Sale of electricity	948 445 426	932 765 363
Sale of water	503 105 554	428 649 017
Sewerage and sanitation charges	143 032 342	138 820 927
Refuse removal	137 022 965	122 422 776
	<b>1 731 606 287</b>	<b>1 622 658 083</b>
<b>23. Rental of facilities and equipment</b>		
Premises	11 027 009	8 460 247
Premises	947 478	1 477 881
Venue hire	-	6 182
Rental of furniture	<b>11 974 487</b>	<b>9 944 310</b>
<b>Facilities and equipment</b>		
Rental of equipment	(2 475 989)	1 486 105
	<b>9 498 498</b>	<b>11 430 415</b>
<b>24. Fines</b>		
Building Fines	2 054 848	1 687 665
Illegal Connections Fines	115 743	982 844
Law Enforcement Fines	544 603	452 861
Overdue Books Fines	2	91
Municipal Traffic Fines	301 274 760	156 766 152
	<b>303 989 956</b>	<b>159 889 613</b>



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>25. Commission received</b>		
Collection commission	2 836 027	2 818 128
Fees - Prov. Monies	39 772 841	40 588 000
	<b>42 608 868</b>	<b>43 406 128</b>
<b>26. Licences and permits</b>		
Drivers licences	2 725 167	2 777 874
Flammable liquid licences	403 994	261 115
Hawkers association	159 941	270 857
Health Certificates	6 345	16 000
	<b>3 295 447</b>	<b>3 325 846</b>
<b>27. Sundry income</b>		
Administrative handling fees	5 051 573	4 089
Advertisements	4 542 810	4 165 608
Amendment fees	755 475	495 801
Breakages and losses recovered	5 224	4
Building plan	5 259 442	4 701 566
Cemetery and burial	2 105 013	2 373 151
Clearance certificates	1 063 813	4 477
Collection charges	64 030	7 007
Community and social services	315	35
Construction education and training SETA	1 448 314	1 501 019
Entrance fees	1 083 642	417 725
Fire services	178 167	127 013
Incidental cash surplus	420	890
Insurance refund	935 088	2 102 783
Merchandising jobbing and contracts	20 746 692	9 354 996
Operational revenue	1 300	-
Plan printing and duplicates	1 684 260	3 222 012
Proceeds from sale of stands	-	200
Staff recoveries	(97 000)	130 773
Valuation rolls	20 177	14 236
Photocopies	56 354	38 525
	<b>44 905 109</b>	<b>28 661 910</b>
<b>28. Lease rentals on operating lease</b>		
Lease rentals on operating lease - Other		
Contractual amounts	37 945 956	37 105 887
<b>29. Interest from non-exchange receivables</b>		
Interest - Taxation revenue	47 583 836	52 936 425
<b>30. Other revenue</b>		
Sundry income	44 905 109	28 661 909
Fees earned	1 354 243	677 293
	<b>46 259 352</b>	<b>29 339 202</b>



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>31. Fees earned</b>		
Information	1 326 598	671 532
Library books	655	1 736
Parking	26 990	4 025
	<b>1 354 243</b>	<b>677 293</b>
<b>32. Investment revenue</b>		
<b>Dividend revenue</b>		
Listed financial assets - Local	104 938	22 227
<b>Interest revenue</b>		
Interest charged on trade and other receivables	229 370 404	311 506 300
	<b>229 475 342</b>	<b>311 528 527</b>
<b>33. Property rates</b>		
<b>Rates received</b>		
Property rates	683 480 060	642 075 915
<b>Valuations</b>		
Residential	39 408 900 200	39 155 493 200
Commercial	8 653 506 900	9 226 638 000
State	1 202 384 400	1 202 384 400
Municipal	2 267 682 250	2 270 864 250
Other (Agricultural, mining, etc)	8 493 688 920	7 975 371 920
	<b>60 026 162 670</b>	<b>59 830 751 770</b>
<b>34. Transfer and subsidies</b>		
<b>Other subsidies</b>		
Grants and subsidies paid to indigents	23 233 226	29 097 771

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# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 35. Government grants & subsidies

#### Operating grants

Equitable share	453 893 098	429 235 902
Municipal Infrastructure Grant	9 613 606	5 957 300
National Treasury (Fin.Man.Grant)	3 000 000	3 000 000
Expanded Public Works Programme	6 015 000	4 846 000
	<b>472 521 704</b>	<b>443 039 202</b>

#### Capital grants

Municipal Infrastructure Grant	117 418 394	111 726 700
Intergrated National Electrical Programme	46 046 526	27 391 474
Human Settlement Grant	-	200 768
Water Service Infrastructure Grant	-	22 000 000
	<b>163 464 920</b>	<b>161 318 942</b>
	<b>635 986 624</b>	<b>604 358 144</b>

#### 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 R 250 (2021: R 237), which is funded from the grant.

#### Extended public works incentive

Current-year receipts	6 015 000	4 846 000
Conditions met - transferred to revenue	(6 015 000)	(4 846 000)
	-	-

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.

#### Municipal Infrastructure grant

Current-year receipts	127 032 000	117 684 000
Conditions met - transferred to revenue	(127 032 000)	(117 684 000)
	-	-

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

#### Financial management grant

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

This grant was used to promote and support reforms in 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
--------------------------------------	-------	-------

This grant was used to install services to new settlements.



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>35. Government grants &amp; subsidies (continued)</b>		
<b>Provincial treasury</b>		
Current-year receipts	5 000 000	-
<b>Integrated national electrical programme</b>		
Balance unspent at beginning of year	8 546 526	35 938 000
Current-year receipts	37 500 000	-
Conditions met - transferred to revenue	(46 046 526)	(27 391 474)
	-	<b>8 546 526</b>



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.

### 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 the life of residents in targeted undeserved neighbourhoods.

### Human settlement grant

Current-year receipts	-	200 768
Conditions met - transferred to revenue	-	(200 768)
	-	-

This grant was used to improve service delivery in municipalities as part of the upgrading of informal and formal settlements.

### Water service infrastructure grant

Balance unspent at beginning of year	-	22 000 000
Conditions met - transferred to revenue	-	(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.

## 36. Public contributions and donations

Furniture and equipment	19 294 162	8 484 073
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Conditions still to be met - remain liabilities (see note 18)



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 37. Employee related costs

Basic	600 160 297	575 944 275
Bonus	39 919 766	41 141 432
Medical aid - company contributions	60 677 437	59 604 102
UIF	3 610 371	2 701 634
Leave pay provision charge	11 583 584	41 453 443
Short term benefit	58 507 151	55 911 997
Defined contribution plans	111 228 160	108 194 757
Overtime payments	103 284 729	95 141 950
Long-service awards	456 863	-
Housing benefits and allowances	3 587 495	3 632 948
Contributions - Group insurance	2 202 803	1 789 926
Current service costs	32 903 000	13 911 184
	<b>1 028 121 656</b>	<b>999 427 648</b>

#### Remuneration of municipal manager : H S Mayisela

Annual Remuneration	1 222 238	1 195 671
Cellphone allowance	48 000	48 000
Contributions to UIF, Medical and Pension Funds	435 710	460 874
Tracel allowance	329 454	330 857
Other	231 157	2 500
	<b>2 266 559</b>	<b>2 037 902</b>

Appointed from 30 June 2018 to date.

#### Remuneration of executive director - finance : P J Hlatshwayo

Annual Remuneration	795 126	1 077 163
Cellphone Allowance	36 000	36 000
Contributions to UIF, Medical and Pension Funds	276 611	429 584
Travel allowance	126 000	653 769
Other	80 774	374 519
	<b>1 314 511</b>	<b>2 571 035</b>

Appointed from 01 July 2016 to 31 March 2022

#### Remuneration of executive director - Community services : S Matlebjoane

Annual Remuneration	-	545 041
Cellphone Allowance	-	21 000
Contributions to UIF, Medical and Pension Funds	-	280 403
Travel allowance	-	382 434
Other	-	273 832
	-	<b>1 502 710</b>

Appointed from 01 November 2014 to January 2021.

#### Remuneration of executive director - Corporate services : J M Vilane

Annual Remuneration	-	600 448
Cellphone Allowance	-	18 450
Contributions to UIF, Medical and Pension Funds	-	232 455
Travel allowance	-	340 421
Other	-	265 954
	-	<b>1 457 728</b>

# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

### 37. Employee related costs (continued)

#### Remuneration of executive director - Environmental services : S F Maseko

Annual Remuneration	-	544 255
Cellphone Allowance	-	18 000
Contributions to UIF, Medical and Pension Funds	-	163 269
Travel allowance	-	336 525
Other	-	150 537
	<b>-</b>	<b>1 212 586</b>

Appointed from 01 January 2016 to December 2020

#### Remuneration of executive director - Infrastructure services : T M Lelaka

Annual Remuneration	1 060 168	1 045 830
Cellphone Allowance	36 000	36 000
Contributions to UIF, Medical and Pension Funds	368 579	365 014
Travel allowance	168 000	168 000
Other	12 400	8 389
	<b>1 645 147</b>	<b>1 623 233</b>

Appointed from 01 July 2018 to date

#### Remuneration of executive director - Development planning - M A Monyepao

Annual Remuneration	787 378	785 994
Cellphone Allowance	36 000	36 000
Contributions to UIF, Medical and Pension Funds	249 759	249 418
Travel allowance	377 910	379 636
Other	151 534	1 000
	<b>1 602 581</b>	<b>1 452 048</b>



Appointed from 01 January 2019 to 30 June 2022

#### Remuneration of acting executive director community services : L Ntuli

Annual Remuneration	773 394	320 285
Cellphone Allowance	32 667	15 000
Travel allowance	390 701	158 755
Contributions to UIF, Medical and Pension Funds	246 600	93 690
Other	166 519	108 705
	<b>1 609 881</b>	<b>696 435</b>

Acting from 04 January 2021 to date

#### Remuneration of acting executive director environmental services : E J Nkabinde

Annual Remuneration	773 394	384 342
Travel Allowance	374 024	183 141
Cellphone allowance	24 000	12 000
Contributions to UIF, Medical and Pension Funds	246 600	112 428
Other	141 966	57 216
	<b>1 559 984</b>	<b>749 127</b>

Acting from 04 January 2021 to date

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Figures in Rand	2022	2021
<b>37. Employee related costs (continued)</b>		
<b>Remuneration of acting executive director corporate services : G Swan</b>		
Annual Remuneration	773 394	320 285
Travel Allowance	386 225	156 769
Cellphone allowance	35 000	15 000
Contributions to UIF, Medical and Pension Funds	246 600	93 690
Other	235 023	90 078
	<b>1 676 242</b>	<b>675 822</b>

Acting from 18 January 2021 to date

### Remuneration of acting executive director financial services : L M Africa

Annual Remuneration	220 431	-
Travel Allowance	77 598	-
Cellphone allowance	9 000	-
Contributions to UIF, Medical and Pension Funds	62 796	-
Other	23 805	-
	<b>393 630</b>	<b>-</b>

Acting from 01 April 2022 to date

### 38. Remuneration of councillors

Executive Major	983 343	923 652
Speaker	877 234	766 605
Mayoral Committee Members	4 805 633	5 238 831
Chief Whip	762 089	706 642
Councillors	19 070 178	19 754 732
Councillors' pension contribution	3 047 340	3 032 131
	<b>29 545 817</b>	<b>30 422 593</b>



### In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor has use of a Council owned vehicle and driver for official duties. The executive mayor has a personal assistant her in her duties

The remuneration of the political office-bearers, speaker and councillors are within the upper limits as determined by the framework envisaged in section 219 of the constitution.

### 39. Depreciation and amortisation

Property, plant and equipment	270 605 036	273 346 755
Investment property	1 666 174	1 708 072
Intangible assets	4 055 223	852 917
	<b>276 326 433</b>	<b>275 907 744</b>

### 40. Impairment loss

<b>Impairments</b>		
Property, plant and equipment	3 548 888	18 405 659
Investment property	-	186 294
	<b>3 548 888</b>	<b>18 591 953</b>

# Emalahleni Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>41. Finance costs</b>		
Eskom account	273 784 616	140 273 602
Finance leases	285 654	4 433
Long term liabilities	2 536 917	4 673 923
Landfill sites	4 204 093	16 206 536
	<b>280 811 280</b>	<b>161 158 494</b>
<b>42. Auditors' remuneration</b>		
Fees	9 117 127	10 928 207
<b>43. Debt impairment</b>		
Bad debts	83 377 399	250 126 535
Contributions to debt impairment provision	518 512 461	631 740 920
Traffic fines	259 420 093	179 603 662
	<b>861 309 953</b>	<b>1 061 471 117</b>
<b>44. General expenses</b>		
Advertising	1 199 207	999 477
Auditors remuneration	9 117 127	10 928 207
Bank charges	5 520 092	5 450 587
Cleaning	382 371	43 146
Computer expenses	-	69 429
Discount allowed	35 614 853	13 415 617
Entertainment	171 190	242 122
Rentals	49 590	70 654
Animal Costs	228 660	121 620
Hire	382 312	256 393
Insurance	292 616	715 378
Burial costs	114 425	91 795
Levies	8 363 717	6 693 257
Motor vehicle expenses	6 836 658	6 412 916
Fuel and oil	20 233 090	20 569 870
Postage and courier	2 019 667	2 127 961
Printing and stationery	3 496 410	2 264 809
Promotions	805 275	70 450
Protective clothing	1 523 579	2 208 183
Maintenance buildings	170 798	-
Business and advisory	810 577	-
Royalties and license fees	-	2 005 392
Staff welfare	245 018	1 123 847
Subscriptions and membership fees	10 779 228	10 068 995
Telephone and fax	7 425 037	8 049 395
Transport and freight	879 272	39 660
Training	1 302 939	1 659 628
Travel - local	609 539	422 502
Connection fee	5 008 909	66 991
Employee wellness	876 601	1 189 155
Legal costs	257 070	8 114 948
Catering	116 691	40 152
Materials	71 231 405	41 038 831
Workmens compensation	3 860 700	192 835
Gardening services	654 156	780 141
	<b>200 578 779</b>	<b>147 544 343</b>



# Emalahleni Local Municipality

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Figures in Rand	2022	2021
<b>45. Bulk purchases</b>		
Electricity - Eskom	1 447 140 783	1 215 687 388
Water	141 451 342	118 213 920
	<b>1 588 592 125</b>	<b>1 333 901 308</b>
<b>Electricity losses</b>		
Units purchased	1 019 176 782	1 014 926 031
sales	(353 095 870)	(719 813 745)
<b>Real losses in units</b>	<b>666 080 912</b>	<b>295 112 286</b>
Comprising of:		
Prepaid sales	(124 065 998)	(130 433 527)
Actual sales	(477 161 868)	(522 343 070)
Internal consumption	(28 507 250)	(21 052 869)
Inherent losses @ 12% of financial losses	(122 301 214)	(45 984 279)
<b>Total</b>	<b>(752 036 330)</b>	<b>(719 813 745)</b>
Percentage Loss	38 %	29 %
Losses in Rand value	751 116 384	390 214 497
<b>Water losses</b>		
Opening stock	65 000	155 020
Purchases	45 003 344	43 324 785
Less : Closing stock	45 068 344	(65 000)
Less : Sales	(25 775 394)	(25 656 623)
Less : Own consumption	(2 508 440)	(3 888 864)
Less : apparent losses	(4 078 175)	(3 643 502)
<b>Total</b>	<b>57 774 679</b>	<b>10 225 816</b>
Unit cost	9	8
Losses in rand value	111 180 439	86 817 179
<b>Total</b>	<b>111 180 448</b>	<b>86 817 187</b>
Percentage Loss:	28 %	24 %
Percentage Loss:		

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## Notes to the Annual Financial Statements

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### 46. Contracted services

#### Outsourced Services

Insurance	31 897 317	29 278 324
Meter Management	10 402 057	8 073 116
Commission paid	21 494 081	15 573 167
Software licences	15 742 960	16 756 280
Rentals	1 284 886	2 208 000
Protective clothing	4 249 212	5 630 569
Telephone and fax	1 958 873	2 415 529
Legal fees	28 257 005	22 447 493
Materials	30 950 202	28 643 215
Security Services	23 219 254	21 161 950
Traffic Fines Management	4 661 664	3 475 382
Water Tankers	42 835 416	46 979 768

#### Consultants and Professional Services

Business and Advisory	13 103 180	15 583 568
Infrastructure and Planning	-	4 989 891
Laboratory Services	18 686 882	26 919 147

#### Contractors

Electrical	2 502 883	4 126 368
Inspection Fees	688 768	653 743
Maintenance of Buildings and Facilities	3 152 820	2 731 508
Maintenance of Equipment	18 342 269	17 963 786
Maintenance of Unspecified Assets	171 904 254	182 492 533
Sewerage Services	10 364 226	7 576 410

**455 698 209**      **465 679 747**

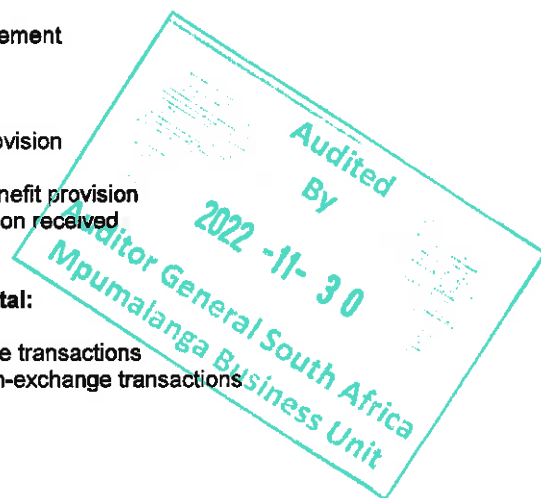


# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>47. Cash generated from operations</b>		
Deficit	(1 061 683 877)	(1 058 856 122)
<b>Adjustments for:</b>		
Depreciation and amortisation	276 326 433	275 907 744
Gain on sale of assets and liabilities	2 922 401	-
Debtors impairment - Consumer debtors	450 116 747	440 177 828
Debtors impairment - Property rates	68 395 714	191 563 092
Debtors impairment receivables from non - exchange transactions traffic fines	69 553 323	179 603 662
Bad debts written off - consumer debtors	83 377 399	250 126 535
Bad debts written off - receivables from non-exchange transactions	189 866 770	-
Loss on disposal assets - investment property	1 279 303	10 295 726
Fair value adjustments	(1 584 845)	(1 850 178)
Finance costs	277 988 709	156 484 571
PPE non cash adjustment	(82 664 016)	-
Finance lease liability movement	4 529 362	-
PPE transfers received	(8 587 781)	(9 665 689)
Other Donations received	(5 480 494)	1 061 471 117
Inventory loss / write down	26 424 981	-
Reduction in landfill site provision	(22 467 014)	-
Movements in provisions	1 623 038	9 889 613
Movement in employee benefit provision	30 801 000	16 211 842
Investment property donation received	(5 225 887)	-
Impairment of PPE	-	18 591 949
Other non-cash items	-	6 453
<b>Changes in working capital:</b>		
Inventories	(7 443 608)	9 852 624
Receivables from exchange transactions	1 824 860	5 990 981
Other receivables from non-exchange transactions	(282 157 757)	(143 593 872)
Provision for landfill site	20 093 357	9 655 716
VAT receivable	(145 103 476)	(83 444 020)
Consumer debtors	(680 712 111)	(875 062 881)
Property rates	(126 245 683)	(36 413 645)
Unspent conditional grants	(31 235 624)	36 245 679
Payables from exchange transactions	1 125 717 113	913 408 124
Consumer deposits	(2 122 689)	(3 009 332)
	<b>170 388 227</b>	<b>289 905 564</b>



### 48. Operating deficit

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

#### Operating lease charges

Lease rentals on operating lease - Other		
• Contractual amounts	37 945 956	37 105 887
Loss on sale of property, plant and equipment	(2 922 401)	(10 295 726)
Impairment on property, plant and equipment	3 548 888	18 405 659
Impairment on investment property	-	186 294
Amortisation on intangible assets	4 055 223	852 917
Depreciation on property, plant and equipment	270 605 036	273 346 755
Depreciation on investment property	1 566 174	1 708 072
Employee costs	1 057 667 473	1 029 850 241
Research and development	810 577	-

### 49. Actuarial gains

Actuarial gains or losses	2 102 000	20 465 660
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# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>50. Fair value adjustments</b>		
Biological assets - (Fair value model)	(1 961 968)	1 705 924
Investments	157 363	144 254
	<b>(1 804 605)</b>	<b>1 850 178</b>
<b>51. Commitments</b>		
<b>Capital commitments</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	552 958 798	532 571 462
<b>Operational commitments</b>		
• The municipality has entered into agreements with service providers for the provision of various services. At reporting date the municipality has outstanding operational commitment.	268 569 929	92 332 516

During the 2022 financial year management restated the opening balance for operational commitments due to invoices that were accrued but not included in the register.



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

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### 52. Contingencies

#### Contingent assets

	Description of the case	Status of the case	2022	2021
Riveo Pty Ltd	The Municipality (Defendant) filed a counter claim against Riveo (Pty) Ltd (Plaintiff) for damages suffered by the defendant due to the negligent driving of the plaintiff	case still pending	18 173	18 173

Forthwith is a list of possible liability claims where the outcome was unknown as at 30 June 2022

Description of the case	Status of the outcome of the dispute	2022	2021
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Figures in Rand		2022	2021	
<b>52. Contingencies (continued)</b>				
L C Coetzee	<p>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.</p>	Matter removed from trial.No further steps taken by the plaintiff.	1 050 000	1 050 000
NS Sgudla obo Sbusiso Zwelibanzi Nkosi	<p>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.</p>	Matter is pending awaiting for the trial date	8 000 000	2 500 000



# Emalahleni Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand 2022      2021

### 52. Contingencies (continued)

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
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	The matter is still pending in court	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	Matter still pending	30 000	30 000

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## Notes to the Annual Financial Statements

Figures in Rand		2022	2021
<b>52. Contingencies (continued)</b>			
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	200 000 200 000
De Wet 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	500 000 500 000

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## Notes to the Annual Financial Statements

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### 52. Contingencies (continued)

Rand Water	<p>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</p>	Matter still pending	23 946 813	23 946 813
Ramlall	<p>Ramlall has instituted a claim for approximately R35 000,00 based on payments incorrectly made to the Municipality when obtaining a clearance certificate</p>	Matter still pending	35 475	35 475



# Emalahleni Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand		2022	2021	
<b>52. Contingencies (continued)</b>				
JR Oliver	Claim for damages as a result of colliding into a pothole at montgomery street witbank while plaintiff was driving a motorbike	Matter is pending	1 900 000	1 900 000
Hleko Sbusiso Epraim	Electricity matter plaintiff was allegedly electrocute lines. plaintiff is suing the municipality and eskom	Matter is pending	3 500 000	3 500 000
Khabokhedi waste management	Claim for contractual damages as result of cancelation of contract by the municipality	Matter is pending	5 142 546	5 142 546
Julio Anne Matsinhe	Unlawful detention by members of the law enforcement	Matter is pending	200 000	200 000
Martha Patronella Howard	Motor vehicle colision as a result of the plaintiff motor vehicle colliding into a pothole at mathew phosa	Matter is pending	71 946	71 946
Samishka Beeka	Rescison of matter	Matter is pending	13 101	13 101
Parsons transport holdings	Rescison of matter	Matter is pending	80 772	80 772
Riveo Pty Ltd	claim for damages arising from motor vehicle collision between the plaintiff's vehicle and the municipality's vehicle	Matter is pending	28 886	28 886
M M Lesoalo	Vehicle damage due to municipality gate malfunctioned	Matter is pending	13 632	13 632
K Wepener	Vehicle damage due by pothole	Matter is pending	11 866	11 866



# Emalahleni Local Municipality

Annual Financial Statements for the year ended 30 June 2022

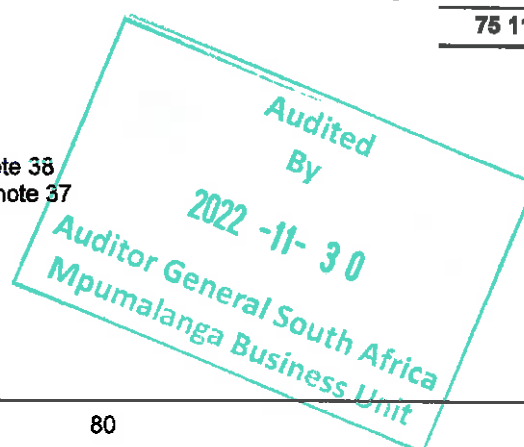
## Notes to the Annual Financial Statements

Figures in Rand		2022	2021	
<b>52. Contingencies (continued)</b>				
H R Peterson	Pothole claim	Matter is pending	3 348 100	3 348 100
Benjamin Coetzee	summons instituted for damages to the Coetzee falling not a hole situated on minicipal property	Matter is still pending	3 000 000	-
Midnight star	midnight star instituted a claim on the basis that it had been overcharged by the municipality	Matter is still pending	870 840	-
Thabiso Molapo	Molapo is suing the municipality as a result of electric shock and burns	Matter is still pending	2 200 000	-
Wiseman Mahlangu	The plaintiff has instited a claim for damages against the municipality	Matter is still pending	6 000 000	-
DJC Beleggings	A damage claim was instituted against the municipality demanding payment for unlawful demolition of structures on property	Matter is still pending	733 142	-
Monica Lesgaba	Claim for damages	Matter is still pending	950 000	-
Samuel Julio Matchere	Claim for damages	Notice to defend filed and matter is still pending	1 190 000	-
			<b>75 117 119</b>	<b>54 673 137</b>

### 53. Related parties

Relationships  
Councillors  
Key management

Refer to note 38  
Refer to note 37





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## Notes to the Annual Financial Statements

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### 54. Change in estimate

#### Property, plant and equipment

The municipality has reassessed the useful lives for Tlp sites which resulted in the remaining useful life to change. The effect of the change in accounting estimate has resulted in a decrease in depreciation amounting to 3 944 285 for the current period. The net impact of the change is as follows:

Depreciation effect ( Before adjustment )  
4 733 790

Depreciation effect ( After adjustment )  
789 505

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

### 55. Prior period errors

#### Statement of Financial Position

##### Receivables from non-exchange transactions

During the year under review, a finding was raised with regard to incorrect disclosure for property rates as required by GRAP 108, management made corrections to the disclosure in the current year and the prior year.

##### VAT Receivable

During the 2021/22 financial year, management received invoices from suppliers that were related to prior year.

##### Consumer debtors

During the prior year audit, it was identified that management did not account for impairment of consumer debtors as per the GRAP 104 requirements, (impairment procedure was not in line with the standard). Adjustments were made during the 2021/22 financial year corrections were made on the prior year impairment calculations.

##### Property, plant and equipment

During 2021/22 financial year management identified that there was an electrical Asset that was built in the 2021 financial year but was omitted as a results adjustments were made to account for the assets and the depreciation related to that asset. Other depreciation adjustments were as a results of incorrect depreciation that was processed in the prior years.

##### Investment property

During the 2021/22 financial year management identified that there was a private Property that was included in the 2020/21 financial year, as a results adjustments were made on the Annual Financial Statements.

##### Payables from exchange transaction

During the audit of 2020/21 financial year, it was identified that management incorrectly accounted for liabilities that were approved by council to be written-off as per the prescript Act in September 2021. The adjustment for the amounts written off were accounted in the prior year (2020) against the accumulated surplus as it was treated as an error, instead of 2021/2022 financial year as council only approved in September 2021. During the 2021/2022 Management made corrections on the 2021 Audited AFS and the adjustment was made correctly in the 2021/2022 financial year. During the 2021/22 financial year, management received invoices from suppliers that were related to prior year.

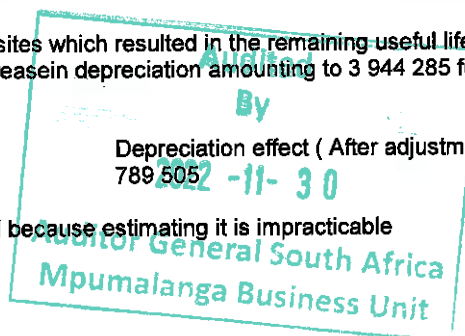
#### Statement of Financial Performance

##### Service Charges

During the year under review, management has made corrections under consumer accounts for revenue billed prior year.

##### Rental of facilities

During the year under review, management has made corrections relation to revenue billed in prior year for rental of facilities.



# Emalahleni Local Municipality

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## Notes to the Annual Financial Statements

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### 55. Prior period errors (continued)

#### Interest received

During the year under review, management has made corrections on prior year revenue billed which resulted into a correction of the interest on the services that was billed.

#### Employee related costs

During the year under review, management identified errors on the accrual of standby and overtime for June 2020 and June 2021 that was paid and recognised in the July for each year and corrections were made account for them in the correct financial year.

#### Depreciation and amortisation

During 2021/22 financial year management identified that there was an electrical Asset that was built 2021 but was omitted as a results adjustments were made to account for the assets and the depreciation related to that asset. Other depreciation adjustments were as a results of incorrect depreciation that was processed in the prior years

#### Contracted services

During the year under review, management has identified incorrect classifications between general expenditure and contracted services and corrections were made.

#### Loss on disposal of assets

During 2021/22 financial year management identified that there was Land excluded in 2020/2021, there was a private property that was included in the register and the Annual financial statements as well as other assets that were lost as a results adjustment were made on the Annual Financial Statements.

#### General Expenses

During the year under review, management has identified incorrect classifications between general expenditure and contracted services and corrections were made.

#### Debt impairment

During the prior year audit, it was identified that management did not account for impairment of consumer debtors as per the GRAP 104 requirements,(impairment procedure was not in line with the standard).Adjustments were made during the 2021/22 financial year corrections were made on the prior year impairment calculations and this resulted into an adjustment to the contribution for impairment

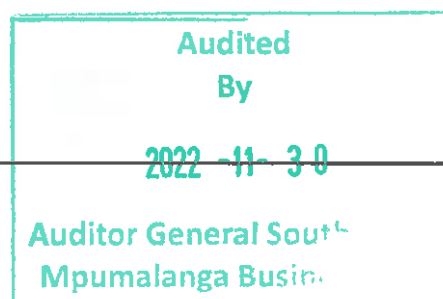
#### Interest-Taxation revenue

During the year under review, a finding was raised with regard to incorrect presentation of for property rates interest that was presented as an interest from consumer debtors, management made corrections to the disclosure in the current year and the prior year.

#### Cashflow statement

During the 2021 audit, findings were raised with regard to the cashflow, management made corrections in the current year under review and also they were restatements on figures used in the prior year cashflow.

Statement of financial position



# Emalahleni Local Municipality

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## Notes to the Annual Financial Statements

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### 55. Prior period errors (continued)

#### 2021

	Note	As previously reported	Correction of error	Change in accounting policy	Restated
Receivables from non- exchange transactions		43 168 709	-	130 630	43 299 339
VAT receivable		358 089 318	185 534	-	358 274 852
Consumer debtors		2 633 670 408	(1 847 093 843)	(130 630)	786 445 935
Property, plant and equipment		5 609 298 633	(1 591 567)	-	5 607 707 066
Investment property		900 351 182	(2 387 000)	-	897 964 182
Payables from exchange transactions		(5 888 152 764)	(25 229 834)	-	(5 913 382 598)
		<b>3 656 425 486</b>	<b>(1 876 116 710)</b>		<b>- 1 780 308 776</b>

### Statement of financial performance

#### 2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		1 623 308 433	(650 350)	-	1 622 658 083
Rental of facilities and equipment		11 597 784	(167 369)	-	11 430 415
Interest received		364 510 220	(67 495)	(52 936 425)	311 506 300
Employee related costs		(996 643 746)	(2 783 912)	-	(999 427 658)
Depreciation and amortisation		(275 976 172)	68 428	-	(275 907 744)
Contracted services		(471 382 494)	1 775 288	3 927 459	(465 679 747)
Loss on disposal assets		(7 536 566)	(2 759 160)	-	(10 295 726)
General expenses		(143 628 819)	11 936	(3 927 459)	(147 544 342)
Debt impairment		(678 228 094)	(383 243 023)	-	(1 061 471 117)
Interest -taxation revenue		-	-	52 936 425	52 936 425
<b>Surplus for the year</b>		<b>(573 979 454)</b>	<b>(387 815 657)</b>		<b>- (961 795 111)</b>

Balance as at 01 July 2020 as previously reported	3 700 210 161
Prior period error adjustments	1 488 301 053
<b>Restated as at 01 July 2020</b>	<b>2 211 909 108</b>

### Cash flow statement



# Emalahleni Local Municipality

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## Notes to the Annual Financial Statements

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### 55. Prior period errors (continued)

#### 2021

	Note	As previously reported	Correction of error	Restated
<b>Cash flow from operating activities</b>				
Rates received		617 854 936	(12 192 666)	605 662 270
Sale of goods and services	1	412 435 361	(638 495 866)	773 939 495
Grants		618 393 000	22 210 823	640 603 823
Interest income		364 510 220	(67 495)	364 442 725
Employee costs		938 425 120	65 323 666	1 003 748 786
Suppliers		942 978 011	114 266 484	1 057 244 495
Finance costs		144 947 525	(140 273 602)	4 673 923
Other payments		638 779 258	(609 681 487)	29 097 771
		<b>5 678 323 431</b>	<b>(1 198 910 143)</b>	<b>4 479 413 288</b>
<b>Cash flow from investing activities</b>				
Purchase of PPE		366 807 389	(82 202 896)	284 604 493
Proceeds from sale of investment property		3 805 109	(3 805 109)	-
		<b>370 612 498</b>	<b>(86 008 005)</b>	<b>284 604 493</b>
<b>Cash flow from financing activities</b>				
Repayment of loans		1 598 704	20 213 088	21 811 792
Finance lease obligation		348 266	(692 099)	(343 833)
		<b>1 946 970</b>	<b>19 520 989</b>	<b>21 467 959</b>

### 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.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2022	Less than 1 year	Between 1 and 2 year	Between 2 and 5 years	Over 5 Years
Loans	14 607 051	-	-	-
Payables from exchange transactions	7 312 884 327	-	-	-

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# Emalahleni Local Municipality

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### 56. Risk management (continued)

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

None of the financial assets have been pledged for security. The credit and debt control policy is utilised to manage the credit risk. The municipality makes an allowance for credit losses which represents the best estimate of expected future losses. Where applicable legal action is taken to recover debt from counter parties. In some instances, counterparties have re-negotiated and entered into payment arrangements with the municipality. The credit quality of financial assets neither past due or impaired is considered to be good. Only accredited banking institutions in terms of the Banks Act are utilised by the municipality to ensure that it limits credit risk. Credit risk is concentrated in trade payables from exchange transactions.

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

Financial instrument	2022	2021
Receivables from other exchange transactions	11 168 308	12 993 168
receivables from non-exchange transactions	65 906 373	43 145 593
Cash and cash equivalent	13 778 872	40 175 130
Consumer debtors	991 665 942	786 576 565

There were no changes from previous year in respect of objectives, policies and processes for managing risks and the methods used to measure the risks

### 57. Going concern

We draw attention to the fact that at 30 June 2022, the municipality incurred a deficit of R 1 061 690 886 compared to a deficit of 1 058 856 121 in the prior year and the municipality'S total current liabilities exceed its current assets by R 5 936 485 109 ( 2020-21 :4 907 007 936 ). This is mainly due to municipality struggling to collect moneys owed to it buy its customers, leading to serious cash flow problems experienced, hence the difficulties in settling accounts on time.

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  
Add: Unauthorised expenditure - current  
Less: Amount authorised - current  
Closing balance



444 726 152	187 222 018
909 860 047	444 726 152
(444 726 152)	(187 222 018)
<b>909 860 047</b>	<b>444 726 152</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2022	2021
<b>59. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	-	332 516 655
Add: Eskom interest	262 787 937	-
Add: Fraudulent debit orders	321 939	-
Less: Interest on overdue accounts reversed	-	(8 594 249)
Add: Interest from other service providers	34 120	-
Less: Amount written off	-	(323 922 406)
Add : DWS interest	10 640 620	-
<b>Closing balance</b>	<b>273 784 616</b>	<b>-</b>
<b>60. Irregular expenditure</b>		
Opening balance as previously reported	618 423 771	454 851 507
Add: Irregular expenditure - current	187 794 889	163 572 264
<b>Closing balance</b>	<b>806 218 660</b>	<b>618 423 771</b>
<b>61. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	10 631 846	10 008 339
Amount paid - current year	(10 631 846)	(10 008 339)
	-	-
<b>Audit fees</b>		
Opening balance	-	23 108
Current year subscription / fee	9 127 117	10 928 207
Amount paid - current year	(9 127 117)	(10 951 315)
	-	-
<b>PAYE and UIF</b>		
Current year subscription / fee	199 264 606	164 943 100
Amount paid - current year	(199 264 606)	(164 943 100)
	-	-

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## Notes to the Annual Financial Statements

Figures in Rand 2022 2021

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

#### Pension and Medical Aid Deductions

Current year subscription / fee	259 768 798	231 147 352
Amount paid - current year	(259 768 798)	(231 147 352)

#### Councillors' arrear consumer accounts

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

30 June 2022	Outstanding more than 90 days R	Total R
N R Thobela	112 476	112 476
M E Khoza	3 494	3 494
R S Meko	41 244	41 244
V M Soko	41 065	41 065
L M Tolo	15 738	15 738
S A Mthimunye	45 572	45 572
N H Mokwana	225 720	225 720
A Brits	22 281	22 281
D M Mabena	6 849	6 849
Z Mngube	53 395	53 395
	<b>567 834</b>	<b>567 834</b>

### 62. Deviation from supply chain management regulations

Strip and quote	53 383	3 405 300
Sole supplier	4 409 626	3 196 680
Emergencies	3 410 255	11 417 161
	<b>7 873 264</b>	<b>18 019 141</b>

### 63. Budget differences

#### Material differences between budget and actual amounts

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## Notes to the Annual Financial Statements

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### 63. Budget differences (continued)

Rental of facilities and equipment	-46%	The budgeted revenue on this line item was based on the land audit findings especially on the properties owned by the municipality. Not all finding were resolved hence the revenue did not increase as anticipated
Licences and permits	708%	Less revenue realised than the one that was initially anticipated
Sundry income	-27%	Less revenue realised than the one that was initially anticipated
Interest received	-31%	Less revenue that was realised due to debtors that were written off during the financial year
Gains on disposal of assets	-100%	budget on this line item was informed by the previous trends, no gains where realised in the current financial year
Dividends received	-59%	budget on this line item was informed by the previous trends while the actual's are determined by the markets movements and that makes it difficult to budget accurately
Fines	723%	More revenue realised due to the installation of mobile speed camera throughout the year
Finance costs	31%	Overspending due to the eskom debt that has increased to 6 billion
Debt impairment	26%	This was due to the impairment calculation
Bulk purchases	33%	Consumption of electricity has increased beyond the projected budget. This is an indication that the reduction of illegal connections has not yet been realised
Grants and subsidies	460%	National treasury's guidelines requires that the budget for free basic needs for indigent be off again the service charges hence the budget on the free basic needs was put under service charges
General expenses	-42%	There was low spending due to cash flow problems
Public contributions and donations	32%	Some projects from Nkangala district municipality have not been finalized
Depreciation and amortisation	12%	Additional assets received during the year in the form of donations which have not been considered when the budget for depreciation was calculated
Contracted services	15%	Overspending on contracted services as the municipality had experienced a shortage on water tankers contractors. The supply water through water tankers . the vandalism on substations and electrical cables that were stolen hence contractors had to be used
Service charges	-15%	Less income realised on electricity and water as the revenue anticipated from the implementation of enhancement strategies did not realised

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### 63. Budget differences (continued)

Fair value adjustments	100%	No budget was provided on this line item as their value adjustment were not anticipated
Lease rentals on operating lease	100%	Classification issues as the budget for this line item was included in the other operational expenditure
Actuarila gains	100%	No budget was provided on this line item as the actuarial gains could not be predicted
Inventory losses	100%	No budget was provided on this line item
Interest revenue - Property rates	100%	The budget for the line has been provided for under interest for the other service charges

### 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.

### 64. Accounting by principals and agents

The municipality entered into an agreement with the Mpumalanga Department of Roads and Transport in May 2006 and the duration of the contract was set to continue indefinitely or unless the agreement is terminated or there is a breach by the municipality. Under this agreement the municipality is liable to provide the following services:

- Vehicle registration
- Issue Learners licences
- Issue Drivers licences
- Motor vehicle testing

The municipality

For the service provided by the municipality one-half of the Principal, the municipality receives a 20% commission and transfer over to the principal the 80% collected for the above services. The municipality is responsible to insure the department against any loss of monies collected and also in transits for deposit at the bank and also theft by the municipal employees, agents, contractors and sub-contractors.

For the year under review, the municipality received a total revenue(in commission) of:

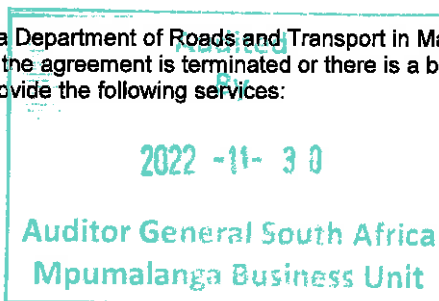
<b>Revenue from Exchange transaction</b>	<b>2022</b>
Commission received	R39 800 861.21

As at year end the municipality recognised the amount payable to the Mpumalanga Department of Roads and Transport

### Current liabilities

#### Payables from exchange transaction

Opening balance	R 8,462,765.60
Closing balance	R13,402,969.34



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### 64. Accounting by principals and agents (continued)

There were no receivables from the departments and no expense incurred on behalf of the dep

### DISCLOSURE BY PRINCIPALS

The Municipality entered into an agreement with Ntlangani Group of Companies for the selling of prepaid electricity on 01 July 2020. Ntlangani Group of Companies subcontracted EASYPAY(PTY) LTD,CIGICEL (PTY) LTD,RA CELLULAR (PTY) LTD and TSOGATEC for the prepaid electricity tokens as per tender EML 15/2018.the contract commenced on 01 July 2020 and will end in 30 June 2023.The objective of the service providers is to distribute electricity tokens through the retail network channels.

NGC is liable to pay EASYPAY(PTY) LTD,CIGICEL (PTY) LTD and TSOGATEC a daily commission of 2.5% excluding VAT of the value of sales so registered against the vendors on the NGC software suit and 3% excluding VAT for RA CELLULAR (PTY) LTD . The 2.5% or 3% is applied against the total sum of value transactions excluding free basic tokens (FBE/EBSST) so distributed at any given time. The vendors deposit the difference between the total sales value of tokens and the commission calculated using the straight-line method and the deposit all collected monies of the previous day Token sales to the council account. All the vendors invoices NGC on monthly basis an equivalent of the total summation of all the daily amounts set off as commission due.

All equipment so installed by Vendors for the project shall be paid for by respective vendors and shall remain the property of vendors until termination of the agreement.

Should the vendors cancel or purport to cancel the Agreement prior to expiry of the Term in the absence of a material breach of contract on NGC's part, the respective vendors shall be liable for compensation in respect of all demonstrable losses and damages incurred and/or suffered by NGC under ELM 15/2018 including, but not limited to, loss of future income, as well as market-related compensation in respect of the Equipment as determined by the Independent Expert in his sole discretion and payable within 30 (THIRTY) Days of such cancellation or purported cancellation.

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