



Steve Tshwete Local Municipality
Annual Financial Statements
for the years ended June 30, 2024

Audited
By

2024 -11- 30

Auditor General South Africa
Mpumalanga Business Unit

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

General Information

Nature of business and principal activities

The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community:

General services - All types of services rendered by the municipality, excluding the supply of housing to the community.

Waste management services - The collection, disposal and recycling of waste.

Electricity services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality.

Waste water management - Collection and purification of waste water.

Water services - Supply and purifying of water.

Mayoral committee

Executive Mayor

Cllr P Masilela
Cllr L E Nkwana
Cllr M C Mphego
Cllr M J Sekgwele
Cllr M G Maseko
Cllr B C Shabangu
Cllr G N B Mathibela
Cllr S T Mathunyane
Cllr C S Mashiloane
Cllr B C Shabangu
Cllr M J Sekgwele
Cllr G N B Mathibela
Cllr M G Maseko
Cllr M C Mphego
Cllr L E Nkwana
Cllr H F Niemann
Cllr M G Amigo
Cllr I Mahlangu
Cllr P V Malinga
Cllr M E Nyambi
Cllr W M M Phetla
Cllr L N Sibanda
Cllr J F Sithole
Cllr M L Shabangu
Cllr J M Shongwe
Cllr J Skosana
Cllr P E Williams
Cllr L J N Zondo
Cllr S W Zulu
Cllr E M Bruiners
Cllr H G De Klerk
Cllr J Dyason
Cllr A S Grobler
Cllr D D Kloppe
Cllr P Mobango

Speaker
Council Whip
Councillors

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By

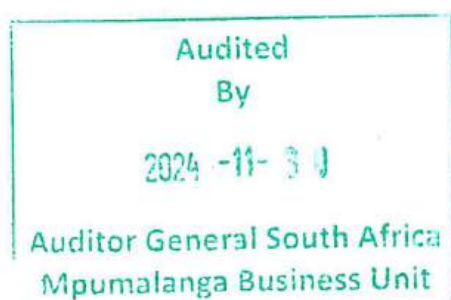
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General Information



Cllr S M Mogola
Cllr J P Pretorius
Cllr L S Qoka
Cllr G H E Romijn
Cllr C M Soko
Cllr A Struwig
Cllr D A Stuurman
Cllr A O Thabatha
Cllr D J Van Der Merwe
Cllr S M Wait
Cllr N Bottoman
Cllr A Chego
Cllr O A Cossa
Cllr E P Mahlangu
Cllr P Malinga
Cllr M J Mapheto
Cllr J N Mthombeni
Cllr Z J Ngubeni
Cllr N T Tshoane
Cllr T R Mpye
Cllr B C Mashabela
Cllr M P Mogola
Cllr N Z O Motla
Cllr B H Mokoena
Cllr H Pilodia
Cllr J Segage
Cllr J C Haarhoff
Cllr J Mentz
Cllr MC Skosana
Cllr EW Vermooten
Cllr LN Magagula
Cllr C J Wolmarans

Grading of local authority

Grade 5

Acting Chief Finance Officer (CFO)

SN Mahlangu

Accounting Officer

S M Mnguni

Registered office

Civic Centre
Wanderers Avenue
Middelburg
1050

Postal address

P.O. Box 14
Middelburg
1050

Bankers

First National Bank
Nelspruit

Auditors

Auditor-General of South Africa

Attorneys

Van Deventer & Campher

Steve Tshwete Local Municipality

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General Information

Capacity of local authority

Nkgadima Attorneys
Mohube Setsoalo Mabusela Inc.
Mphoke PK Magane Inc

High capacity

Municipal demarcation code

MP313

All figures are rounded off to the nearest Rand (R)

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Steve Tshwete Local Municipality

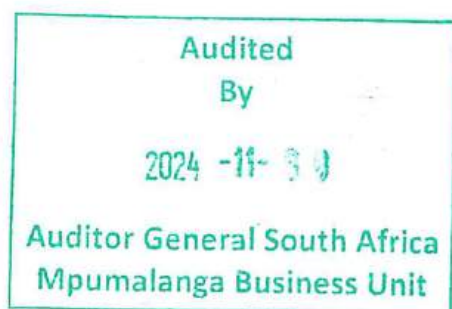
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The reports and statements set out below comprise the annual financial statements presented to the municipal council.:

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| | |
|------|--|
| AFS | Annual Financial Statements |
| GRAP | Generally Recognised Accounting Practice |
| RBIG | Regional Bulk Infrastructure Grant |
| IUDG | Intergrated Urban Development Grant |
| WSIG | Water Infrastructure Service Grant |



Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the 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 years to June 30, 2025 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.

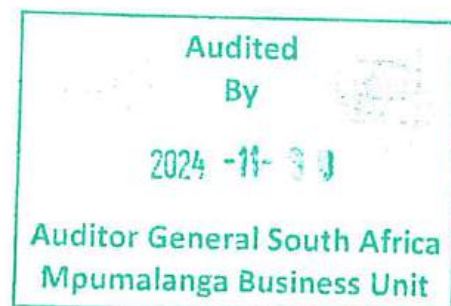
Although the are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the on August 31, 2024 and were signed on its behalf by:

SM Mnguni
Municipal Manager

Middelburg
Saturday, August 31, 2024



Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Audit Committee Report

We are pleased to present our report for the financial years ended 30 June 2024.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 7 times per annum as per its approved terms of reference. During the current year 7 number of meetings were held.

| Name of member | Number of Ordinary meeting attended | Number of special meeting attended | Total meetings held | Number attended | Number not attended |
|-----------------------|-------------------------------------|------------------------------------|---------------------|-----------------|---------------------|
| Mudau F (Chairperson) | 4 | 6 | 10 | 10 | - |
| Gafane T | - | - | 1 | - | 1 |
| Ntuli P | 3 | 4 | 7 | 7 | - |
| Masite J S | 4 | 5 | 10 | 9 | 1 |
| Chamane M | 3 | 3 | 7 | 6 | 1 |
| Thubakgale L | 3 | 5 | 9 | 8 | 1 |
| Monama L | 1 | 1 | 3 | 2 | 1 |
| Mathabathe M | - | 2 | 3 | 2 | 1 |
| | 18 | 26 | 50 | 44 | 6 |

Audit Committee Responsibility

The Audit and Performance Committee has adhered to its mandate as mentioned in Section 166(2)(a) of the Municipal Finance Management Act and furthermore discharged its oversight responsibilities in the year under review herein:

- Reviewed the Risk Management Policies, Frameworks and procedures that identified, monitors and manages risks.
- Played a pivotal advisory role in;
 - Financial management and other reporting practices.
 - Internal controls and management of risks
 - Compliance with laws, regulations and ethics
 - Corporate Governance practices
 - Performance Management Information
- Reported to the Management and/or Council any matter identified during the course of carrying out its duties that it considers significant.
- Approved Internal Audit strategic and operational plans and reviewed performance against them;
- Reviewed and recommend the Internal Audit Charter for Council approval;
- Engaged with Internal Audit its findings and the responses of management to its significant recommendations and periodically its views on the quality of control, governance and risk management processes;
- Represented the matters of Internal and External Audit to the Executive Authority of the Municipality in terms of the Municipal Finance Management Act;
- Reviewed the annual report before its release and considered whether the financial information is appropriate, reasonable, accurate, adequate and consistent with prescribed regulations of the municipality and its operations.
- Reported annually in the required format as part of annual report of the Municipality.
- Reviewed professional and regulatory pronouncements to understand their impact on financial and non-financial statements.
- Reviewed the quarterly management reports and
- Considered the appropriateness of the Municipality's accounting policies and principles and in doing so reviewed the application and currency, and adherence to the stated financial reporting framework.
- Gain an understanding on the areas of major risks including related risks and determine management's capacity to manage them effectively.

Effectiveness of internal controls

The effectiveness of internal controls has been assessed to have demonstrated reasonable level of assurance on the effective and efficient of controls, risk management and governance processes.

Evaluation of annual financial statements

The audit committee has:

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Audit Committee Report

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the municipality's compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

Internal audit responsibility

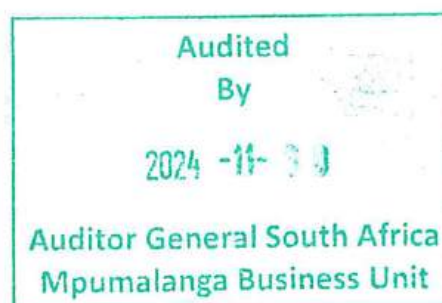
The effectiveness of internal controls has been assessed to be have demonstrated reasonable level of assurance on the effective and efficient of controls, risk management and governance processes.

- Reviewed the reliability and integrity of financial and operating information, and the means used to identify, measure, classify and report such information.
- Reviewed the system established to ensure compliance with policies, plans, procedures, laws and regulations that could have a significant impact operation.
- Reviewed the means of safeguarding assets and as appropriate, verifying the existence of such assets in order to provide management with reasonable assurance that assets are protected against loss that could results from fire, theft other improper or illegal activities or exposure to the elements.
- Reviewed and appraised the economy and efficiency with which resources are employed with a context to evaluates operating standards are understood and are being met and deviations from operating standard are identified, analyzed and communicated to management responsible for corrective action and effective corrective action has been taken.
- Reviewed operations to ascertain results are consistent with established objectives and goals, and the operations or programs are being carried out as planned.
- Providing consultation and other services to management as need be to make decision about control governance and risk management.

Risk management

The Municipality established a Risk Management, Anti-Fraud and Anti-Corruption Committee (RMAFACC) chaired by an independent Chairperson and met at least 4 times during the financial year. The RMAFACC considered and recommended risk management policies to Council for approval and provided Audit Committee and Council with quarterly reports regarding the mitigating of risks.

Based on the reports of the RMAFACC, the Municipality implemented the risk mitigating activities planned to reduce the risk exposure which contributed to the achievement of the municipality's objectives as set out in the SDBIP.



Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Statement of Financial Position as at June 30, 2024

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|--|---------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 10 | 127,061,266 | 84,809,275 |
| Current portion of long term receivables | 6 | 1,583,057 | 7,028,926 |
| Operating lease asset | 7 | 1,597,169 | 1,160,147 |
| Other receivables from exchange transactions | 11 | 12,315,479 | 18,358,987 |
| Receivables from non-exchange transactions | 12 | 35,038,473 | 36,045,761 |
| VAT receivable | 13 | 27,151,439 | 75,235,712 |
| Receivables from exchange transactions | 14 | 101,072,401 | 79,592,147 |
| Investments | 9 | - | 30,000,000 |
| Prepayments | | 3,296,378 | 3,208,655 |
| Cash and cash equivalents | 15 | 27,604,828 | 91,590,941 |
| | | 336,720,490 | 427,030,551 |
| Non-Current Assets | | | |
| Investment property | 2 | 71,665,630 | 71,022,056 |
| Property, plant and equipment | 3 | 8,550,002,084 | 8,539,938,596 |
| Intangible assets | 4 | 12,779,119 | 14,994,261 |
| Heritage assets | 5 | 73,050 | 73,050 |
| Long term receivables | 6 | 1,005,430 | 8,241,846 |
| | | 8,635,525,313 | 8,634,269,809 |
| Non-Current Assets | | 8,635,525,313 | 8,634,269,809 |
| Current Assets | | 336,720,490 | 427,030,551 |
| Total Assets | | 8,972,245,803 | 9,061,300,360 |
| Liabilities | | | |
| Current Liabilities | | | |
| Current portion of long term liabilities | 17 | 37,423,138 | 37,235,912 |
| Payables from exchange transactions | 20 | 609,841,758 | 515,735,517 |
| Consumer deposits | 21 | 112,676,493 | 105,079,413 |
| Employee benefit obligation | 8 | 5,158,001 | 3,961,000 |
| Provisions | 18 | 2,491,180 | 1,550,928 |
| Long service awards | 19 | 4,788,000 | 4,471,000 |
| | | 772,378,570 | 668,033,770 |
| Non-Current Liabilities | | | |
| Long term liabilities | 17 | 872,541,921 | 910,117,361 |
| Employee benefit obligation | 8 | 125,443,000 | 116,938,001 |
| Provisions | 18 | 38,152,646 | 34,562,966 |
| Long service awards | 19 | 32,842,000 | 30,016,000 |
| | | 1,068,979,567 | 1,091,634,328 |
| Non-Current Liabilities | | 1,068,979,567 | 1,091,634,328 |
| Current Liabilities | | 772,378,570 | 668,033,770 |
| Total Liabilities | | 1,841,358,137 | 1,759,668,098 |
| Assets | | 8,972,245,803 | 9,061,300,360 |
| Liabilities | | (1,841,358,137) | (1,759,668,098) |
| Net Assets | | 7,130,887,666 | 7,301,632,262 |
| Accumulated surplus | | 7,130,887,666 | 7,301,632,262 |
| Total Net Assets | | 7,130,887,666 | 7,301,632,262 |

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* See Note 52

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Statement of Financial Performance

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---------|------------------------|------------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 24 | 1,166,545,812 | 1,033,856,588 |
| Sales of goods and rendering of services | | 8,194,914 | 7,377,715 |
| Rental of facilities and equipment | 25 | 22,347,106 | 19,908,142 |
| Interest received - trading | 29 | 12,042,202 | 6,850,524 |
| Income from agency services | 27 | 22,375,385 | 22,546,782 |
| Licences and permits | 28 | 8,145,517 | 7,516,292 |
| Gains | 23 | 14,904,672 | 32,624,961 |
| Operating income | 30 | 16,995,813 | 20,477,352 |
| Investment revenue | 31 | 12,767,088 | 17,992,258 |
| Total revenue from exchange transactions | | 1,284,318,509 | 1,169,150,614 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 32 | 499,537,697 | 474,242,595 |
| Interest received - trading | 29 | 8,638,054 | 7,083,304 |
| Transfer revenue | | | |
| Transfers and subsidies | 34 | 521,213,528 | 567,079,169 |
| Public contributions and donations | 36 | 47,250,767 | 37,232,300 |
| Fines, penalties and forfeits | 26 | 25,662,534 | 27,497,330 |
| Total revenue from non-exchange transactions | | 1,102,302,580 | 1,113,134,698 |
| | | 1,284,318,509 | 1,169,150,614 |
| | | 1,102,302,580 | 1,113,134,698 |
| Total revenue | 22 | 2,386,621,089 | 2,282,285,312 |
| Expenditure | | | |
| Employee related costs | 37 | (850,985,076) | (752,356,843) |
| Remuneration of councillors | 38 | (30,243,683) | (28,537,965) |
| Depreciation and amortisation | 39 | (271,114,075) | (260,605,345) |
| Impairment of assets | 40 | (81,482,258) | (160,941,082) |
| Finance costs | 41 | (109,026,997) | (87,607,823) |
| Rentals | 16 | (12,369,647) | (7,308,242) |
| Bad debts written off | 46 | (19,678,454) | (13,559,100) |
| Bulk purchases | 42 | (662,720,840) | (595,730,886) |
| Contracted services | 43 | (268,835,197) | (236,136,796) |
| Transfers and subsidies paid | 33 | (2,095,949) | (5,497,821) |
| Loss on disposal of assets and liabilities | | (878,660) | (9,628,455) |
| Inventory consumed | 35 | (96,049,311) | (96,240,292) |
| Inventories losses/write-downs | 10 | (3,132,950) | (3,685,931) |
| Operational costs | 44 | (148,195,309) | (134,346,692) |
| Total expenditure | | (2,556,808,406) | (2,392,183,273) |
| Total revenue | | 2,386,621,090 | 2,282,285,312 |
| Total expenditure | | (2,556,808,406) | (2,392,183,273) |
| Deficit for the years | | (170,187,316) | (109,897,961) |

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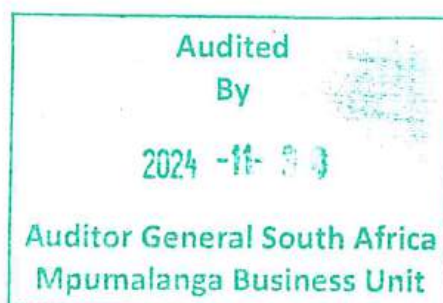
* See Note 52

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Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|----------------------|----------------------|
| Opening balance as previously reported | 6,699,204,704 | 6,699,204,704 |
| Adjustments | | |
| Prior year adjustments | 712,325,519 | 712,325,519 |
| Balance at July 1, 2022 as restated* | 7,411,530,223 | 7,411,530,223 |
| Changes in net assets | | |
| Surplus for the years | (109,897,961) | (109,897,961) |
| Total changes | (109,897,961) | (109,897,961) |
| Restated* Balance at July 1, 2023 | 7,301,074,982 | 7,301,074,982 |
| Changes in net assets | | |
| Surplus for the years | (170,187,316) | (170,187,316) |
| Total changes | (170,187,316) | (170,187,316) |
| Balance at June 30, 2024 | 7,130,887,666 | 7,130,887,666 |



* See Note 52

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Cash Flow Statement

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|-----------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 1,136,500,030 | 941,060,913 |
| Grants received and subsidies received | | 521,213,528 | 567,079,169 |
| Interest income | | 33,447,344 | 31,926,086 |
| Rates received | | 499,537,697 | 474,242,595 |
| Other receipts | | 95,488,486 | 97,847,925 |
| | | <u>2,286,187,085</u> | <u>2,112,156,688</u> |
| Payments | | | |
| Cash paid to employees and councillors | | (817,281,072) | (729,210,700) |
| Suppliers | | (1,131,786,122) | (1,043,417,917) |
| Finance costs | | (101,423,353) | (80,840,627) |
| Grants paid | | (2,095,949) | (5,497,822) |
| | | <u>(2,052,586,496)</u> | <u>(1,858,967,066)</u> |
| Total receipts | | 2,286,187,085 | 2,112,156,688 |
| Total payments | | (2,052,586,496) | (1,858,967,066) |
| Net cash flows from operating activities | 47 | <u>233,600,589</u> | <u>253,189,622</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 3 | (290,110,765) | (630,857,255) |
| Proceeds from financial assets | | 30,000,000 | 170,000,000 |
| Movement in deposits | | (87,723) | (75,588) |
| Net cash flows from investing activities | | <u>(260,198,488)</u> | <u>(460,932,843)</u> |
| Cash flows from financing activities | | | |
| Repayment of long term loans | | (37,388,214) | - |
| Raising of long term liabilities | | - | 128,716,556 |
| Net cash flows from financing activities | | <u>(37,388,214)</u> | <u>128,716,556</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>(63,986,113)</u> | <u>(79,026,665)</u> |
| Cash and cash equivalents at the beginning of the year | | 91,590,941 | 170,617,606 |
| Cash and cash equivalents at the end of the year | 15 | <u>27,604,828</u> | <u>91,590,941</u> |

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* See Note 52

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|

Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

| | | | | | | |
|---|---------------|--------------|---------------|---------------|--------------|--|
| Service charges | 1,259,083,000 | (40,224,000) | 1,218,859,000 | 1,166,545,812 | (52,313,188) | |
| Sale of goods and rendering of services | 8,289,204 | - | 8,289,204 | 8,194,914 | (94,290) | |
| Rental of facilities and equipment | 20,314,128 | - | 20,314,128 | 22,347,106 | 2,032,978 | |
| Interest received - trading | 7,465,000 | - | 7,465,000 | 12,042,202 | 4,577,202 | Increase in debtors resulting in the interest charged on outstanding debt. |
| Income from agency services | 29,726,000 | - | 29,726,000 | 22,375,385 | (7,350,615) | Reduced revenue generated from the agency services than budgeted for. |
| Licences and permits | 8,400,624 | - | 8,400,624 | 8,145,517 | (255,107) | |
| Gains | 23,317,780 | - | 23,317,780 | 14,904,672 | (8,413,108) | Gains were less than budgeted for. |
| Operating income | 110,755,000 | (51,199,796) | 59,555,204 | 16,995,813 | (42,559,391) | Less operating income realised than budgeted for. |
| Investment revenue | 42,909,624 | (12,235,252) | 30,674,372 | 12,767,088 | (17,907,284) | Less investments was made than anticipated during budgeting. |

| | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total revenue from exchange transactions | 1,510,260,360 | (103,659,048) | 1,406,601,312 | 1,284,318,509 | (122,282,803) |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|

Revenue from non-exchange transactions

Taxation revenue

| | | | | | |
|-----------------------------|-------------|-----------|-------------|-------------|-----------|
| Property rates | 485,662,000 | 9,000,000 | 494,662,000 | 499,537,697 | 4,875,697 |
| Interest received - trading | 6,171,000 | 1,999,784 | 8,170,784 | 8,638,054 | 467,270 |

Transfer revenue

| | | | | | |
|-------------------------|-------------|-----------|-------------|-------------|-----------|
| Transfers and subsidies | 339,267,000 | (240,000) | 339,027,000 | 340,629,128 | 1,602,128 |
|-------------------------|-------------|-----------|-------------|-------------|-----------|

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|---------------------|----------------------|--|---|--|
| Figures in Rand | | | | | | |
| Public contributions and donations | | | - | 47,250,767 | 47,250,767 | The municipality received donations that were not anticipated during the budget process. |
| Fines, penalties and forfeits | 20,064,000 | | 20,064,000 | 25,662,534 | 5,598,534 | Less traffic fines were issued than budgeted for. |
| Total revenue from non-exchange transactions | 851,164,000 | 10,759,784 | 861,923,784 | 921,718,180 | 59,794,396 | |
| 'Total revenue from exchange transactions' | 1,510,260,360 | (103,659,048) | 1,406,601,312 | 1,284,318,509 | (122,282,803) | |
| 'Total revenue from non-exchange transactions' | 851,164,000 | 10,759,784 | 861,923,784 | 921,718,180 | 59,794,396 | |
| Total revenue | 2,361,424,360 | (92,899,264) | 2,268,525,096 | 2,206,036,689 | (62,488,407) | |
| Expenditure | | | | | | |
| Employee related costs | (770,918,339) | 346,339 | (770,572,000) | (850,985,076) | (80,413,076) | |
| Remuneration of councillors | (29,910,000) | (800,000) | (30,710,000) | (30,243,683) | 466,317 | |
| Depreciation and assets impairment | (254,773,000) | - | (254,773,000) | (271,114,075) | (16,341,075) | |
| Impairment of assets | (31,133,000) | - | (31,133,000) | (81,482,258) | (50,349,258) | Correction in impairment provision during the year. |
| Finance costs | (62,526,000) | (40,000,000) | (102,526,000) | (109,026,997) | (6,500,997) | |
| Rentals | (12,943,490) | - | (12,943,490) | (12,369,647) | 573,843 | |
| Bad debts written off | (22,345,000) | 295 | (22,344,705) | (19,678,454) | 2,666,251 | |
| Bulk purchases | (670,449,464) | (30,000,000) | (700,449,464) | (662,720,840) | 37,728,624 | |
| Contracted services | (303,738,931) | 2,977,931 | (300,761,000) | (268,835,197) | 31,925,803 | |
| Transfers and subsidies paid | (6,819,000) | (531,000) | (7,350,000) | (2,095,949) | 5,254,051 | Less transfers and subsidies were paid during the year |
| Inventory consumed | (91,176,516) | (866,484) | (92,043,000) | (96,049,311) | (4,006,311) | |
| Operational costs | (173,344,158) | 6,135,815 | (167,208,343) | (148,195,309) | 19,013,034 | The variance is due to the reduced spending on operational costs in order to cut expenditures. |
| Inventory losses/writte-downs | - | - | - | (3,132,950) | (3,132,950) | No budget provision was made to inventory losses. |

Audited
By
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Auditor General South Africa
Mpumalanga Business Unit

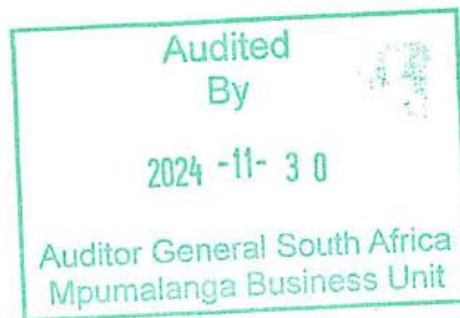
Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|------------------------|----------------------|------------------------|--|---|-----------|
| Figures in Rand | | | | | | |
| Loss on disposal of assets and liabilities | (5,205,000) | - | (5,205,000) | (878,660) | 4,326,340 | |
| Total expenditure | (2,435,281,898) | (62,737,104) | (2,498,019,002) | (2,556,808,406) | (58,789,404) | |
| | 2,361,424,360 | (92,899,264) | 2,268,525,096 | 2,206,036,689 | (62,488,407) | |
| | (2,435,281,898) | (62,737,104) | (2,498,019,002) | (2,556,808,406) | (58,789,404) | |
| Operating deficit | (73,857,538) | (155,636,368) | (229,493,906) | (350,771,717) | (121,277,811) | |
| Transfers and subsidies capital | 205,584,000 | (24,999,600) | 180,584,400 | 180,584,400 | - | |
| | (73,857,538) | (155,636,368) | (229,493,906) | (350,771,717) | (121,277,811) | |
| | 205,584,000 | (24,999,600) | 180,584,400 | 180,584,400 | - | |
| Deficit before taxation | 131,726,462 | (180,635,968) | (48,909,506) | (170,187,317) | (121,277,811) | |
| Surplus before taxation | 131,726,462 | (180,635,968) | (48,909,506) | (170,187,317) | (121,277,811) | |
| Taxation | - | - | - | - | - | |



Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|--------------|--------------|------------------------------------|--|---|
| Figures in Rand | | | | | | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Inventories | 28,136,000 | (867,000) | 27,269,000 | 127,061,266 | 99,792,266 | Underbudgeting which was not in line with the previous financial year patterns. |
| Long term receivables | - | - | - | 1,583,057 | 1,583,057 | Current long term receivables budgeted under non-current portion. |
| Operating lease asset | - | - | - | 1,597,169 | 1,597,169 | Operating leased assets not budgeted for. |
| Other receivables from exchange transactions | 1,426,000 | - | 1,426,000 | 12,315,479 | 10,889,479 | Underbudgeting which was not in line with the previous financial year patterns. |
| Receivables from non-exchange transactions | 86,291,000 | 11,000,000 | 97,291,000 | 35,038,473 | (62,252,527) | Significant impairment of receivables during the year due non-collectibility. |
| VAT receivable | 99,148,000 | - | 99,148,000 | 27,151,439 | (71,996,561) | Vat adjustments and refund processed during the year. |
| Receivables from exchange transactions | 26,451,000 | (23,719,000) | 2,732,000 | 101,072,401 | 98,340,401 | Underbudgeting which was not in line with the previous financial year patterns. |
| Prepayments | - | - | - | 3,296,378 | 3,296,378 | Deposits not budgeted for during budget compilation. |
| Cash and cash equivalents | 711,690,000 | (80,372,000) | 631,318,000 | 27,604,828 | (603,713,172) | Revenue enhancement strategies did not materialise as planned. |
| | 953,142,000 | (93,958,000) | 859,184,000 | 336,720,490 | (522,463,510) | |



Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|----------------------|---------------------|----------------------|------------------------------------|--|---|
| Figures in Rand | | | | | | |
| Non-Current Assets | | | | | | |
| Investment property | 28,966,000 | - | 28,966,000 | 71,665,630 | 42,699,630 | Underbudgeting which was not in line with the previous financial year patterns. |
| Property, plant and equipment | 7,935,157,000 | 19,706,000 | 7,954,863,000 | 8,550,002,084 | 595,139,084 | Firsttime recognition of assets that were omitted from the fixed assets register in the previous financial years. |
| Intangible assets | 19,006,000 | - | 19,006,000 | 12,779,119 | (6,226,881) | Overbudgeting of the intangible assets on the annual budget. |
| Heritage assets | - | - | - | 73,050 | 73,050 | Heritage assets line not budgeted for on the annual budget. |
| Long term receivables | 5,246,000 | - | 5,246,000 | 1,005,430 | (4,240,570) | The budget includes current portion of long term receivables. |
| | 7,988,375,000 | 19,706,000 | 8,008,081,000 | 8,635,525,313 | 627,444,313 | |
| Non-Current Assets | 953,142,000 | (93,958,000) | 859,184,000 | 336,720,490 | (522,463,510) | |
| Current Assets | 7,988,375,000 | 19,706,000 | 8,008,081,000 | 8,635,525,313 | 627,444,313 | |
| Total Assets | 8,941,517,000 | (74,252,000) | 8,867,265,000 | 8,972,245,803 | 104,980,803 | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Current portion of long term liabilities | 70,800,000 | - | 70,800,000 | 37,423,138 | (33,376,862) | Overbudgeting of the current portion of long term liabilities. |
| Payables from exchange transactions | 717,356,000 | 81,140,000 | 798,496,000 | 609,841,758 | (188,654,242) | Less payables realised than anticipated during the budget process. |

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|----------------------|----------------------|--|---|--|
| Figures in Rand | | | | | | |
| Payables from non-exchange transactions | (5,740,000) | 25,240,000 | 19,500,000 | - | (19,500,000) | The municipality did not have payables from non-exchange transactions during the year. |
| Consumer deposits | 95,091,000 | | 95,091,000 | 112,676,493 | 17,585,493 | More consumer deposits realised than anticipated during the budget process. |
| Employee benefit obligation | | | | 5,158,001 | 5,158,001 | Employee benefits budget provision not made. |
| Provisions | 5,174,000 | - | 5,174,000 | 2,491,180 | (2,682,820) | Less provisions made than budgeted for. |
| Long service awards | 3,849,000 | - | 3,849,000 | 4,788,000 | 939,000 | Less budget provision made for long service awards during the year. |
| | 886,530,000 | 106,380,000 | 992,910,000 | 772,378,570 | (220,531,430) | |
| Non-Current Liabilities | | | | | | |
| Long term liabilities | 803,193,000 | - | 803,193,000 | 872,541,921 | 69,348,921 | |
| Employee benefit obligation | - | - | - | 125,443,000 | 125,443,000 | Employee benefits budget provision not made. |
| Provisions | 75,853,000 | - | 75,853,000 | 38,152,646 | (37,700,354) | The budget was informed by the previous year pattern. |
| Long service awards | 142,727,000 | - | 142,727,000 | 32,842,000 | (109,885,000) | Over-budgeting which was not in line with the previous financial year patterns. |
| | 1,021,773,000 | - | 1,021,773,000 | 1,068,979,567 | 47,206,567 | |
| | 886,530,000 | 106,380,000 | 992,910,000 | 772,378,570 | (220,531,430) | |
| | 1,021,773,000 | - | 1,021,773,000 | 1,068,979,567 | 47,206,567 | |
| | - | - | - | - | - | |
| Total Liabilities | 1,908,303,000 | 106,380,000 | 2,014,683,000 | 1,841,358,137 | (173,324,863) | |
| Assets | 8,941,517,000 | (74,252,000) | 8,867,265,000 | 8,972,245,803 | 104,980,803 | |
| Liabilities | (1,908,303,000) | (106,380,000) | (2,014,683,000) | (1,841,358,137) | 173,324,863 | |
| Net Assets | 7,033,214,000 | (180,632,000) | 6,852,582,000 | 7,130,887,666 | 278,305,666 | |

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

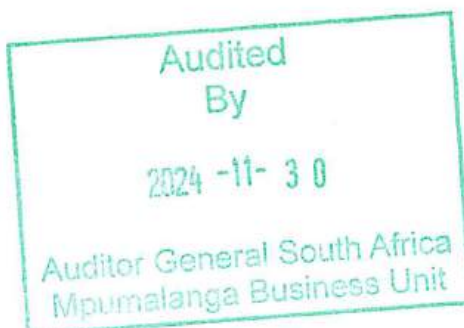
Budget on Cash Basis

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

Reserves

| | | | | | | |
|---------------------|---------------|---------------|----------------------|---------------|--------------------|--|
| Accumulated surplus | 7,033,214,000 | (180,632,000) | 6,852,582,000 | 7,130,887,666 | 278,305,666 | |
|---------------------|---------------|---------------|----------------------|---------------|--------------------|--|

The budget changes or adjustments are as a result of the mid-term budget assessments in line with Section 72 of the Municipal Finance Management Act, as well as the normal reallocation of funds occurred during the financial year as approved by the Accounting Officer.



Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Accounting Policies

| Figures in Rand | Note(s) | 2024 | 2023 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 interpretation, guidelines and directives issued by the accounting standards board, read with Directive 5 (GRAP reporting framework).

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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



Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Accounting Policies

1.3 New standards and interpretations

Standards and interpretations effective and adopted in the current year

There are no standards adopted in the current year that are relevant to the municipality's operations.

Standards and Interpretations early adopted

The municipality has chosen not to early adopt any standards and interpretations.

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 July 01, 2024 or later periods:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

These revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect the following:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

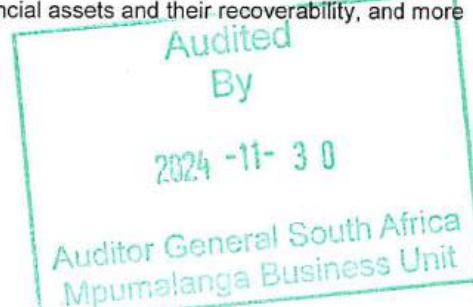
The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

Guideline: Guideline on Accounting for Landfill Sites

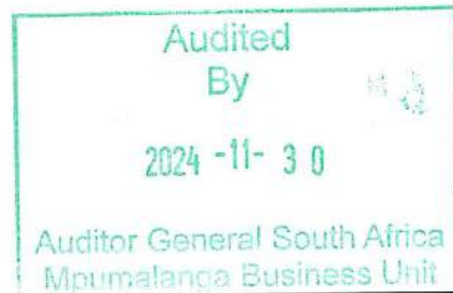
The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.



Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Accounting Policies



It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 25: Employee Benefits

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The municipality expects to adopt the standard for the first time in the future. The effective date of these revisions have not yet been set.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

IGRAP 7: Limit on defined benefit asset, minimum funding requirements and their interaction

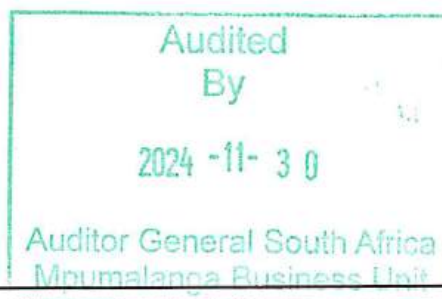
The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Accounting Policies



Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions has not yet been set. The municipality expects to adopt the revisions for the first time in the future.

The adoption of this revisions is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented. The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities. The municipality expects to adopt the guideline for the first time in the future. It is unlikely that the guideline will have a material impact on the economic entity's financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

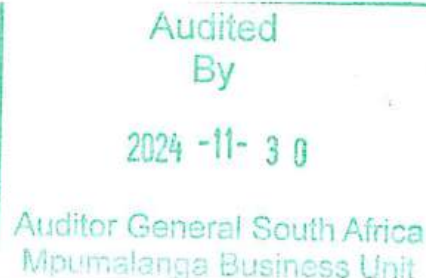
The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Accounting Policies



Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

A municipality applies judgement based on past experience and current facts and circumstances. The effective date of this amendment is for years beginning on or after 01 April 2025.

The municipality expects to adopt the amendment for the first time in the 2024/2025 financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

1.4 Materiality

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

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

1.5 Interests in other entities

1.6 Significant judgements and sources of estimation uncertainty

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

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

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Accounting Policies



1.6 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete inventory

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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 key assumptions such as the discount rate, condition of the asset, estimated future cash inflow, outflow, the term for discounting may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible assets.

Value in use of cash generating assets

The municipality reviews and tests the carrying value of cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

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

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

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1.6 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits and other long-term benefits

The present value of the post retirement and long-term benefit obligations depend 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 and long-term benefit 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 post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in South African rands, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality 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.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in note 8.

Effective interest rate

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

Allowance for impairment of financial assets

On receivables 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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Key estimates based on management judgement that have not been disclosed under the accounting policies as listed below:

- Service Charges (reference to instances where the municipality bill based on estimates and not actual readings)
- Prepaid Services (Revenue recognition based on stage of completion)
- Significant delays in assets under construction
- Traffic fines
- Contingent liabilities
- Operating Leases (Straight Lining)
- Contingent Assets

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1.7 Investment property

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

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

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

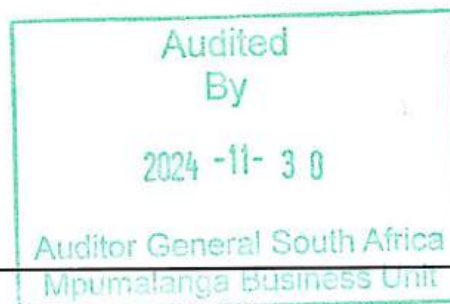
Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

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1.7 Investment property (continued)

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.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

| Item | Useful life |
|----------------------|--------------|
| Property - land | indefinite |
| Property - buildings | 30-100 years |

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

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

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

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

- primary use of the property;
- partial own use, percentage used for own use compared to percentage used to earn rentals and/or capital appreciation; and
- ancillary services, significance of services provided.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3).

1.8 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 are 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.

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1.8 Property, plant and equipment (continued)

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 part 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 municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

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

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

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

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

| Item | Depreciation method | Average useful life |
|-------------------------------------|---------------------|---------------------|
| Buildings | Straight line | 30 - 100 years |
| Community assets | Straight line | 30-300 years |
| Infrastructure assets | Straight line | 10- 300 years |
| Land | Straight line | Indefinite |
| Landfill site | Straight line | 10 - 300 years |
| Other property, plant and equipment | Straight line | 2 - 30 years |

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

The depreciation charge for each period is recognised in surplus or deficit.

Assets of the property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

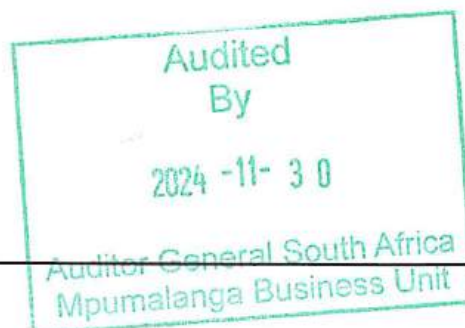
The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 3).

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1.8 Property, plant and equipment (continued)

Assets under construction represents capital expenditure incurred on projects not yet completed nor ready for use at period end. Assets under construction are carried at cost. The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.9 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- 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.

1.10 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

Intangible assets are initially measured at cost.

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

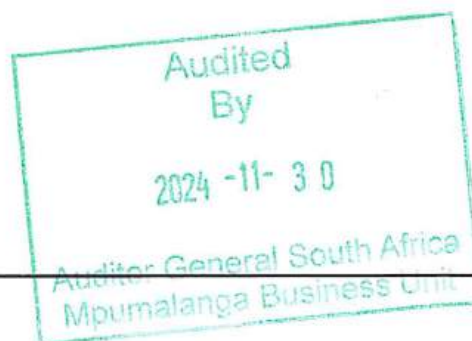
An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- 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.

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1.10 Intangible assets (continued)

Subsequent to initial measurement, Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of items of intangible assets have been assessed as follows:

| Item | Depreciation method | Average useful life |
|--------------------------|---------------------|---------------------|
| Computer software, other | Straight line | 1- 15 years |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

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

1.11 Heritage assets

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

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

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

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

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

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.

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

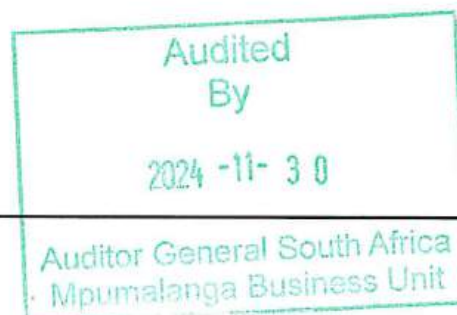
Recognition

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

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1.11 Heritage assets (continued)

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, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

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.

1.12 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.

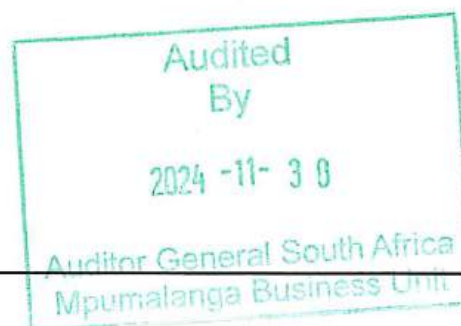
The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate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

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

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1.12 Financial instruments (continued)

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.

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

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

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

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

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

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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1.12 Financial instruments (continued)

Classification

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

Class

Current portion of long term receivables
Other receivables from exchange transactions
Receivables from exchange transactions
Investments
Prepayments
Cash and Cash Equivalents
Long term receivables

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

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

Class

Current portion of long term liabilities
Long term liabilities
Payables from exchange transactions
Consumer deposits

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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1.12 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality 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 will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the 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.

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

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

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 through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

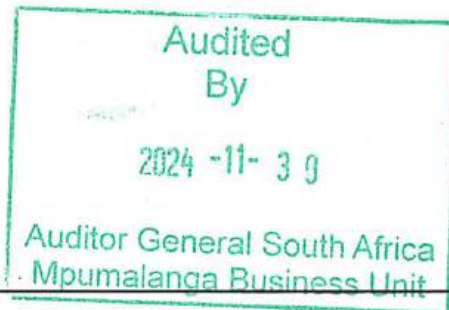
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in the carrying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

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1.12 Financial instruments (continued)

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 entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

1.13 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.

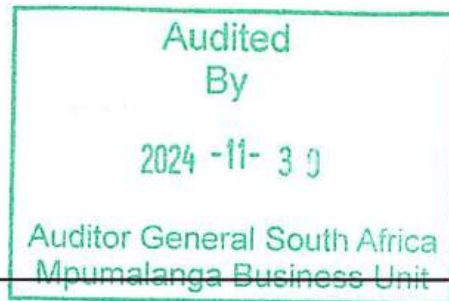
Carrying amount is the amount at which an asset is recognised in the statement of financial position.

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.

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1.13 Statutory receivables (continued)

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.

Accrued interest

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

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

1.14 Leases

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

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

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By

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Auditor General South Africa
Mpumalanga Business Unit

1.14 Leases (continued)

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 municipality's incremental borrowing rate.

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

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

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

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.

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

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

1.15 Inventories

Inventories are assets in the form of materials or supplies to be consumed in the production process, in the form of materials or supplies to be consumed or distributed in the rendering of services, held for sale or distribution in the ordinary course of operations, in the process of production for sale or distribution. Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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

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1.15 Inventories (continued)

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.

1.16 VAT receivable / payable

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

1.17 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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 managed 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:

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

Criteria developed by the annual financial statements to distinguish cash-generating assets from non-cash-generating assets are as follow:

- consideration of the manner in which assets are managed to determine whether their asset management practices are consistent with those in the profit-driven private sector;
- intention in to generate positive cash inflows from that asset and earn a return that reflects the risk involved in holding such an asset; and
- service delivery objective

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1.17 Impairment of cash-generating assets (continued)

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 is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

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

Discount rate

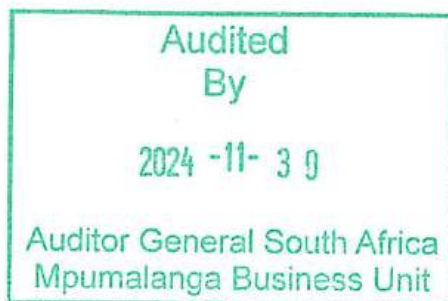
The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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.



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1.17 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 uses 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.

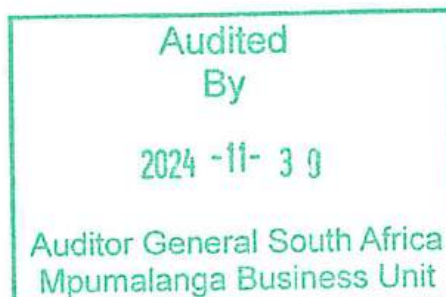
An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each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

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

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

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

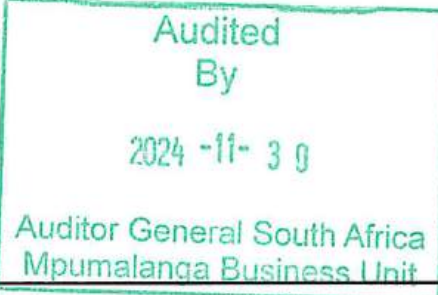
Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.



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1.17 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 municipality 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.

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.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.18 Impairment of non-cash-generating assets

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

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

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 managed 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.

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

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

Useful life is either:

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

Criteria developed by the annual financial statements to distinguish non-cash-generating assets from cash-generating assets are as follow:

- consideration of the manner in which assets are managed to determine whether their asset management practices are consistent with those in the profit-driven private sector;
- intention is to generate positive cash inflows from that asset and earn a return that reflects the risk involved in holding such an asset; and
- service delivery objective.

Identification

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

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

Value in use

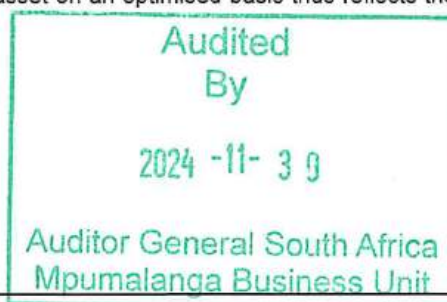
Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

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

Depreciated replacement cost approach

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

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



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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

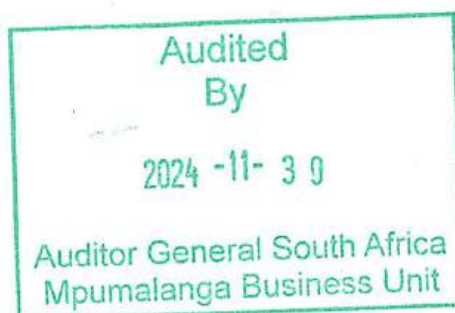
An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable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

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

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

Redesignation

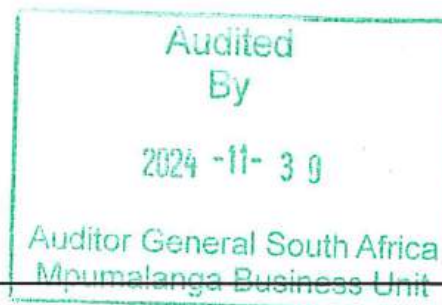
The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.



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1.19 Employee benefits

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

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:

- 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 municipality during a reporting period, the municipality recognise 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 municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality 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 municipality 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.

Post-employment benefits: Defined contribution plans

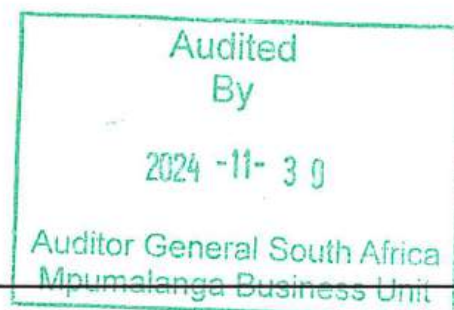
Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating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

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

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1.19 Employee benefits (continued)

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, 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 contribution in the cost of an asset.

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

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.

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 recognise 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 municipality accounts 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

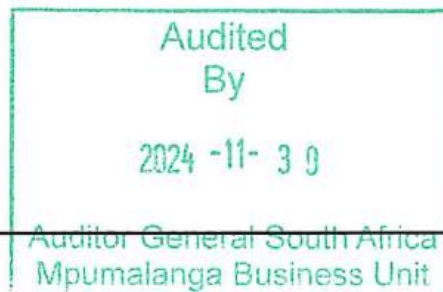
The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and

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1.19 Employee benefits (continued)

- 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 determine the present value of defined benefit obligations with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;

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.

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is 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.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

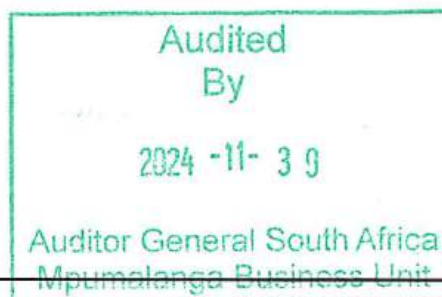
Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and

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1.19 Employee benefits (continued)

- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine the present value of the obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

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

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;

Termination benefits

The entity recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.20 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.

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1.20 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 50.

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:

Where 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 test 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 1.17 and 1.18.

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.

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

1.21 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

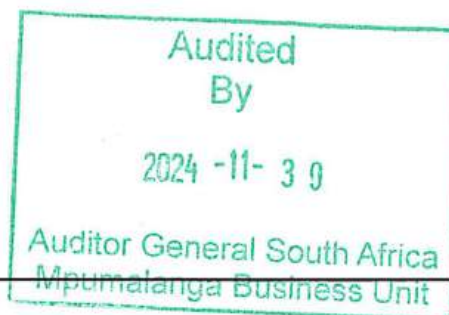
Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

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1.21 Commitments (continued)

- 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.

1.22 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

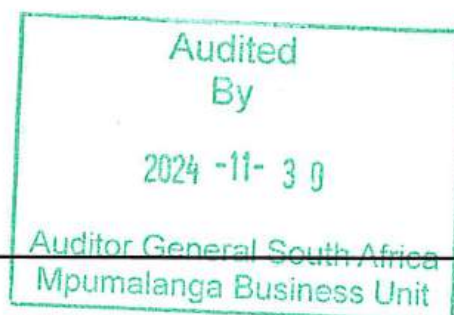
When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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

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1.22 Revenue from exchange transactions (continued)

Interest and dividends

Revenue arising from the use by others of municipal assets yielding interest 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, in surplus or deficit, using the effective interest rate method.

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

Unclaimed deposits

An unclaimed direct deposit is any amount of money legally paid into the municipal primary bank account without any reference or documentary proof on how the monies should be allocated and that remains unclaimed for a period of three (3) months.

Unclaimed monies are any amounts of money legally payable to a creditor and that have not been claimed or banked within a period of three (3) months. An unclaimed deposit is any amount of money legally paid by a customer as security for municipal services for the use of facilities which have not been claimed within a period of three (3) months. Unclaimed monies are initially recognised as a liability, should unclaimed monies not be claimed within the period of five (5) years the monies will be written off from the register and be receipted as revenue in that financial year.

1.23 Revenue from non-exchange transactions

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

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

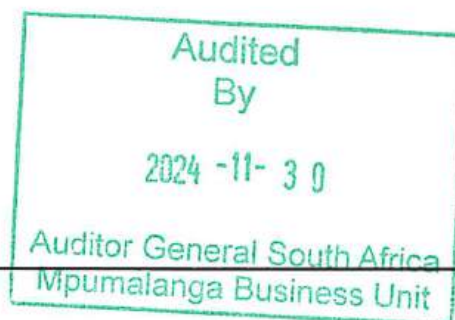
As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

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

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Annual Financial Statements for the years ended June 30, 2024

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1.23 Revenue from non-exchange transactions (continued)

Measurement

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

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

Property rates

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

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

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

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

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

Transfers

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

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

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

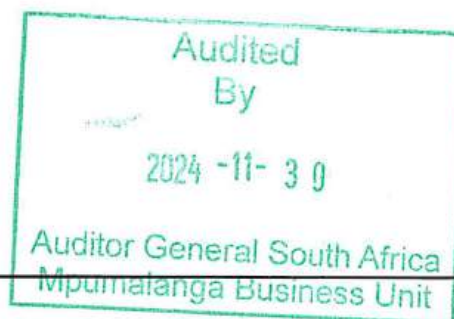
Transfers and Subsidies

Unconditional grants - the municipality recognise revenue equivalent to the amount received as allocated in the Division of Revenue Act and utilises it to fund operational and other activities during the course of the financial year with no specific conditions attached to the allocation by the grantor. Conditional Grants - on receiving the allocation as determined by the Division of Revenue Act, the municipality recognises the funds as liability and recognises the revenue against the liability raised in proportion to the utilisation of the funds in line with the conditions attached to it by the grantor.

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

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1.23 Revenue from non-exchange transactions (continued)

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.

1.24 Investment income

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

1.25 Borrowing costs

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

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.26 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended due to better presentation and/or better understandability and/or comparability and/or due to the implementation of a new or amended standard, prior period comparative amounts are restated. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.27 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.28 Fruitless and wasteful expenditure

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

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

1.29 Irregular expenditure

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

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

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1.30 Segment information

A segment is an activity of an entity:

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

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met. The municipality used the combination of a factor whereby Trading Services, Community and Public Services, and Economic and Environmental Services were separately reported and the remaining segments were aggregated and reported as Other segments.

Measurement

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

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

1.31 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 7/1/2023 to 6/30/2024.

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury. Variances on the Statement of Budget Comparison above 15% are considered material and requires further explanation.

1.32 Related parties

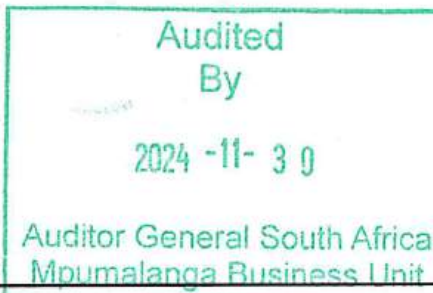
A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

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

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

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1.32 Related parties (continued)

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.

1.33 Events after reporting date

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

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

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

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

1.34 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus when retrospective adjustments are made.

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Figures in Rand

2. Investment property

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| 2024 | | 2023 | |
|---------------------|---|----------------|---|
| Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation |
| 72,759,365 | (1,093,735) | 71,665,630 | 80,740,877 |
| | | | Accumulated depreciation and accumulated impairment |
| | | | 71,022,056 |

Investment property

Reconciliation of investment property - 2024

| Opening balance | Disposals | Transfers | Depreciation | Total |
|--------------------|-----------|-----------|--------------|------------|
| 71,022,056 | (458,930) | 2,266,705 | (1,093,735) | 71,665,630 |

Investment property

Reconciliation of investment property - 2023

| Opening balance | Additions | Transfers received | Depreciation | Total |
|--------------------|-----------|-----------------------|--------------|------------|
| 62,850,932 | 8,724,257 | 311,952 | (865,085) | 71,022,056 |

Investment property

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.

Amounts recognised in surplus or deficit

Rental revenue from Investment property

22,347,106 19,908,142

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Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

| | 2024 | | 2023 | | | |
|-------------------------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 1,237,537,601 | - | 1,237,537,601 | 1,245,605,312 | - | 1,245,605,312 |
| Buildings | 307,703,101 | (150,809,650) | 156,893,451 | 303,848,528 | (143,670,661) | 160,177,867 |
| Infrastructure | 10351303717 | 4,084,233,183 | 6,267,070,534 | 10129936865 | 3,871,790,679 | 6,258,146,186 |
| Community | 1,105,868,335 | (406,480,156) | 699,388,179 | 1,047,512,629 | (378,897,069) | 668,615,560 |
| Other property, plant and equipment | 518,114,523 | (329,002,204) | 189,112,319 | 507,508,130 | (300,114,459) | 207,393,671 |
| Total | 13520527277 | (4,970,525,193) | 8,550,002,081 | 3234411464 | (4,694,472,868) | 8,539,938,596 |

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Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

| | Opening balance | Additions | Disposals | Transfers | Revaluation | Depreciation | Impairment loss | Total |
|-------------------------------------|----------------------|--------------------|--------------------|----------------------|------------------|----------------------|--------------------|----------------------|
| Land | 1,245,605,312 | - | (1,501,405) | (6,566,306) | - | - | - | 1,237,537,601 |
| Buildings | 160,177,867 | 3,854,573 | - | - | - | (7,003,461) | (135,528) | 156,893,451 |
| Infrastructure | 6,258,146,186 | 321,476,979 | - | (99,697,469) | (412,631) | (205,620,684) | (6,821,847) | 6,267,070,534 |
| Community | 668,615,560 | 89,796,242 | - | (31,440,476) | - | (25,619,462) | (1,963,685) | 699,388,179 |
| Other property, plant and equipment | 207,393,671 | 15,976,901 | (905,187) | (3,289,679) | - | (29,561,589) | (501,798) | 189,112,319 |
| | 8,539,938,596 | 431,104,695 | (2,406,592) | (140,993,930) | (412,631) | (267,805,196) | (9,422,858) | 8,550,002,084 |

Reconciliation of property, plant and equipment - 2023

| | Opening balance | Additions | Correction of error | Disposals | Transfers | Donations | Revaluation | Depreciation | Impairment loss | Total |
|-------------------------------------|----------------------|----------------------|---------------------|---------------------|----------------------|-------------------|--------------------|----------------------|--------------------|----------------------|
| Land | 1,247,624,363 | - | 99,144 | (1,841,476) | (276,719) | - | - | - | - | 1,245,605,312 |
| Buildings | 154,421,078 | 4,632,314 | 9,617,345 | - | (2,022,027) | - | - | (6,493,161) | 22,318 | 160,177,867 |
| Infrastructure | 5,225,413,214 | 1,058,906,286 | 584,526,937 | (4,463,980) | (481,752,213) | 28,508,044 | (1,858,507) | (148,771,986) | (2,361,609) | 6,258,146,186 |
| Community | 619,131,997 | 24,948,862 | 52,498,848 | - | (8,004,285) | - | - | (19,061,201) | (898,661) | 668,615,560 |
| Other property, plant and equipment | 213,697,646 | 36,266,994 | 661,569 | (5,233,228) | (1,841,957) | - | - | (30,267,483) | (5,889,870) | 207,393,671 |
| | 7,460,288,298 | 1,124,754,456 | 647,403,843 | (11,538,684) | (493,897,201) | 28,508,044 | (1,858,507) | (204,593,831) | (9,127,822) | 8,539,938,596 |

Other information

Included in the Carrying Value of the Property, Plant and Equipment for the year ended 30 June 2024, is 457 assets with the book value of R 9 892 902 that were not found during the physical verification process.

The report on these assets will be submitted to Council in the next financial year for a possible write-off of these assets in line with the Council approved assets management policy.

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

| | | |
|-----------------|------|------|
| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|

3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

| | Included within Infrastructure | Included within Community | Included within Other PPE | Total |
|-----------------|-----------------------------------|------------------------------|------------------------------|--------------------|
| Opening balance | 567,531,295 | 55,827,092 | 13,908,129 | 637,266,516 |
| Additions | 220,782,996 | 12,772,106 | 7,300,938 | 240,856,040 |
| Transfers | (99,697,496) | (31,440,476) | (3,316,206) | (134,454,178) |
| | 688,616,795 | 37,158,722 | 17,892,861 | 743,668,378 |

Reconciliation of Work-in-Progress 2024

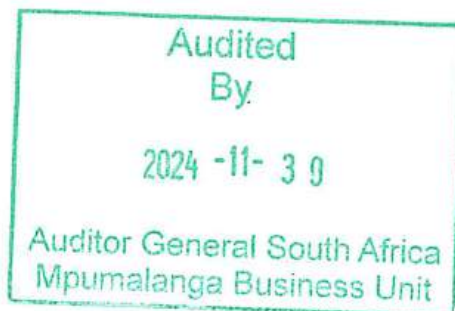
| | Included within Infrastructure | Included within Community | Included within Other PPE | Total |
|-----------------|-----------------------------------|------------------------------|------------------------------|--------------------|
| Opening balance | 550,779,513 | 48,937,077 | 5,162,921 | 604,879,511 |
| Additions | 576,490,589 | 15,794,272 | 12,967,547 | 605,252,408 |
| Transfers | (559,738,807) | (8,904,257) | (4,222,339) | (572,865,403) |
| | 567,531,295 | 55,827,092 | 13,908,129 | 637,266,516 |

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 | 142,023,619 | 127,356,280 |
| Inventory consumed | 32,193,269 | 31,615,238 |
| Operational costs | 25,960,207 | 25,944,215 |
| | 200,177,095 | 184,915,733 |

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.



Steve Tshwete Local Municipality
Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

Figures in Rand

4. Intangible assets

| | 2024 | | 2023 | | | |
|-------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 23,961,223 | (11,182,104) | 12,779,119 | 23,961,223 | (8,966,962) | 14,994,261 |

Reconciliation of intangible assets - 2024

| | | | |
|-------------------|----------------------------------|-----------------------------|---------------------|
| Computer software | Opening balance 14,994,261 | Amortisation (2,215,142) | Total 12,779,119 |
|-------------------|----------------------------------|-----------------------------|---------------------|

Reconciliation of intangible assets - 2023

| | | | |
|-------------------|----------------------------------|-----------------------------|---------------------|
| Computer software | Opening balance 17,249,350 | Amortisation (2,254,540) | Total 14,994,261 |
|-------------------|----------------------------------|-----------------------------|---------------------|

Audited
By
2024 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

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5. Heritage assets

| | 2024 | | 2023 | |
|---------------|------------------|-------------------------------|----------------|-------------------------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation |
| | | | | Accumulated impairment losses |
| | | | | Carrying value |
| Mayoral Chain | 73,050 | - | 73,050 | - |
| | | | | 73,050 |

Reconciliation of heritage assets 2024

Mayoral Chain

Reconciliation of heritage assets 2023

Mayoral Chain

Restrictions on heritage assets

The Mayoral Chain with a carrying value of R 73 050 is kept as an ornamental chain to be worn by the mayor in official events and not to be disposed.

Revaluations

Mayoral Chain

An assessment was done on the fair value of the Mayoral Chain and no significant changes to the value was noted.

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By
2024 -11- 30
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Mpumalanga Business Unit

| | | |
|-----------------|--------|--------|
| Opening balance | 73,050 | Total |
| | | 73,050 |

| | | |
|-----------------|--------|--------|
| Opening balance | 73,050 | Total |
| | | 73,050 |

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|--|------------------|-------------------|
| 6. Long term receivables | | |
| Designated at amortised cost | | |
| Long term receivables from exchange transactions | 2,588,487 | 15,270,772 |
| Consumer debtors arrangements on long outstanding debts in accordance with the credit control policy | | |
| | <u>2,588,487</u> | <u>15,270,772</u> |
| | - | - |
| | - | - |
| Non-current assets | | |
| Designated at amortised cost | 1,005,430 | 8,241,846 |
| | <u>1,005,430</u> | <u>8,241,846</u> |
| Current assets | | |
| Designated at fair amortised cost | 1,583,057 | 7,028,926 |
| Non-current assets | 1,005,430 | 8,241,846 |
| Current assets | 1,583,057 | 7,028,926 |
| | <u>2,588,487</u> | <u>15,270,772</u> |
| 7. Operating lease asset | | |
| Current assets | 1,597,169 | 1,160,147 |
| | <u>1,597,169</u> | <u>1,160,147</u> |

Audited
By
2024 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

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2023

7. Operating lease asset (continued)

Minimum lease income

-within one year

-second to fifth year

Audited
By

2024 -11- 30

16,649,317 19,024,305

7,508,399 6,159,939

24,157,716 25,184,244

Auditor General South Africa

Maamalinga Business Unit

1.IzimbiwaCoal(PtyLtd)

Lease of Farms in Middleburg. The contract expires on 31 May 2025. The contract escalates annually at 6%

Actual income levied 2023/2024

R 14 551 680

Expected levy income 2024/2025

R 12 584 000

Annual straightlining

R 14 795 580

2.ZoomFibre(Pty)Ltd

Lease of Dennesig, Kanonkop and Mineralia Road Reserves. The contract expires on the 31 December 2025. The contract escalates annually with tariffs or 6%

Actual income levied 2023/2024

R 278 123

Expected levy income 2024/2025

R 174 920

Annual straightlining

R 298 262

3.Evolution(Pty)Ltd

Lease of Dennesig, Kanonkop and Mineralia Road Reserves. The contract expires on the 31 December 2025. The contract escalates annually with tariffs or 6%

Actual income levied 2023/2024

R 327 642

Expected levy income 2024/2025

R 175 683

Annual straightlining

R 351 367

4.BlackWattleColliery(Pty)Ltd

Lease of Lease of portions of portions 27 and 29 of FMTT 287 , North and South of N4. The contract expires on 16 March 2029. The contract escalates annually with 10%.

Actual income levied 2023/2024

R 569 989

Expected levy income 2024/2025

R 542 215

Annual straightlining

R 569 990

5.ZoomFibre(Pty)Ltd

Lease of Dennesig, Kanonkop and Mineralia Road Reserves. The contract expires on the 31 December 2025. The contract escalates annually with tariffs or 6%

Actual income levied 2023/2024

R 163 452

Expected levy income 2024/2025

R 87 644

Annual straightlining

R 175 288

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

Figures in Rand

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8. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

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.

The municipality has a policy to subsidise the medical aid contributions of permanently employed employees who go on retirement, provided they are members of the municipal accredited medical aid schemes. All existing continuation members (pensioners) and their dependents will continue to receive either 60% or 70% subsidy depending on when they retire. This subsidy is subject to the maximum amount of R 5 277 (per month per member) for the period 1 July 2023 to 30 June 2024.

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

Carrying value

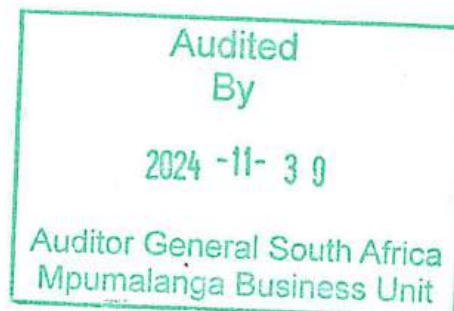
| | | |
|---|----------------------|----------------------|
| Present value of the defined benefit obligation-partly or wholly funded | (130,601,001) | (120,899,001) |
| Non-current liabilities | (125,443,000) | (116,938,001) |
| Current liabilities | (5,158,001) | (3,961,000) |
| | <u>(130,601,001)</u> | <u>(120,899,001)</u> |

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

| | | |
|--|--------------------|--------------------|
| Opening balance | 120,899,001 | 121,705,001 |
| Net expense recognised in the statement of financial performance | 9,702,000 | (806,000) |
| | <u>130,601,001</u> | <u>120,899,001</u> |

Net expense recognised in the statement of financial performance

| | | |
|--|------------------|------------------|
| Current service cost | 6,192,000 | 6,820,000 |
| Interest cost | 14,920,000 | 14,212,000 |
| Actuarial (gains) losses | (2,266,513) | (17,427,406) |
| Curtailment | (4,694,487) | (4,410,594) |
| Employees transferred to Provincial Government | (4,449,000) | - |
| | <u>9,702,000</u> | <u>(806,000)</u> |



Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

8. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

| | | |
|---|---------|---------|
| Discount rate | 12.30 % | 12.54 % |
| CPI inflation rate | 6.27 % | 6.64 % |
| Medical aid contribution inflation rate | 7.77 % | 8.14 % |
| Ned discount rate (medical aid contributions) | 4.20 % | 4.07 % |
| Maximum subsidy inflation rate | 5.45 % | 5.73 % |
| Net discount rate (maximum subsidy) | 6.49 % | 6.44 % |
| Average retirement age | 62 | |
| Proportion with a spouse dependent at retirement | 60% | |
| Continuation of membership at retirement | 75 % | |
| Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement | 20 % | |

Mortality during employment : SA 85-90

Mortality post-employment : PA(90) -1 with a 1% mortality improvement per annum from 2010

Balances reported in the preceeding periods

Amounts for the current and previous four yearss are as follows:

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| Defined benefit obligation | 130,601,001 | 120,899,001 | 121,705,001 | 115,180,000 | 101,602,000 |

Defined contribution plan

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

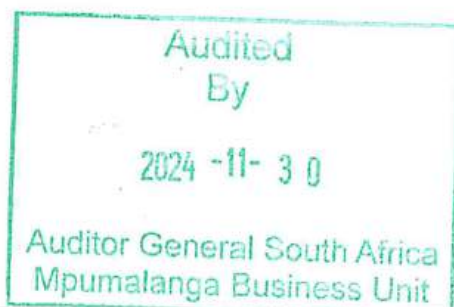
The municipality is under no obligation to cover any unfunded benefits.

| | | |
|---|-----------|-----------|
| The amount recognised as an expense for defined contribution plans is | 4,694,487 | 4,410,594 |
|---|-----------|-----------|

9. Investments

| | | |
|-----------|---|------------|
| ABSA Bank | - | 30,000,000 |
|-----------|---|------------|

Investments are non-derivative financial assets and are classified at cost and held to maturity. Investments will mature within two to six months, therefore cost equates to fair-value.



Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

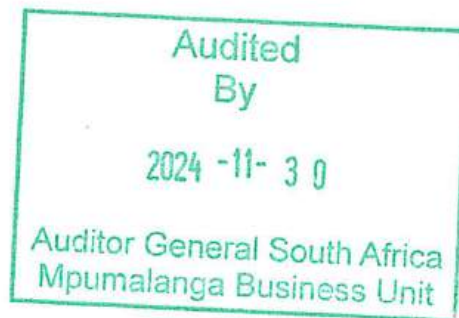
| Figures in Rand | 2024 | 2023 |
|---|--------------------|-------------------|
| 10. Inventories | | |
| Land | 34,511,877 | 30,665,089 |
| Consumable stores | 88,906,389 | 51,806,190 |
| Water for distribution | 1,366,469 | 1,280,414 |
| Stores, materials and fuels | 2,276,531 | 1,057,582 |
| | 127,061,266 | 84,809,275 |
| Inventory pledged as security | | |
| During the year no inventory was pledged as security. | | |
| Water for distribution | | |
| Opening balance | 1,280,414 | 1,280,414 |
| Inventory shortages and surpluses | | |
| Inventory shortages written off during the year | (8,706,457) | (2,482,190) |
| Inventory surpluses for the year | 5,573,507 | 3,266,380 |
| | (3,132,950) | 784,190 |
| 11. Other receivables from exchange transactions | | |
| Accrued interest (Bank) | - | 2,512,277 |
| Sundry debtors | 21,779,412 | 21,641,569 |
| Fruitless and wasteful expenditure to be investigated | 626,901 | - |
| Accrued income (Auction) | - | 4,255,743 |
| Less allowance for impairment | (10,090,834) | (10,050,602) |
| | 12,315,479 | 18,358,987 |
| Included in other receivables from exchange transactions above are the following receivables which are not impaired: | | |
| Fruitless and wasteful expenditure to be investigated | 626,901 | - |
| Accrued interest (Bank) | - | 2,512,277 |
| | 626,901 | 2,512,277 |
| None of other receivables were pledged as security | | |
| Other receivables past due but not impaired | | |
| Trade and other receivables which are less than 3 months past due are not considered to be impaired. At June 30, 2024 and June 30, 2023 all accounts past due were considered for impairment. | | |
| Other receivables impaired | | |
| As of June 30, 2024, sundry debtors of R 18 893 955 (2023 : R 21 641 569) were impaired and provided for. The amount of the provision was R 10 090 834 as of 30 June 2024 (2023 : R 10 050 602) | | |
| The ageing of these sundry debtors is as follows: | | |
| 0 to 3 months | 9,105,940 | 7,545,193 |
| 3 to 6 months | 853,622 | 755,388 |
| Over 6 months | 8,934,393 | 13,340,988 |

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|--|----------------------|----------------------|
| 11. Other receivables from exchange transactions (continued) | | |
| Reconciliation of provision for impairment of trade and other receivables | | |
| Opening balance | (10,050,601) | (10,833,230) |
| Movement for the year | (40,233) | 782,629 |
| | (10,090,834) | (10,050,601) |
| 12. Receivables from non-exchange transactions | | |
| Traffic fines | 4,545,356 | 3,570,407 |
| Property rates | 30,493,117 | 32,475,354 |
| | 35,038,473 | 36,045,761 |
| Traffic fines | | |
| Gross balances | 68,224,616 | 61,185,415 |
| Less : Allowance for impairment | (63,679,261) | (57,615,008) |
| | 4,545,355 | 3,570,407 |
| Age analysis (Property Rates) | | |
| Current (0-30 days) | 30,536,158 | 30,466,662 |
| 31-60 days | 7,898,157 | 7,556,347 |
| 61-90 days | 6,344,579 | 5,761,193 |
| 91-120 days | 6,458,506 | 4,594,951 |
| 121-150 days | 4,984,088 | 6,874,862 |
| > 150 days | 97,155,179 | 78,920,404 |
| Allowance for impairment | (122,883,550) | (101,699,064) |
| | 30,493,117 | 32,475,355 |
| Reconciliation of provision for impairment of receivables from non-exchange transactions | | |
| Opening balance | (159,314,072) | (102,447,747) |
| Provision for impairment | (27,248,739) | (56,866,325) |
| | (186,562,811) | (159,314,072) |
| 13. VAT receivable | | |
| VAT | 27,151,439 | 75,235,712 |
| The municipality recognises VAT on the accrual basis and declares it to SARS on a cash basis. All VAT returns have been submitted by the due date through the years. | | |
| 14. Receivables from exchange transactions | | |
| Gross balances | | |
| Electricity | 119,191,923 | 86,240,948 |
| Water | 75,768,496 | 63,649,250 |
| Waste water management | 46,568,389 | 39,132,368 |
| Waste management | 49,560,363 | 36,577,744 |
| Land sale debtors | 287,427 | 39,551 |
| Merchandising, jobbing and contracts | 32,763,422 | 32,249,475 |
| | 324,140,020 | 257,889,336 |

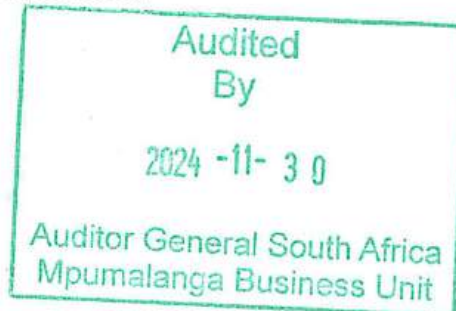


Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|----------------------|----------------------|
| 14. Receivables from exchange transactions (continued) | | |
| Less: Allowance for impairment | | |
| Electricity | (73,569,718) | (57,106,853) |
| Water | (51,892,490) | (41,427,296) |
| Waste water management | (33,777,762) | (27,345,706) |
| Waste management | (32,855,568) | (26,010,258) |
| Land sale debtors | (79,251) | (39,551) |
| Merchandising, jobbing and contracts | (30,892,830) | (26,367,525) |
| | (223,067,619) | (178,297,189) |
| Net balance | | |
| Electricity | 45,622,205 | 29,134,095 |
| Water | 23,876,006 | 22,221,954 |
| Waste water management | 12,790,627 | 11,786,662 |
| Waste management | 16,704,795 | 10,567,486 |
| Land sale debtors | 208,176 | - |
| Merchandising, jobbing and contracts | 1,870,592 | 5,881,950 |
| | 101,072,401 | 79,592,147 |
| Electricity | | |
| Current (0 -30 days) | 61,653,815 | 46,625,488 |
| 31 - 60 days | 5,740,072 | 5,646,859 |
| 61 - 90 days | 3,181,335 | 2,194,729 |
| 91 - 120 days | 2,803,272 | 2,692,250 |
| 121 - 365 days | 2,762,973 | 2,276,828 |
| > 365 days | 43,050,459 | 26,804,795 |
| Less Allowance for impairment | (73,569,718) | (57,106,854) |
| | 45,622,208 | 29,134,095 |
| Water | | |
| Current (0 -30 days) | 24,814,610 | 18,929,656 |
| 31 - 60 days | 4,270,457 | 4,584,503 |
| 61 - 90 days | 2,454,747 | 3,196,472 |
| 91 - 120 days | 2,979,809 | 2,256,303 |
| 121 - 365 days | 2,278,711 | 2,196,596 |
| > 365 days | 38,970,161 | 32,485,720 |
| Less allowance for impairment | (51,892,490) | (41,427,296) |
| | 23,876,005 | 22,221,954 |
| Waste water | | |
| Current (0 -30 days) | 7,669,118 | 8,301,017 |
| 31 - 60 days | 2,488,679 | 2,912,496 |
| 61 - 90 days | 2,042,923 | 1,680,534 |
| 91 - 120 days | 2,073,892 | 1,381,719 |
| 121 - 365 days | 1,674,550 | 1,329,597 |
| > 365 days | 30,619,226 | 23,526,750 |
| Less allowance for impairment | (33,777,762) | (27,345,451) |
| | 12,790,626 | 11,786,662 |



Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

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14. Receivables from exchange transactions (continued)

Waste management

Current (0 -30 days)

31 - 60 days

61 - 90 days

91 - 120 days

121 - 365 days

> 365 days

Less allowance for impairment

Audited

By

2024 -11- 30

Auditor General South Africa
Mpumalanga Business Unit

| | |
|--------------|--------------|
| 8,438,238 | 7,982,938 |
| 2,571,209 | 2,237,726 |
| 2,064,059 | 1,675,038 |
| 2,067,998 | 1,525,488 |
| 1,831,821 | 1,368,853 |
| 32,587,043 | 21,787,706 |
| (32,855,568) | (26,010,263) |
| 16,704,800 | 10,567,486 |

Land sale debtors

Current (0 -30 days)

31 - 60 days

61 - 90 days

91 - 120 days

121 - 365 days

> 365 days

Less allowance for impairment

| | |
|----------|----------|
| 262,073 | 78 |
| 78 | 75 |
| 78 | 75 |
| 78 | 71 |
| 78 | 71 |
| 25,043 | 39,179 |
| (79,251) | (39,549) |
| 208,177 | - |

Merchandising, jobbing and contracts

Current (0 -30 days)

31 - 60 days

61 - 90 days

91 - 120 days

121 - 365 days

> 365 days

Less allowance for impairment

| | |
|--------------|--------------|
| 684,555 | 1,278,948 |
| 576,801 | 504,840 |
| 232,859 | 272,641 |
| 358,149 | 762,311 |
| 135,047 | 819,015 |
| 30,776,011 | 28,611,717 |
| (30,892,830) | (26,367,522) |
| 1,870,592 | 5,881,950 |

Reconciliation of allowance for impairment

Balance at beginning of the year

Contributions to allowance

| | |
|---------------|---------------|
| (178,297,189) | (83,302,485) |
| (44,770,430) | (94,994,704) |
| (223,067,619) | (178,297,189) |

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand

Bank balances

| | |
|------------|------------|
| 42,380 | 42,380 |
| 27,562,448 | 91,548,561 |
| 27,604,828 | 91,590,941 |

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

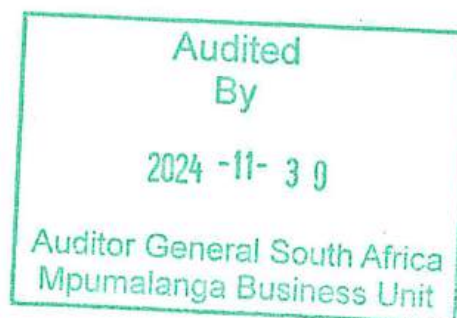
| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|-------------------------|--------------------|--------------------|--------------------|-------------------|--------------------|
| | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2024 | June 30, 2023 | June 30, 2022 |
| ABSA BANK - CURRENT ACCOUNT - 10-4000-0077 | - | - | 4,799,535 | - | - | (20,554,424) |
| ABSA BANK - CURRENT ACCOUNT - 40-7830-3563 | - | - | 8,092 | - | 1,763,702 | 3,462,780 |
| PETTY CASH AND CASH FLOAT | - | - | - | 42,380 | 42,380 | - |
| FNB BANK - CURRENT ACCOUNT - 62-8771- 40740 | 20,632,159 | 124,908,053 | 222,915,528 | 27,324,050 | 89,437,313 | 205,482,791 |
| FNB BANK - Account Type - 63-0927-56437 | 43,929 | - | - | 238,569 | - | - |
| Total | 20,676,088 | 124,908,053 | 227,723,155 | 27,604,999 | 91,243,395 | 188,391,147 |

16. Rentals

| | | |
|--|-------------------|-------------------|
| Rentals | 12,369,647 | 7,308,242 |
| Present value of minimum lease payments due | | |
| - within one year | 15,188,935 | 10,368,800 |
| - in second to fifth year inclusive | 11,329,494 | 15,256,810 |
| | 26,518,429 | 25,625,610 |

The municipality is leasing light and heavy duty vehicles through operating lease arrangement for the period of 36 months with no option to purchase the assets at the end of lease term. The lease is subject to the average Consumer Price Index escalation during each financial year of its existence from the inception.

The municipality entered into the 36 months lease contract for the supply, delivery, installation, commissioning and maintenance of office automation solution.



Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|------------------------------------|--------------------|--------------------|
| 17. Long term liabilities | | |
| At amortised cost | | |
| NEDBANK | 528,316,058 | 549,793,594 |
| Interest at 10.31% | | |
| ABSA | 89,179,366 | 94,923,481 |
| Variable interest rate | | |
| ABSA | 175,026,004 | 175,390,182 |
| ABSA | 117,443,631 | 123,216,714 |
| Variable interest rate | | |
| INCA | - | 4,029,302 |
| Interest at 9.02% | | |
| | 909,965,059 | 947,353,273 |
| Non-current liabilities | | |
| At amortised cost | 872,541,921 | 910,117,361 |
| Current liabilities | | |
| At amortised cost | 37,423,138 | 37,235,912 |

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Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

Figures in Rand

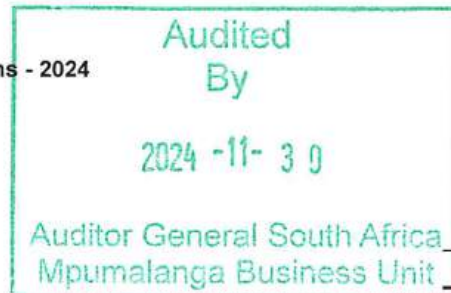
2024

2023

18. Provisions

Reconciliation of provisions - 2024

Landfill rehabilitation
Performance bonus
Church even



| Opening Balance | Additions | Total |
|-------------------|------------------|-------------------|
| 34,562,966 | 3,535,013 | 38,097,979 |
| 1,550,928 | 940,252 | 2,491,180 |
| - | 54,667 | 54,667 |
| 36,113,894 | 4,529,932 | 40,643,826 |

Reconciliation of provisions - 2023

Landfill rehabilitation
Performance bonus
Church even

| Opening Balance | Additions | Reversed during the year | Total |
|-------------------|------------------|--------------------------|-------------------|
| 32,928,277 | 1,634,689 | - | 34,562,966 |
| 1,539,383 | 781,235 | (769,690) | 1,550,928 |
| 52,392 | - | (52,392) | - |
| 34,520,052 | 2,415,924 | (822,082) | 36,113,894 |

Landfill rehabilitation

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

Key financial assumptions used in this calculations were a CPI of 5.1704 %, a discount rate of 10.4204 % and therefore a net effective discount rate of 5.25 %.

For the financial year ending 30 June 2024, the discounted value of the landfill closure provision of R 38 097 979 represents an increase of R 3 535 013.00 compared to the provision of R 34 562 966 recognised in the previous financial year. Composition of this change relates to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment amounts to R 3 947 644.

The landfill closure provision is calculated as the net present value of future cash flows based on the expected remaining life of the landfill site and based on the size of the area that had been used for the waste disposal as at 30 June 2024. The total area of the landfill is 192 152 m². The size of the Middleburg landfill site that has already been used for dumping of waste is estimated at 96 211 m². The remaining life of the landfill is estimated at 5 years.

Performance bonus

The provision is to provide for the performance bonuses of the Section 57 employees and other senior managers where applicable. The provision is calculated at 14% of the total remuneration in terms of the performance agreements at the reporting date which is usually paid within one year.

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

18. Provisions (continued)

Church erven

The provision for church erven is for the obligation the municipality has to pay 25% of the purchase price back to the church once the property is fully developed within the period specified on the deed of sale. The provision is evaluated at year-end to reflect the best estimate at the reporting date.

19. Long service awards

Long service awards in the form of a number of leave days once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits by an Independent Actuaries and Consultants as at 30 June 2023..

Changes in the present value of the long service liability is

| | | |
|--|-------------------|-------------------|
| Opening balance | 34,487,000 | 31,889,000 |
| Current service cost | 3,415,000 | 3,365,000 |
| Interest cost | 3,656,000 | 3,274,000 |
| Benefits vested | (4,471,000) | (4,778,000) |
| Employees transferred to Provincial Government | (2,235,000) | - |
| Acturial (gain)/loss | 2,778,000 | 737,000 |
| | 37,630,000 | 34,487,000 |

| | | |
|-----------------------|-------------------|-------------------|
| Current liability | 4,788,000 | 4,471,000 |
| Non-current liability | 32,842,000 | 30,016,000 |
| | 37,630,000 | 34,487,000 |

| | | | | | |
|------------------------------|------------|------------|------------|------------|------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Long service award liability | 37,630,000 | 34,487,000 | 31,889,000 | 28,453,000 | 25,768,000 |

Assumptions used at the reporting date

| | | |
|-----------------------------|--------|---------|
| Discount rate | 11.13% | 11.32 % |
| Normal salary increase rate | 6.28% | 6.57 % |
| Net discount rate | 4.57% | 4.45 % |

20. Payables from exchange transactions

| | | |
|---------------------------------------|--------------------|--------------------|
| Payables and accruals | 281,431,547 | 213,683,967 |
| Pre-paid meter sales in advance | 982,627 | 6,958,200 |
| Consumer receivables paid in advance | 29,625,621 | 30,976,811 |
| Sundry receivables paid in advance | 868,400 | 861,543 |
| Staff leave | 102,708,082 | 87,120,637 |
| Retentions payable | 127,244,299 | 124,559,880 |
| Third party pre-paid sales in advance | 8,760,472 | 12,535,029 |
| Unallocated deposits | 58,220,710 | 39,039,450 |
| | 609,841,758 | 515,735,517 |



Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

21. Consumer deposits

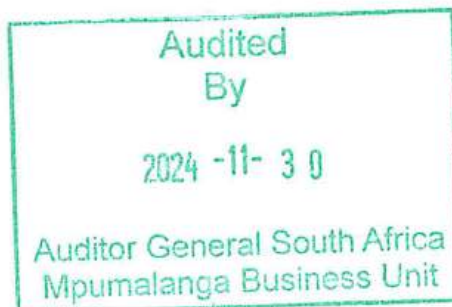
| | | |
|-----------------------|--------------------|--------------------|
| Electricity and Water | 108,108,790 | 101,326,347 |
| Sundry | 4,567,703 | 3,753,066 |
| | 112,676,493 | 105,079,413 |

No interest is paid on deposits.

Guarantees held in lieu of electricity and water deposits for R 6 957 434.38 (2023 : R 6 957 434.38). Deposits consists of consumer deposits for water and electricity, contractor deposits (Wayleave), Rental of facilities and unallocated deposits.

22. Revenue

| | | |
|--------------------------------------|----------------------|----------------------|
| Rendering of services | 8,194,914 | 7,377,715 |
| Service charges | 1,166,545,812 | 1,033,856,588 |
| Rental of facilities and equipment | 22,347,106 | 19,908,142 |
| Interest received (trading) | 12,042,202 | 6,850,524 |
| Agency services | 22,375,385 | 22,546,782 |
| Licences and permits | 8,145,517 | 7,516,292 |
| Gains | 14,904,672 | 32,624,961 |
| Other income - (rollup) | 16,995,813 | 20,477,352 |
| Interest received - investment | 12,767,088 | 17,992,258 |
| Property rates | 499,537,697 | 474,242,595 |
| Interest, Dividends and Rent on Land | 8,638,054 | 7,083,304 |
| Government grants & subsidies | 521,213,528 | 567,079,169 |
| Public contributions and donations | 47,250,767 | 37,232,300 |
| Fines, Penalties and Forfeits | 25,662,534 | 27,497,330 |
| | 2,386,621,089 | 2,282,285,312 |



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

| | | |
|------------------------------------|----------------------|----------------------|
| Service charges | 1,166,545,812 | 1,033,856,588 |
| Rendering of services | 8,194,914 | 7,377,715 |
| Rental of facilities and equipment | 22,347,106 | 19,908,142 |
| Interest received (trading) | 12,042,202 | 6,850,524 |
| Agency services | 22,375,385 | 22,546,782 |
| Licences and permits | 8,145,517 | 7,516,292 |
| Gains | 14,904,672 | 32,624,961 |
| Other income - (rollup) | 16,995,813 | 20,477,352 |
| Interest received - investment | 12,767,088 | 17,992,258 |
| | 1,284,318,509 | 1,169,150,614 |

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

| | | |
|--------------------------------------|----------------------|----------------------|
| Taxation revenue | | |
| Property rates | 499,537,697 | 474,242,595 |
| Interest, Dividends and Rent on Land | 8,638,054 | 7,083,304 |
| Transfer revenue | | |
| Government grants & subsidies | 521,213,528 | 567,079,169 |
| Public contributions and donations | 47,250,767 | 37,232,300 |
| Fines, Penalties and Forfeits | 25,662,534 | 27,497,330 |
| | 1,102,302,580 | 1,113,134,698 |

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|----------------------|----------------------|
| 23. Gains | | |
| Gains relates to no-cash accounting transactions necessary for fair presentation of assets and liabilities occurred during the normal operations of the municipality. | | |
| Fair Value Adjustment: Actuarial Gains | 6,172,513 | 17,427,406 |
| Disposal of assets | (9,743,068) | - |
| Adjustment of inventory to net-realizable-value | 18,475,227 | 15,197,556 |
| | 14,904,672 | 32,624,962 |
| 24. Service charges | | |
| Sale of electricity | 826,016,587 | 713,602,806 |
| Sale of water | 119,400,086 | 112,408,304 |
| Sewerage and sanitation charges | 103,049,569 | 98,211,165 |
| Refuse removal | 118,079,570 | 109,634,313 |
| | 1,166,545,812 | 1,033,856,588 |
| 25. Rental of facilities and equipment | | |
| Premises | | |
| Ad-hoc rentals | 2,178,248 | 1,924,068 |
| Garages and parking | | |
| Land : Undeveloped land | 5,345,502 | 3,789,816 |
| Facilities and equipment | | |
| Surface Rental : Mining | 14,823,356 | 14,194,258 |
| Premises | 2,178,248 | 1,924,068 |
| Garages and parking | 5,345,502 | 3,789,816 |
| Facilities and equipment | 14,823,356 | 14,194,258 |
| | 22,347,106 | 19,908,142 |
| 26. Fines, Penalties and Forfeits | | |
| Law enforcement | 2,098,633 | 1,699,988 |
| Traffic fines | 19,704,985 | 18,402,368 |
| Penalties | 7,000 | - |
| Unclaimed Money Forfeits | 3,851,916 | 7,394,974 |
| | 25,662,534 | 27,497,330 |
| 27. Income from agency services | | |
| Vehicle Registration | 22,375,385 | 22,546,782 |

The municipality has contractual arrangement with the Department of Community, Safety and Liason Mpumalanga (principal) for the motor vehicles registrations on an 80/20 commission basis. No risks or rewards in relation to the assets, expenditures and payables in terms of this agreement are applicable to the municipality.

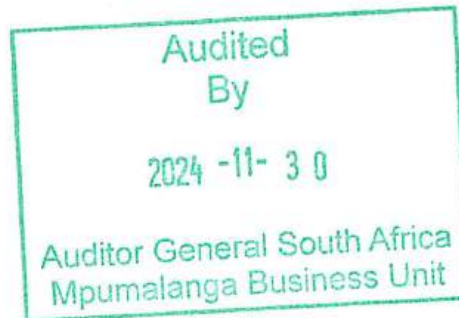
The remittance of 80 percent of the revenues collected in terms of rendering the services on behalf of the principal occurs on a monthly basis and any unpaid amounts at the end of the financial year are reflected as payables on the statement of financial position.

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|--|-------------------|-------------------|
| 28. Licences and permits (exchange) | | |
| Health Certificates | 1,884 | - |
| Trading | 196,676 | 155,235 |
| Road and Transport | 7,946,957 | 7,361,057 |
| | 8,145,517 | 7,516,292 |
| 29. Interest received | | |
| Interest from non-exchange receivables | 8,638,054 | 7,083,304 |
| Interest from exchange receivables | 12,042,202 | 6,850,524 |
| | 20,680,256 | 13,933,828 |
| 30. Operating income | | |
| Incidental cash surpluses | 466,343 | 4,333,923 |
| Sale of erven | 4,114,196 | 4,825,348 |
| Breakages and losses recovered | 9,266 | 1,728 |
| Registration fee | 310,196 | 307,325 |
| Insurance claims | 1,357,745 | 1,215,348 |
| Administration fees | 541,695 | 1,515,265 |
| Request information | 231,859 | 59,748 |
| Collection charges | 230,898 | 415,822 |
| Commission | 5,720,264 | 3,561,074 |
| Development charges | 2,328,016 | 2,431,391 |
| Staff recoveries | 58,352 | 6,517 |
| Merchandising, jobbing and contracts | 1,626,983 | 1,803,863 |
| | 16,995,813 | 20,477,352 |
| 31. Investment revenue | | |
| Interest revenue | | |
| Short term investments and call account | 1,756,736 | 3,189,530 |
| Bank account | 10,922,628 | 14,749,594 |
| Financial assets | 87,724 | 53,134 |
| | 12,767,088 | 17,992,258 |
| | 12,767,088 | 17,992,258 |



Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

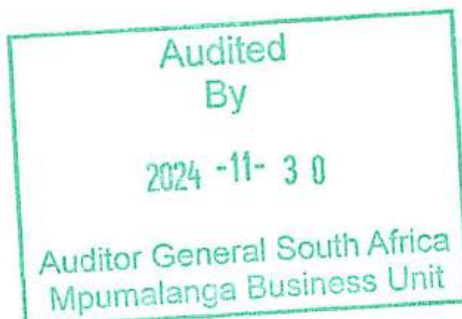
Notes to the Annual Financial Statements

Figures in Rand 2024 2023

32. Property rates

Rates received

| | | |
|-----------------------|--------------------|--------------------|
| Residential | 271,279,029 | 277,393,799 |
| Commercial | 117,636,948 | 106,521,352 |
| Government | 17,095,767 | 16,297,008 |
| Privately owned towns | - | 1,005,290 |
| Farm properties | 2,413 | 5,460,334 |
| Mining | 2,688,757 | 2,431,849 |
| Industrial | 103,385,543 | 93,658,972 |
| Multiple purpose | 10,545,798 | 11,719,224 |
| Other categories | 22,156 | 7,363,094 |
| Less: Income forgone | (23,118,714) | (47,608,327) |
| | 499,537,697 | 474,242,595 |



Valuations

| | | |
|------------------------------|-----------------------|-----------------------|
| Public benefit organisations | 102,730,000 | 405,418,000 |
| Commercial | 3,207,505,000 | 3,046,022,300 |
| Government | 1,196,960,000 | 4,501,465,360 |
| Privately owned towns | - | 88,922,002 |
| Farm properties | 3,336,671,500 | 3,069,782,500 |
| Mining properties | 298,974,500 | 84,317,000 |
| Industrial properties | 3,844,233,525 | 3,525,522,000 |
| Multi purposes | - | 873,071,500 |
| Other categories | 4,398,455,862 | 306,643,000 |
| Residential | 23,691,489,060 | 23,915,626,793 |
| | 40,077,019,447 | 39,816,790,455 |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2024. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 1 (2023 : R 1) is applied to property valuations to determine assessment rates.

33. Transfers and subsidies paid

Other subsidies

| | | |
|--|------------------|------------------|
| Tourism centre | 734,532 | 5,258,133 |
| Bereavement assistance employee | 65,000 | 77,500 |
| Society for the prevention of cruelty for animals (SPCA) | 1,110,138 | - |
| Business linkage centre | 86,279 | 82,188 |
| Rotary, schools and other | 100,000 | 80,000 |
| | 2,095,949 | 5,497,821 |

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

Figures in Rand

34. Transfers and subsidies

Operating grants

| | | |
|--|--------------------|--------------------|
| Equitable share | 326,198,001 | 284,669,000 |
| Finance Management Grant (FMG) | 1,700,000 | 1,650,000 |
| Expanded Public Works Programme (EPWP) | 4,058,000 | 4,780,000 |
| Intergrated Urban Development Grant (IUDG) | 3,070,600 | 3,052,200 |
| Energy Efficiency Demand Side Management (EEDSM) | 4,000,000 | - |
| Local Government Sector and Education Authority | 1,602,527 | 275,169 |
| | 340,629,128 | 294,426,369 |

Capital grants

| | | |
|--|--------------------|--------------------|
| Integrated National Electrification Grant (INEP) | 19,890,000 | 19,400,000 |
| Regional Bulk Infrastructure Grant (RBIG) | 75,000,000 | 145,000,000 |
| Intergrated Urban Development Grant (IUDG) | 73,694,400 | 73,252,800 |
| Water Services Infrastructure Grant (WSIG) | 12,000,000 | 35,000,000 |
| | 180,584,400 | 272,652,800 |
| | 340,629,128 | 294,426,369 |
| | 180,584,400 | 272,652,800 |
| | 521,213,528 | 567,079,169 |

Equitable Share

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

| | | |
|-----------------------|-------------|-------------|
| Current year receipts | 326,198,000 | 284,669,000 |
|-----------------------|-------------|-------------|

Intergrated Urban Development Grant (IUDG)

| | | |
|---|--------------|--------------|
| Current-year receipts | 76,765,000 | 76,305,000 |
| Conditions met - transferred to revenue | (76,765,000) | (76,305,000) |
| | - | - |

National Government: Local Government Finance Management Grant (FMG)

| | | |
|---|-------------|-------------|
| Current-year receipts | 1,700,000 | 1,650,000 |
| Conditions met - transferred to revenue | (1,700,000) | (1,650,000) |
| | - | - |

Water Services Infrastructure Grant (WSIG)

| | | |
|---|--------------|--------------|
| Current-year receipts | 12,000,000 | 35,000,000 |
| Conditions met - transferred to revenue | (12,000,000) | (35,000,000) |
| | - | - |

Integrated national electrification programme grant (INEP)

| | | |
|---|--------------|--------------|
| Current-year receipts | 19,890,000 | 19,400,000 |
| Conditions met - transferred to revenue | (19,890,000) | (19,400,000) |
| | - | - |

Local Government Sector and Education Authority

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|--|-------------------|-------------------|
| 34. Transfers and subsidies (continued) | | |
| Current-year receipts | - | 275,169 |
| Conditions met - transferred to revenue | - | (275,169) |
| | - | - |
| Energy Efficiency Demand Side Management (EEDSM) | | |
| Current-year receipts | 4,000,000 | - |
| Conditions met - transferred to revenue | (4,000,000) | - |
| | - | - |
| Conditions still to be met - remain liabilities (see note 64). | | |
| Regional Bulk Infrastructure Grant (RBIG) | | |
| Current-year receipts | 75,000,000 | 145,000,000 |
| Conditions met - transferred to revenue | (75,000,000) | (145,000,000) |
| | - | - |
| Expanded public works programme (EPWP) | | |
| Current-year receipts | 4,058,000 | 4,780,000 |
| Conditions met - transferred to revenue | (4,058,000) | (4,780,000) |
| | - | - |
| 35. Inventory consumed | | |
| Consumables : Standard Rated | 3,068,755 | 2,073,851 |
| Consumables : Zero Rated | 36,837,750 | 41,351,481 |
| Materials and Supplies | 46,146,791 | 37,627,219 |
| Land (RDP) | 452,814 | 104,285 |
| Water | 9,543,200 | 15,083,456 |
| | 96,049,310 | 96,240,292 |
| 36. Public contributions and donations | | |
| Provincial Government | 45,639,767 | - |
| District Municipality | - | 25,820,247 |
| Private Enterprises | 1,611,000 | 11,412,053 |
| | 47,250,767 | 37,232,300 |

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The Provincial Government relates to the Department of Human Settlement donation of Multi Purpose Community Centers to the value of R 45 639 767.

The Private Enterprises donations relates to the Honey Sucker Truck donated by Seriti Power to the value of R 1 611 000.

Steve Tshwete Local Municipality

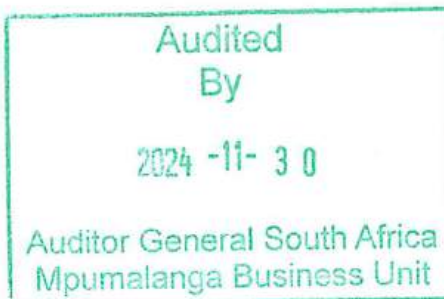
Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

37. Employee related costs

| | | |
|---|--------------------|--------------------|
| Salaries | 461,854,185 | 396,820,163 |
| Acting and scarcity allowance | 8,760,343 | 9,378,591 |
| Bonus | 34,860,374 | 32,452,436 |
| Medical aid - company contributions | 41,665,512 | 37,743,275 |
| Unemployment insurance fund contributions | 3,328,698 | 3,294,699 |
| Leave pay provision charge | 21,186,435 | 16,824,029 |
| Pension fund contributions | 81,915,888 | 77,461,172 |
| Overtime and standby allowances | 144,918,933 | 125,687,577 |
| Travel and motor vehicle allowances | 19,178,536 | 19,668,122 |
| Housing benefits and allowances | 2,541,827 | 2,445,941 |
| Group insurance | 4,115,371 | 3,930,746 |
| Cellphone allowance | 1,052,966 | 1,051,036 |
| Employee benefits | 25,606,008 | 25,599,056 |
| | 850,985,076 | 752,356,843 |



Municipal Manager : SM Mnguni

| | | |
|---|------------------|------------------|
| Annual Remuneration | 1,355,556 | 906,058 |
| Car Allowance | 120,000 | 100,000 |
| Contributions to UIF, Medical and Pension Funds | 116,695 | 76,021 |
| | 1,592,251 | 1,082,079 |

Executive Director Financial Services : MD Mogofe

| | | |
|---|----------------|------------------|
| Car Allowance | 737,696 | 790,818 |
| Contributions to UIF, Medical and Pension Funds | 158,738 | 198,379 |
| Car Allowance | 85,427 | 120,000 |
| Acting Allowance | - | 2,669 |
| | 981,861 | 1,111,866 |

The employee resigned from employment on the 30th March 2024

Acting Executive Manager Financial Services: PG Mapheto

| | | |
|------------------|--------|---|
| Acting Allowance | 74,358 | - |
|------------------|--------|---|

Executive Director Corporate Services: M Khumalo

| | | |
|---|----------------|------------------|
| Annual Remuneration | 125,161 | 855,217 |
| Car Allowance | 12,000 | 144,000 |
| Contributions to UIF, Medical and Pension Funds | 7,580 | 87,561 |
| | 144,741 | 1,086,778 |

The employee contract expired on the 30th August 2023.

Executive Director Community Services: T Zulu

| | | |
|---|----------|----------------|
| Annual Remuneration | - | 368,148 |
| Car Allowance | - | 224,000 |
| Contributions to UIF, Medical and Pension Funds | - | 137,129 |
| Other | - | 55,598 |
| | - | 784,875 |

Executive Director Infrastructure Services: R Makgata

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

37. Employee related costs (continued)

| | | |
|---|------------------|------------------|
| Annual Remuneration | 761,813 | 650,205 |
| Car Allowance | 275,000 | 300,000 |
| Contributions to UIF, Medical and Pension Funds | 156,886 | 158,992 |
| | 1,193,699 | 1,109,197 |

The employee resigned from employment on the 31st May 2024.

Executive Director Community Services : E K Tshabalala

| | | |
|---|----------------|---|
| Annual Allowance | 307,254 | - |
| Car Allowance | 40,000 | - |
| Contributions to UIF, Medical and Pension Funds | 67,675 | - |
| | 414,929 | - |

The employee was employed on the 11th March 2024.

Acting Executive Financial Services : S N Mahlangu

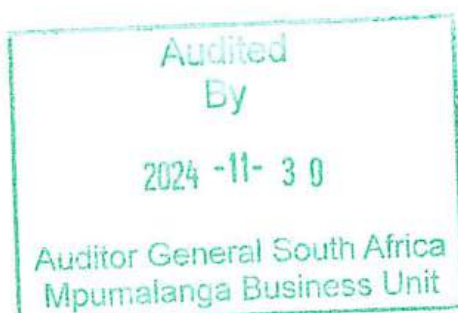
| | | |
|------------------|--------|---|
| Acting Allowance | 10,934 | - |
|------------------|--------|---|

Executive Director: Community Services: E K Tshabalala

| | | |
|---|----------------|---|
| Annual Remuneration | 79,286 | - |
| Car Allowance | 10,000 | - |
| Contributions to UIF, Medical and Pension Funds | 14,447 | - |
| | 103,733 | - |

Acting Executive Manager Corporate Services : P Magutle

| | | |
|------------------|--------|---|
| Acting Allowance | 83,768 | - |
|------------------|--------|---|



Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

38. Remuneration of councillors

| | | |
|---------------------------|-------------------|-------------------|
| Executive Mayor | 1,209,973 | 1,152,477 |
| Chief whip | 919,511 | 871,515 |
| Mayoral Committee Members | 5,472,324 | 4,286,184 |
| Speaker | 947,427 | 928,292 |
| Other Councillors | 21,694,448 | 21,299,497 |
| | 30,243,683 | 28,537,965 |

In-kind benefits

The Executive Mayor, Chief Whip, Speaker, Mayoral Committee members and the MPAC chairperson 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 to assist him in his duties.

Council remuneration is made up of the following

Office Bearer Allowance
Cellphone and other allowances
Motor vehicle allowances
Medical aid contributions
Pension fund contributions



| | |
|-------------------|-------------------|
| 20,280,941 | 20,439,049 |
| 2,873,651 | 2,562,805 |
| 4,430,789 | 3,012,894 |
| 979,377 | 825,588 |
| 1,678,923 | 1,697,628 |
| 30,243,681 | 28,537,964 |

Salary, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution.

2023

| | Annual remuneration | Travel allowances | Pension contributions | Medical aid contributions | Cellphone and other allowances | Total |
|-----------------------------------|---------------------|-------------------|-----------------------|---------------------------|--------------------------------|------------------|
| Executive Mayor Cllr P M Masilela | 788,109 | 179,734 | 114,504 | 25,729 | 44,400 | 1,152,476 |
| Speaker - T R Mpye | 840,866 | - | - | 43,026 | 44,400 | 928,292 |
| Chief Whip - C S Mashiloane | 703,498 | - | 102,359 | 21,258 | 44,400 | 871,515 |
| | 2,332,473 | 179,734 | 216,863 | 90,013 | 133,200 | 2,952,283 |

Mayoral committee

| | Annual remuneration | Travel allowances | Pension contributions | Medical aid contributions | Cellphone and other allowances | Total |
|----------------------|---------------------|-------------------|-----------------------|---------------------------|--------------------------------|------------------|
| Cllr M C Mphego | 521,159 | 202,201 | 80,900 | 34,697 | 44,400 | 883,357 |
| Cllr B C Shabangu | 662,629 | - | 94,231 | 70,957 | 44,400 | 872,217 |
| Cllr M G Maseko | 516,982 | 204,785 | 75,132 | 22,241 | 44,400 | 863,540 |
| Cllr G N B Mathibela | 684,103 | - | 98,329 | 40,572 | 44,400 | 867,404 |
| Cllr L E Nkwana | 689,204 | - | 98,931 | 36,288 | 44,400 | 868,823 |
| Cllr MJ Sekgwele | 542,652 | 202,201 | 89,393 | - | 44,400 | 878,646 |
| | 3,616,729 | 609,187 | 536,916 | 204,755 | 266,400 | 5,233,987 |

Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

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38. Remuneration of councillors (continued)

| Part time councillors | Annual remuneration | Travel allowances | Pension contributions | Medical aid contributions | Cellphone and other allowances | Total |
|------------------------|---------------------|-------------------|-----------------------|---------------------------|--------------------------------|-------------------|
| Cllr B C Mashabela | 305,084 | - | 43,935 | - | 44,400 | 393,419 |
| Cllr C M Soko | 305,013 | - | 44,252 | - | 44,400 | 393,665 |
| Cllr O A Cossa | 349,019 | - | - | - | 44,400 | 393,419 |
| Cllr A Chego | 349,019 | - | - | - | 44,400 | 393,419 |
| Cllr L S Qoka | 277,285 | - | - | 77,813 | 44,400 | 399,498 |
| Cllr Z J Ngubeni | 261,764 | 87,255 | - | - | 44,400 | 393,419 |
| Cllr D J Van Der Merwe | 250,478 | 87,900 | - | 13,221 | 44,400 | 395,999 |
| Cllr E P Mahlangu | 349,019 | - | - | - | 44,400 | 393,419 |
| Cllr D D Kloppe | 263,411 | 87,804 | - | - | 44,400 | 395,615 |
| Cllr N Bottoman | 301,881 | - | 43,513 | - | 44,400 | 389,794 |
| Cllr M J Mapheto | 261,764 | 87,255 | - | - | 44,400 | 393,419 |
| Cllr T N Tshoane | 349,019 | - | - | - | 44,400 | 393,419 |
| Cllr M P Mogola | 274,556 | - | 38,175 | 36,288 | 44,400 | 393,419 |
| Cllr C J Wolmarans | 261,764 | 87,900 | - | - | 24,605 | 374,269 |
| Cllr M C Skosana | 165,010 | - | 25,382 | - | 44,400 | 234,792 |
| Cllr N Z O Motla | 243,725 | 87,255 | - | 15,610 | 44,400 | 390,990 |
| Cllr J Segage | 349,019 | - | - | - | 18,500 | 367,519 |
| Cllr B H Mokoena | 112,457 | 37,486 | - | - | 44,400 | 194,343 |
| Cllr H Pilodia | 261,764 | 87,255 | - | - | 44,400 | 393,419 |
| Cllr J C Haarhoff | 304,519 | - | 44,357 | - | 33,300 | 382,176 |
| Cllr J P Pretorius | 173,996 | 66,474 | 25,426 | - | 44,400 | 310,296 |
| Cllr A S Grobler | 229,826 | 87,597 | 33,506 | - | 44,400 | 395,329 |
| Cllr J Skosana | 351,215 | - | - | - | 44,400 | 395,615 |
| Cllr A O Thabatha | 298,385 | - | 43,359 | 9,471 | 44,400 | 395,615 |
| Cllr D A Stuurman | 351,215 | - | - | - | 44,400 | 395,615 |
| Cllr A Struwig | 225,584 | 50,694 | 30,363 | 44,574 | 44,400 | 395,615 |
| Cllr L J N Zondo | 208,365 | 85,319 | 33,358 | 27,799 | 44,400 | 399,241 |
| Cllr P V Malinga | 186,004 | 87,804 | 26,230 | 54,075 | 44,400 | 398,513 |
| Cllr M E Nyambi | 303,033 | - | 44,041 | - | 44,400 | 391,474 |
| Cllr M G Amigo | 254,983 | - | 35,342 | 58,694 | 44,400 | 393,419 |
| Cllr M L Shabangu | 304,979 | - | 44,041 | - | 44,400 | 393,420 |
| Cllr P Malinga | 261,764 | 87,255 | - | - | 44,400 | 393,419 |
| Cllr W M M Phetla | 306,664 | - | 40,441 | - | 44,400 | 391,505 |
| Cllr I Mahlangu | 261,764 | 87,255 | - | - | 44,400 | 393,419 |
| Cllr S T Mathunyane | 261,764 | 87,255 | - | - | 44,400 | 393,419 |
| Cllr J M Shongwe | 305,295 | - | 43,724 | - | 44,400 | 393,419 |
| Cllr L N Magagula | 201,760 | 85,319 | 31,460 | 32,005 | 44,400 | 394,944 |
| Cllr P E Williams | 305,084 | - | 43,935 | - | 44,400 | 393,419 |
| Cllr J F Sithole | 239,559 | - | 32,372 | 77,088 | 44,400 | 393,419 |
| Cllr S W Zulu | 349,469 | - | - | - | 44,400 | 393,869 |
| Cllr N J Mthombeni | 229,826 | 87,597 | 33,506 | - | 44,400 | 395,329 |
| Cllr J Mentz | 306,435 | - | 43,794 | - | 44,400 | 394,629 |
| | 11,512,539 | 1,462,679 | 824,512 | 446,638 | 1,808,005 | 16,054,373 |

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38. Remuneration of councillors (continued)

| Chairpersons | Annual remuneration | Travel allowances | Pension contributions | Medical aid contributions | Cellphone and other allowances | Total |
|-------------------|---------------------|-------------------|-----------------------|---------------------------|--------------------------------|------------------|
| Cllr G H E Romijn | 337,039 | 111,771 | - | - | 44,400 | 493,210 |
| Cllr E M Bruiners | 449,385 | - | - | - | 44,400 | 493,785 |
| Cllr H G de Klerk | 316,045 | 112,346 | - | 20,994 | 44,400 | 493,785 |
| Cllr S Wait | 337,039 | 111,771 | - | - | 44,400 | 493,210 |
| Cllr J Dyason | 294,519 | 112,346 | 42,494 | - | 44,400 | 493,759 |
| Cllr S N Mogola | 423,656 | - | - | 25,729 | 44,400 | 493,785 |
| Cllr P Mobango | 294,245 | 112,346 | - | 42,794 | 44,400 | 493,785 |
| Cllr H F Niemann | 525,377 | 200,717 | 76,848 | - | 44,400 | 847,342 |
| | 2,977,305 | 761,297 | 119,342 | 89,517 | 355,200 | 4,302,661 |

2024

| | Annual remuneration | Travel allowances | Pension contributions | Medical aid contributions | Cellphone and other allowances | Total |
|-----------------------------------|---------------------|-------------------|-----------------------|---------------------------|--------------------------------|------------------|
| Executive Mayor Cllr P M Masilela | 732,546 | 286,676 | 106,146 | 34,996 | 49,608 | 1,209,972 |
| Speaker T R Mpye | 102,318 | - | - | 7,370 | - | 109,688 |
| Speaker ST Mathunyane | 591,098 | 197,033 | - | - | 49,608 | 837,739 |
| Chief Whip CS Mashiloane | 568,660 | 174,904 | 82,010 | 44,329 | 49,608 | 919,511 |
| | 1,994,622 | 658,613 | 188,156 | 86,695 | 148,824 | 3,076,910 |

Mayoral committee

| | Annual remuneration | Travel allowances | Pension contributions | Medical aid contributions | Cellphone and other allowances | Total |
|--------------------|---------------------|-------------------|-----------------------|---------------------------|--------------------------------|------------------|
| Cllr MC Mphego | 534,419 | 217,569 | 77,032 | 41,257 | 49,608 | 919,885 |
| Cllr CB Shabangu | 504,115 | 209,885 | 71,481 | 84,794 | 49,608 | 919,883 |
| Cllr MG Maseko | 516,997 | 204,681 | 79,957 | 23,553 | 46,722 | 871,910 |
| Cllr GNB Mathibela | 532,925 | 209,885 | 76,565 | 50,899 | 49,608 | 919,882 |
| Cllr MJ Sekgwele | 530,275 | 217,569 | 76,124 | 47,306 | 49,608 | 920,882 |
| Cllr LE Nkwana | 540,456 | 209,885 | 77,894 | 42,040 | 49,608 | 919,883 |
| | 3,159,187 | 1,269,474 | 459,053 | 289,849 | 294,762 | 5,472,325 |

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38. Remuneration of councillors (continued)

| Part time councillors | Annual remuneration | Travel allowances | Pension contributions | Medical aid contributions | Cellphone and other allowances | Total |
|-----------------------|---------------------|-------------------|-----------------------|---------------------------|--------------------------------|-------------------|
| Cllr D D Kloppe | 275,410 | 91,803 | - | - | 49,608 | 416,821 |
| Cllr ST Mathunyane | 34,903 | 11,634 | - | - | - | 46,537 |
| Cllr A Chego | 367,213 | - | - | - | 49,608 | 416,821 |
| Cllr J Mentz | 320,393 | - | 46,820 | - | 49,608 | 416,821 |
| Cllr BC Mashabela | 320,393 | - | 46,820 | - | 49,608 | 416,821 |
| Cllr OA Cossa | 367,213 | - | - | - | 49,608 | 416,821 |
| Cllr CM Soko | 243,124 | 88,561 | 35,528 | - | 49,608 | 416,821 |
| Cllr LS Qoka | 331,951 | - | - | 35,262 | 49,608 | 416,821 |
| Cllr EP Mahlangu | 286,032 | 81,181 | - | - | 49,608 | 416,821 |
| Cllr P Malinga | 241,535 | 91,803 | 33,875 | - | 49,608 | 416,821 |
| Cllr ZJ Ngubeni | 275,410 | 91,803 | - | - | 49,608 | 416,821 |
| Cllr DJ Van Der Merwe | 248,033 | 91,803 | - | 27,377 | 49,608 | 416,821 |
| Cllr N Bottoman | 320,393 | - | 46,820 | - | 49,608 | 416,821 |
| Cllr MJ Mapheto | 275,410 | 91,803 | - | - | 49,608 | 416,821 |
| Cllr TN Tshoane | 367,213 | - | - | - | 49,608 | 416,821 |
| Cllr MP Mogola | 284,660 | - | 40,514 | 42,040 | 49,608 | 416,822 |
| Cllr CJ Wolmarans | 275,410 | 91,803 | - | - | 49,608 | 416,821 |
| Cllr MC Skosana | 244,518 | 81,181 | 35,780 | - | 48,447 | 409,926 |
| Cllr NZ O Motla | 258,261 | 91,803 | - | 17,149 | 49,608 | 416,821 |
| Cllr J Segage | 367,213 | - | - | - | 49,608 | 416,821 |
| Cllr EW Vermooten | 231,808 | 88,561 | 33,875 | - | 47,004 | 401,248 |
| Cllr H Pilodia | 275,410 | 91,803 | - | - | 49,608 | 416,821 |
| Cllr T R Mpye | 306,543 | - | - | 38,417 | 49,608 | 394,568 |
| Cllr JC Haarhoff | 320,393 | - | 46,820 | - | 49,608 | 416,821 |
| Cllr AS Grobler | 241,295 | 91,803 | 35,115 | - | 49,608 | 417,821 |
| Cllr J Skosana | 368,213 | - | - | - | 49,608 | 417,821 |
| Cllr A O Thabatha | 320,393 | - | 46,820 | - | 49,608 | 416,821 |
| Cllr D A Stuurman | 367,213 | - | - | - | 49,608 | 416,821 |
| Cllr A Struwig | 231,716 | 55,082 | 32,452 | 48,963 | 49,608 | 417,821 |
| Cllr L J N Zondo | 217,024 | 91,803 | 31,008 | 27,377 | 49,608 | 416,820 |
| Cllr P V Malinga | 178,011 | 91,803 | 24,123 | 73,276 | 49,608 | 416,821 |
| Cllr ME Nyambi | 320,393 | - | 46,820 | - | 49,608 | 416,821 |
| Cllr MG Amigo | 265,108 | - | 37,063 | 65,042 | 49,608 | 416,821 |
| Cllr ML Shabangu | 320,393 | - | 46,820 | - | 49,608 | 416,821 |
| Cllr WM M Phetla | 320,393 | - | 46,820 | - | 49,608 | 416,821 |
| Cllr I Mahlangu | 275,410 | 91,803 | - | - | 49,608 | 416,821 |
| Cllr JM Shongwe | 320,393 | - | 46,820 | - | 49,608 | 416,821 |
| Cllr LN Magagula | 199,385 | 91,803 | 27,475 | 50,931 | 49,608 | 419,202 |
| Cllr PE Williams | 320,393 | - | 46,820 | - | 49,608 | 416,821 |
| Cllr JF Sithole | 250,002 | - | 34,618 | 81,345 | 49,608 | 415,573 |
| Cllr SW Zulu | 367,213 | - | - | - | 49,608 | 416,821 |
| Cllr N J Mthombeni | 240,295 | 91,803 | 35,115 | - | 49,608 | 416,821 |
| Cllr J Pretorius | 7,365 | 2,432 | - | - | 1,953 | 11,750 |
| Cllr BH Mokoena | 4,053 | 1,351 | - | - | 1,085 | 6,489 |
| | 11,973,503 | 1,695,225 | 904,741 | 507,179 | 2,033,201 | 17,113,849 |

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| Figures in Rand | 2024 | 2023 | | | | | |
|--|---------------------|------------------|--|---------------------------|--------------------------------|-----------|-------------|
| 38. Remuneration of councillors (continued) | | | | | | | |
| Chairpersons | Annual remuneration | Travel allowance | Pension contributions | Medical aid contributions | Cellphone and other allowances | Total | |
| Cllr GHE Romijn | 357,631 | 118,877 | - | - | 49,608 | 526,116 | |
| Cllr EM Bruiners | 475,508 | - | - | - | 49,608 | 525,116 | |
| Cllr HG De Klerk | 333,889 | 118,877 | - | 22,742 | 49,608 | 525,116 | |
| Cllr S Wait | 357,631 | 118,877 | - | - | 49,608 | 526,116 | |
| Cllr J Dyason | 312,161 | 118,877 | 45,471 | - | 49,608 | 526,117 | |
| Cllr SM Mogola | 449,131 | - | - | 27,377 | 49,608 | 526,116 | |
| Cllr P Mobango | 308,904 | 118,877 | - | 45,538 | 49,608 | 522,927 | |
| Cllr HF Niemann | 558,768 | 213,092 | 81,508 | - | 49,608 | 902,976 | |
| | 3,153,623 | 807,477 | 126,979 | 95,657 | 396,864 | 4,580,600 | |
| 39. Depreciation and amortisation | | | <div>Audited By 2024 -11- 3 0 Auditor General South Africa Mpumalanga Business Unit</div> | | | | |
| Property, plant and equipment | | 267,805,198 | | | | | 257,485,720 |
| Intangible assets | | 2,215,142 | | | | | 2,254,540 |
| Investment property | | 1,093,735 | | | | | 865,085 |
| | | 271,114,075 | 260,605,345 | | | | |
| 40. Impairment of assets | | | | | | | |
| Impairments | | | | | | | |
| Property, plant and equipment | | | 9,422,858 9,876,693 | | | | |
| During the year assets identified which is no longer in use were impaired. These assets remaining service potential and/or future economic benefits are estimated to be R0 or an immaterial amount. | | | | | | | |
| Trade and other receivables | | | 72,059,400 151,064,389 | | | | |
| Accounts receivables with the following indicators were assessed for impairment. Receivable in liquidation/sequestration, last payment received was over 60 days from the reporting date, receivable has been handed over for debt collection, account has been indicated as inactive, bad debt or have an arrangement or the receivable has a balance of 90 days and long outstanding.] | | | | | | | |
| | | | 81,482,258 160,941,082 | | | | |
| | | | 81,482,258 160,941,082 | | | | |
| | | | - - | | | | |
| 41. Finance costs | | | | | | | |
| Long term liabilities: annuity loans | | | 101,423,353 80,840,627 | | | | |
| Landfill rehabilitation provision | | | 3,947,644 3,493,196 | | | | |
| Long service award liability: actuarial valuation | | | 3,656,000 3,274,000 | | | | |
| | | | 109,026,997 87,607,823 | | | | |
| The interest expenses are calculated using the effective interest rate on borrowings. The interest rate vary between 7.67% and 11.17% (2023 : 7.67% and 11.17%). | | | | | | | |
| 42. Bulk purchases | | | | | | | |
| Electricity - Eskom | | | 662,720,840 595,730,886 | | | | |

Steve Tshwete Local Municipality

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42. Bulk purchases (continued)

Distribution losses

| | | |
|-------------|---------|---------|
| Electricity | 14.47 % | 14.64 % |
| Water | 24.28 % | 28.75 % |

Electricity losses

| | Units 2024 | Units 2023 | R | R |
|-------------------|-------------------|-------------------|--------------------|-------------------|
| Units purchased | 412,904,274 | 394,147,417 | 788,647,163 | 465,384,499 |
| Units sold | (353,139,129) | (336,430,973) | (674,495,736) | (397,236,548) |
| Total loss | 59,765,145 | 57,716,444 | 114,151,427 | 68,147,951 |

Water losses

| | Units 2024 | Units 2023 | R | R |
|--------------|------------------|------------------|-------------------|-------------------|
| Units pumped | 18,512,711 | 19,924,564 | 58,082,231 | 105,998,680 |
| Units sold | (14,018,459) | (14,195,919) | (43,981,855) | (75,522,289) |
| Total | 4,494,252 | 5,728,645 | 14,100,376 | 30,476,391 |

43. Contracted services

Presented previously

| | | |
|---------------------------------------|-------------|-------------|
| Outsourced services | 64,144,429 | 53,217,411 |
| Consultants and professional services | 28,465,455 | 38,198,231 |
| Contractors | 176,225,313 | 144,721,154 |
| Presented previously | 268,835,197 | 236,136,796 |
| Outsourced Services | - | - |
| Consultants and Professional Services | - | - |
| Contractors | - | - |



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|---|--------------------|--------------------|
| 44. Operational costs | | |
| Advertising and publicity | 9,380,703 | 7,070,239 |
| Auditors remuneration | 6,499,915 | 5,784,411 |
| Bank charges | 3,485,497 | 3,411,782 |
| Cleaning | 36,880 | 27,750 |
| Commission paid | 25,697,941 | 22,713,381 |
| Entertainment | 294,706 | 289,331 |
| Hire of equipment | 1,809,232 | 975,059 |
| Insurance | 15,906,177 | 16,116,857 |
| External computer services | 30,488,911 | 22,570,863 |
| Skills development levies | 6,818,605 | 6,321,931 |
| Motor vehicle license and registrations | 1,922,570 | 1,920,388 |
| Water research levy | 35,689 | 285,327 |
| Placement fees | - | 2,100 |
| Printing, publications and books | 851,638 | 667,677 |
| Uniform and protective clothing | 8,742,116 | 7,931,411 |
| Subscriptions and membership fees | 8,366,317 | 7,361,974 |
| Communications | 8,743,580 | 9,064,313 |
| Transport and freight | 388,424 | 187,877 |
| Travel and subsistence | 1,866,962 | 1,994,259 |
| Deeds | 210,326 | 164,907 |
| Assets expensed | 1,117,274 | 7,311,717 |
| Registration fees | 158,871 | 107,353 |
| Signage | 1,033,205 | 780,019 |
| Bursaries | 2,419,014 | 1,899,493 |
| Learnership and internship | 2,903,597 | 2,550,321 |
| Remuneration to Ward Committees | 4,983,500 | 3,289,000 |
| Workmen's Compensation Fund | 4,033,659 | 3,546,952 |
| | 148,195,309 | 134,346,692 |
| 45. Auditors' remuneration | | |
| Fees | 6,499,915 | 5,784,411 |
| 46. Bad debts written off | | |
| Traffic fines | 13,406,550 | 12,237,450 |
| Property rates | 582,160 | 167,779 |
| Sewerage | 1,705,069 | 19,443 |
| Water distribution | 3,276,377 | 605,317 |
| Electricity distribution | 263,177 | 447,954 |
| Waste water management | 445,121 | 81,157 |
| | 19,678,454 | 13,559,100 |

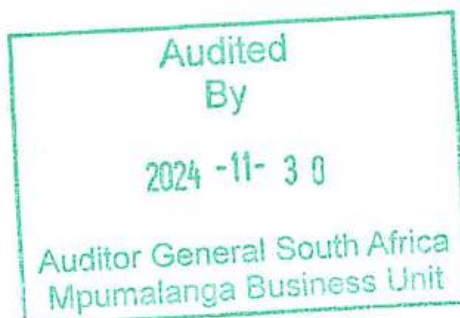


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| Figures in Rand | 2024 | 2023 |
|--|--------------------|--------------------|
| 47. Cash generated from operations | | |
| Deficit | (170,187,316) | (109,897,961) |
| Adjustments for: | | |
| Depreciation on property, plant and equipment | 267,805,196 | 257,485,720 |
| Depreciation on investment property | 1,093,735 | 865,085 |
| Amortisation on intangible assets | 2,215,142 | 2,254,540 |
| Profit or loss on sale of assets | 878,660 | 9,628,455 |
| Impairment - property, plant and equipment | 9,422,858 | 9,876,693 |
| Impairment - trade and other receivables | 72,059,400 | 151,064,389 |
| Bad debts written off | 19,678,454 | 13,559,100 |
| Inventories write-down | 3,132,950 | 3,685,931 |
| Employees transferred to provincial government | 4,449,000 | - |
| Finance cost - Employee benefits | 14,920,000 | 14,212,000 |
| Finance cost - Long service awards | 3,656,000 | 3,274,000 |
| Alignment in prepayment cashflow | - | 7,252,079 |
| Finance cost _ Rehabilitation provision | 3,947,644 | 3,493,196 |
| Current service cost long service awards | 3,415,000 | 3,365,000 |
| Gains | (14,904,672) | (32,624,961) |
| Other non cash items | (37,868) | (97,973) |
| Non exchange assets received | (47,250,767) | (37,232,300) |
| Service cost employee benefit | 6,192,000 | 6,820,000 |
| Increase in leave and bonus provision | 21,186,435 | 16,824,029 |
| Performance bonus movement | 940,252 | - |
| Movement in provisions | 4,529,932 | 1,593,842 |
| Movement in long service awards | 3,143,000 | 2,905,000 |
| Movement in employee benefit liability | 9,702,000 | 306,000 |
| Changes in working capital: | | |
| Inventories | (42,251,991) | (19,511,599) |
| Other receivables from exchange transactions | 6,043,508 | (8,426,145) |
| Receivables from non-exchange transactions | 1,007,288 | 10,201,582 |
| Receivables from exchange transactions | (113,218,108) | (118,578,040) |
| Long term receivables | 12,682,285 | (7,098,296) |
| Consumer deposits | 7,597,080 | 14,774,220 |
| Investments | - | - |
| Prepayments | - | (7,252,079) |
| Payables from exchange transactions | 94,106,241 | 32,310,227 |
| VAT | 48,084,273 | 29,147,415 |
| Movement in long service awards | - | (307,000) |
| Operating lease assets | (437,022) | (682,527) |
| | 233,600,589 | 253,189,622 |



Steve Tshwete Local Municipality

Annual Financial Statements for the years ended June 30, 2024

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48. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

Current portion of long term receivables
Operating lease assets
Other receivables from exchange transactions
Receivables from exchange transactions
Investments
Deposits
Cash and cash equivalents
Long term receivables

| At amortised cost | Total |
|--------------------|--------------------|
| 7,028,926 | 7,028,926 |
| 1,160,147 | 1,160,147 |
| 18,358,987 | 18,358,987 |
| 79,592,147 | 79,592,147 |
| 30,000,000 | 30,000,000 |
| 3,208,655 | 3,208,655 |
| 93,892,228 | 93,892,228 |
| 8,241,846 | 8,241,846 |
| 241,482,936 | 241,482,936 |

Financial liabilities

Current portion of long term liabilities
Payables from exchange transactions
Consumer deposits
Long term liabilities

| At amortised cost | Total |
|----------------------|----------------------|
| 37,235,912 | 37,235,912 |
| 517,616,883 | 517,616,883 |
| 105,079,413 | 105,079,413 |
| 910,117,361 | 910,117,361 |
| 1,570,049,569 | 1,570,049,569 |

2024

Financial assets

Current portion of long term receivables
Operating lease assets
Other receivables from exchange transactions
Receivables from exchange transactions
Deposits
Cash and cash equivalents
Long term receivables

| At amortised cost | Total |
|--------------------|--------------------|
| 1,583,057 | 1,583,057 |
| 1,597,169 | 1,597,169 |
| 12,315,479 | 12,315,479 |
| 101,072,401 | 101,072,401 |
| 3,296,378 | 3,296,378 |
| 27,604,828 | 27,604,828 |
| 1,005,430 | 1,005,430 |
| 148,474,742 | 148,474,742 |

Financial liabilities

Current portion of long term liabilities
Payables from exchange transactions
Consumer deposits
Long term liabilities

| At amortised cost | Total |
|----------------------|----------------------|
| 37,423,138 | 37,423,138 |
| 606,956,477 | 606,956,477 |
| 112,676,815 | 112,676,815 |
| 872,541,921 | 872,541,921 |
| 1,629,598,351 | 1,629,598,351 |

Steve Tshwete Local Municipality

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|---|--------------------|-------------------|
| 49. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Infrastructure assets | 126,356,288 | 37,582,497 |
| • Other assets | 13,446,805 | 19,749,329 |
| | 139,803,093 | 57,331,826 |
| Total capital commitments | | |
| Already contracted for but not provided for | 139,803,093 | 57,331,826 |
| Authorised operational expenditure | | |
| Already contracted for but not provided for | | |
| • Consultant services | - | 257,140 |
| Total operational commitments | | |
| Already contracted for but not provided for | - | 257,140 |
| Total commitments | | |
| Total commitments | | |
| Authorised capital expenditure | 139,803,093 | 57,331,826 |
| Authorised operational expenditure | - | 257,140 |
| | 139,803,093 | 57,588,966 |
| This expenditure will be financed from | | |
| Operating revenue | 13,641,452 | 20,006,469 |
| External Loans | - | 4,836,380 |
| Government Grants | 126,161,641 | 32,746,117 |
| | 139,803,093 | 57,588,966 |

Audited
By
2024 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

Steve Tshwete Local Municipality

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50. Contingent liabilities

| | | |
|--|---------|---------|
| S Mokwana – claim against the municipality for wrongful arrest and assault | 100,000 | 100,000 |
| Mr CH van Dyk – claim against the municipality for damages caused to his vehicle after colliding with a vehicle belonging to the municipality. | 73,376 | 73,376 |
| Mr T Ngwenya – claim against the municipality for damage to property caused by a water pipe that burst. | 65,001 | 65,001 |
| Mrs Blignaut – claim against the municipality for damages caused to third party vehicle by pothole on a municipal road. | 14,931 | 14,931 |
| Telkom Soc Ltd – claim against the municipality for damage to electronic appliances caused by a surge in power. | 7,591 | 7,591 |
| Mr A Mathebula – claim against the municipality for being assaulted by municipal traffic officers. | 500,000 | 500,000 |
| Everest Funerals – this is a claim against the municipality for damages on their vehicle. | 4,450 | 4,450 |
| S. Simelane – this is a claim against the municipality for damage to vehicle after colliding with a pothole. | 11,105 | 11,105 |
| H. Mabuza – this is a claim against the municipality for damage to electrical appliances caused by a surge in power | 16,999 | 16,999 |
| L. Davis – this is a claim against the municipality for damages to vehicle caused by a pothole. | 3,000 | 3,000 |
| L. Kriel – this a claim against the municipality for damaged gate motor | 6,790 | 6,790 |
| Mayivuthe – this is a claim against the municipality for a damaged surge arrestor machine. | 719,322 | 719,322 |

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By

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Mpumalanga Business Unit

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50. Contingent liabilities (continued)

| | | |
|--|---------|---------|
| N.J Potgieter – this is claim against the municipality for assault by traffic officials. | 396,500 | 396,500 |
| Middelburg Power Supplies - this is a claim against the municipality for unpaid invoices. | 657,540 | 657,540 |
| J. Smit – this is a claim against the municipality for damages to vehicle caused by a pothole. | 5,083 | 5,083 |
| Telkom (Wilge Street) – this is a claim against the municipality for damages to infrastructure. | 20,810 | 20,810 |
| Telkom soc Ltd– this is a claim against the municipality for damages to infrastructure. | 18,360 | 18,360 |
| P. Mjadana – this is a claim against the municipality for damages to vehicle caused by a rock that was left on the road. | 15,620 | 15,620 |
| P.S Vermaak – this is a claim against the municipality for damages to vehicle caused by a pothole. | 10,377 | 10,377 |
| D. Tlou – this is a claim against the municipality for damages to vehicle caused by a pothole. | 8,245 | 8,245 |
| Mr P Maseko – claim against the municipality for food that got spoilt as a result of a power outage. | 1,000 | 1,000 |
| AC Raynard – claim against the municipality for clearing a manhole that was blocked. | 4,788 | 4,788 |
| Midhend Investment CC – claim against the municipality for demolition of the third party's structure. | 15,000 | 15,000 |
| KJ Thubane – claim against the municipality for damages to vehicle after colliding with a rock on the road. | 3,343 | 3,343 |

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|--|---------|---------|
| 50. Contingent liabilities (continued) | | |
| Ned Consortium – claim against the municipality for the illegal termination of a contract. | 154,389 | 154,389 |
| Mr and Mrs Vilane – claim against the municipality for damages to property caused by a water pipe that burst. | 81,754 | 81,754 |
| Mr and Mrs Letsoalo – claim against the municipality for damage to property caused by a water pipe that burst. | 102,226 | 102,226 |
| SJ Mollentze – claim against the municipality for injuries sustained after a tree stump fell on her. | 510,000 | 510,000 |
| NS Mahlangu - claim against the municipality for damage to property caused by a water pipe that burst. | 46,500 | 46,500 |
| K Mabhoko – claim against the municipality for assault by traffic officers. | 200,000 | 200,000 |
| B.J Van Der Merwe – this is a claim against the municipality for damage to vehicle caused by a pothole. | 980 | 980 |
| B Lummis – this is a claim against the municipality for damage to vehicle caused by a pothole. | 15,518 | 15,518 |
| C. Badenhorst – this is a claim against the municipality for wrongful arrest. | 200,000 | 200,000 |
| S.E Mahlangu - this is a claim against the municipality for damages to vehicle caused by a rock that was left on the road. | 16,682 | 16,682 |
| M. Wantenaar – this is a claim against the municipality for damages to vehicle | 3,003 | 3,003 |
| Ophrus Phaphedi Makobe - The municipality is been sued for damage to vehicle | 12,440 | 12,440 |

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|---|-----------|-----------|
| 50. Contingent liabilities (continued) | | |
| Thabo Joseph Mampuru - claim against the municipality for bodily injuries sustained after the floor of a municipal building collapsed. | 2,000,000 | 2,000,000 |
| Telkom - This is a claim against the municipality for damages caused to Telkom infrastructure as Hans Strydom Street in Dennesig. | 2,504 | 2,504 |
| Telkom - This is a claim against the municipality for damages caused to Telkom infrastructure at Tambo Street in Aerorand. | 4,275 | 4,275 |
| Telkom - This is a claim against the municipality for damages caused to Telkom infrastructure at Tambo Street in Aerorand. | 3,075 | 3,075 |
| LS Incorporated - This is claim against the municipality for damage to vehicle as a result of a collision with Council vehicle. | 50,509 | 50,509 |
| Wouter Grobler - This a claim against the municipality for damage to vehicle as a result of a collision with the Council vehicle. | 23,769 | 23,769 |
| NDB Consulting - This is a claim against the municipality for non-payment and breach of agreement. | 116,161 | 116,161 |
| Lucky Anthony Mbokodo - This is claim against the municipality for unlawful arrest and detention. | 250,000 | 250,000 |
| Leandri Pretorius - This is a claim against the municipality for being sexually assaulted by traffic officers. | 300,000 | 300,000 |
| Nicollas Potgieter - This is a claim against the municipality for alleged assault by the municipal workers at the Traffic Department. | 569,000 | 569,000 |
| ERF 2504 Kwazamokuhle Hendrina - This is a claim against the municipality wherein the house purchased from the Council was incorrectly allocated to the other person. | 20,000 | 20,000 |
| Johannes Oosthuizen Roux - This a claim against the municipality for damages caused by the municipal official during car collision. | 50,509 | 50,509 |

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|--|-----------|-----------|
| 50. Contingent liabilities (continued) | | |
| Clerrance Arthur Holtmann - This is a claim against the municipality for alleged assault by the municipal officials at the Traffic Department. | 600,000 | 600,000 |
| Moela Mohwaloba Manual - This a claim against the municipality for unlawful arrest by the municipal officials at the Traffic Department. | 200,000 | 200,000 |
| Bigen Africa Services (Pty) Ltd - This a claim against the municipality for the professional services rendered. | 724,531 | 724,531 |
| Mofokeng Matitchi - This a claim against the municipality for injuries caused by a gun shot from the officials acting on behalf of the municipality. | 2,880,000 | 2,880,000 |
| Freddy Andrews - This is a claim against the municipality for damages caused to his vehicle by pothole on municipal road. | 4,149 | 4,149 |
| Gezani Joseph and Maroti Clerence Maisela claim against the municipality for loss of life of their minor child. | 400,000 | - |
| Mrs BK Mabuza - claim against the municipality for damage to property caused by a water pipe that burst. | 9,400 | 9,400 |
| Jacob Elias Motau - claim against the municipality for damages on his vehicle caused by the collision with the municipal vehicle. | 13,509 | 13,509 |
| Joubert Emely - claim against the municipality for injuries sustained after falling into the municipal manhole. | 780,098 | 780,098 |
| Muchena Jacob claim against the municipality for unlawful arrest and detention | 190,000 | 190,000 |
| khumalo Delilwe claim against the municipality for unlawfully confiscating Fireworks stock at her place of work | 200,000 | 200,000 |
| South African music rights organisation (SAMRO) claim against debts outstanding | 338,860 | 338,860 |
| JS Mbokane is claiming against the municipality for unlawful arrest | 120,000 | 120,000 |

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| 50. Contingent liabilities (continued) | | |
| Sifiso Twala is claiming against the municipality for unlawful arrest | 100,000 | 100,000 |
| Z Chinkoro is claimin against the municipality for unlawful arrest | 350,000 | 350,000 |
| W Wanore is claiming against the municipality for unlawful arrest | 350,000 | 350,000 |
| S Gudeso is claiming against the municipality for unlwaful arrest | 350,000 | 350,000 |
| Mpho Mashabela is claiming against the municipality for unlawful instigation of prosecution | 300,000 | 300,000 |
| Mr. Harris Johannes Sithole is claiming against the municipality for gunshot injuries, loss of future income and medical expenses | 10,000,000 | 10,000,000 |
| J.F Mtshweni is claiming against the municipality for damages on his vehicle caused by pothole | 61,124 | 61,124 |
| E.L Mahlangu is claiming against the municipality for rates and taxes paid on property while in the name of STLM and for rental fees incurred due to delay in transfer of the property in the name of the claimant | 62,923 | 62,923 |
| X.L Maloa is claiming against the municipality for damages caused due to power failure | 43,726 | 43,726 |
| Andrew Bruinders is claiming against the Municipality for damages caused on his motor vehicle | 16,778 | - |
| Masilu Godfrey Mangena is claiming against the municipality for damages caused on his vehicle | 34,447 | - |
| Nosa (Pty) Ltd is claiming against the municipality for unpaid invoices on training rendered | 26,276 | - |
| CIVTECH Engineers (Pty)Ltd) is claiming against the municipality for engineering services rendered to the municipality | 122,694 | - |
| Nkosinathi David Fenyane is claiming against the municipality for unlawful conduct by the traffic officers | 100,000 | - |
| Zirhun Desalegn Chinkoro is claiming against the Municipality for unlawful arrest | 350,000 | - |

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|---|-------------------|-------------------|
| 50. Contingent liabilities (continued) | | |
| Senzo Lucas Mnisi is claiming against the municipality for unlaw arrest | 900,000 | - |
| Jacob Stefanus Christoffel is claiming against the municipality for injuries and medical expenses due to motor accident | 1,708,913 | - |
| Johanna Hendrika /Petronella Smith claiming against the municipality for injuries and medical expenses suffered as a result of manhole not closed | 125,352 | - |
| Lindani Maxwell Myeni is claiming against the municipality for unlawful arrest | 100,000 | - |
| Elias and Mthokozisi Nhlapo is claiming against the Municipality for unlawful arrest | 200,000 | - |
| Rene Michelle Reinecke is claiming against the municipality for damages suffered on motor vehicle | 32,380 | - |
| Louis Trichard Steyn is claiming against the municipality for damages on vehicle caused during motor collision | 16,805 | - |
| Emmanuel Phazama Mhlongo is claiming against the municipality for unlawful arrest | 150,000 | - |
| Daniel Mthethwa is suing the municipality for unlawful arrest | 24,577 | - |
| Varachhiya Fajila/Joseph Jabu Mahlangu is suing the municipality for damages caused by municipal vehicle | 23,572 | - |
| Steve Housing Association : The municipality is compelled to issue a tax clearance certificate | 151,857 | - |
| | 29,574,496 | 25,090,845 |

The amount and timing of the fulfilment of the contingent liabilities by the municipality as disclosed above remain uncertain due to factors beyond the control of the municipality such as the court ruling and claimants opting for the settlements outside of Court.

51. Related parties

Relationships
Senior Management
Councillors

Refer to note 37
Refer to note 38

Related party transactions

Remuneration of key management
Councillors
Key management

| | 2024 | 2023 |
|--------------------------------|-------------------|-------------------|
| Remuneration of key management | 30,243,683 | 28,537,964 |
| Councillors | 4,496,541 | 5,174,795 |
| Key management | 34,740,224 | 33,712,759 |

52. Prior-year adjustments

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

Statement of financial position

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52. Prior-year adjustments (continued)

2023

| | Note | As previously reported | Correction of error | Restated |
|--|------|------------------------|---------------------|----------------------|
| Receivables from exchange transactions | 14 | 159,130,638 | (79,538,491) | 79,592,147 |
| Receivables from non-exchange transactions | 12 | 77,428,012 | (41,382,251) | 36,045,761 |
| Property, plant and equipment | 3 | 7,892,602,303 | 647,336,293 | 8,539,938,596 |
| Cash and cash equivalents | 15 | 96,207,318 | (4,616,377) | 91,590,941 |
| Other receivables from exchange transactions | 11 | 11,217,788 | 7,141,199 | 18,358,987 |
| Operating leased assets | 7 | 937,790 | 222,357 | 1,160,147 |
| VAT receivable | 3 | 66,026,888 | 9,208,823 | 75,235,712 |
| Payables from exchange transactions | 20 | (513,614,471) | (2,121,047) | (515,735,517) |
| Accumulated surplus | | (6,765,381,751) | (536,250,506) | (7,301,632,263) |
| | | 1,024,554,515 | - | 1,024,554,511 |

Statement of financial performance

2023

| | Note | As previously reported | Correction of error | Restated |
|--|------|------------------------|---------------------|--------------------|
| Depreciation and amortisation | 39 | 207,037,374 | 53,567,971 | 260,605,345 |
| Impairment of assets | 46 | 39,316,021 | 121,625,061 | 160,941,082 |
| Rental of facilities and equipment | 25 | (19,685,785) | (222,357) | (19,908,142) |
| Loss on disposal of assets and liabilities | | 9,304,830 | 323,625 | 9,628,455 |
| Operating income | 30 | (16,171,203) | (4,306,149) | (20,477,352) |
| Investment revenue | 31 | (17,912,800) | (79,458) | (17,992,258) |
| Operational costs | 44 | 125,492,075 | 8,854,616 | 134,346,691 |
| Licences and permits | 28 | (6,457,482) | (1,058,810) | (7,516,292) |
| Gains | 23 | (27,344,424) | (5,280,538) | (32,624,962) |
| Contracted services | 43 | 233,485,750 | 2,651,046 | 236,136,796 |
| Surplus for the year | | 66,177,048 | (176,075,007) | (109,897,959) |
| Surplus for the years | | 593,241,404 | - | 593,241,404 |

Cash flow statement

2023

| | Note | As previously reported | Correction of error | Restated |
|---|------|------------------------|----------------------|--------------------|
| Cash flow from operating activities | | | | |
| Receipts | | 2,197,964,103 | (65,875,896) | 2,132,088,207 |
| Payments | | (1,786,954,647) | (91,943,938) | (1,878,898,585) |
| | | 411,009,456 | (157,819,834) | 253,189,622 |
| Cash flow from investing activities | | | | |
| Net cash flow from investing activities | | 614,136,304 | (153,203,461) | 460,932,843 |



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52. Prior-year adjustments (continued)

Errors

The following prior period errors adjustments occurred:

Accounting for assets previously omitted from the fixed assets register

In the previous financial year's audit there was indication of the completeness issue during the assets verification process, the municipality therefore performed an exercise to ensure that all the assets belonging to the municipality are fully accounted for in the municipal fixed assets register. It was noted that there were some assets that were omitted for inclusion in the municipality's fixed assets register during the initial taken-on procedures which resulted in the understatement of the property, plant and equipment in the financial statements. The municipality applied Directive 4, Directive 7 and GRAP 17 in recognising the assets.

The following table reflects the impact of recognition of the assets that were part of the subcomponent register into the main fixed assets register of the municipality as at 30 June 2023 :

Assets Category

| | Opening cost price increased by | Opening Accumulated depreciation increased by | Depreciation for the year increased by | Carrying value increased by |
|-----------------------|---------------------------------------|--|--|--------------------------------|
| Buildings | 14,739,734 | (3,967,919) | (1,087,154) | 9,684,662 |
| Community assets | 84,374,992 | (26,441,246) | (5,895,587) | 52,021,923 |
| Infrastructure assets | 1,060,914,299 | (422,359,683) | (43,460,804) | 595,110,032 |
| | 1,160,029,025 | (452,768,848) | (50,443,545) | 656,816,617 |

Impairment of assets incorrectly accounted

In the previous financial year, during the assessment of assets for impairment purposes in terms of GRAP 17, the electrical infrastructure assets impairment was erroneously understated. The impact of the error resulted with the understatement of the impairment of assets in the statement of financial performance by R 704 320 and overstatement of the carrying value in the statement of financial position by the same amount in relation to electrical infrastructure assets.

In the previous financial year during the assessment of significant receivables for impairment purposes in line with GRAP 108 and the impairment methodology for fair presentation, an omission occurred by excluding receivables that were having an indication of impairment. The error resulted with overstatement of receivables from exchange transactions by R 79 538 491 and receivables from non-exchange transactions by R 41 382 251 on the statement of financial position. The impact of the error also resulted with the understatement of impairment of assets (receivables) on the statement of financial performance by R 120 920 742.

Interest received on investments not recognised

In the financial year ending 30 June 2021 an interest earned on investments was erroneously not accounted for in the financial records. The impact of the error resulted with the understatement of Cash and Cash Equivalents by R 5 094 386 and interest earned on investments by the same amount.

The impact of the correction resulted with increase in the accumulated surplus and increase in cash and cash equivalents by R 5 094 386 in the financial year ending 30 June 2023.

In the financial year ending 30 June 2023 at the closure of bank account, an amount of R 79 458 was credited on the municipality's bank statement but was omitted in the cashbook which resulted in the understatement of interest income and Cash and Cash Equivalents.

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52. Prior-year adjustments (continued)

Debit orders erroneously omitted

In the financial year ending 30 June 2021, debit orders relating to the telephone connection services were not recorded in the accounting records resulting in the understatement of operational expenditures by R 4 356 and overstatement of cash and cash equivalents by the same amount. The impact of correction results in the decrease in accumulated surplus by R 4 356 and decrease in cash and cash equivalents by the same amount.

Reversal of unpaid debit orders

In the financial year ending 30 June 2022, unsuccessful debit orders against consumer accounts for payment of municipal services were erroneously not captured, resulting in the understatement of receivables from exchange transactions by R 2 885 456 and overstatement of Cash and Cash equivalents by the same amount.

The impact of the correction resulted in the increase in sundry debtors by R 2 885 456 and decrease in cash and cash equivalents by the same amount.

Work in progress assets or projects (WIP) incorrectly accounted for

In the current financial year the reconciliation was performed on the Work in Progress projects and noted that in the previous financial years completed projects was incorrectly recorded as work in progress. The correction resulted in the following restatements in note 4.

WIP Correction 30 June 2022

The closing balance of WIP Infrastructure Assets as at 30 June 2022 reduce by R 58 773 294 and the cost price of Infrastructure assets as disclosed in Property, Plant and Equipment note increased by the same amount.

The depreciation charge for the ended 30 June 2022 on Infrastructure Assets increased by R 11 628.93 and the Accumulated depreciation for the year increased by the same amount.

The closing balance of WIP Other Assets as at 30 June 2022 reduce by R 972 066 and the cost price of other assets as disclosed in Property, Plant and Equipment note increased by the same amount.

The depreciation charge for the ended 30 June 2022 on other assets increased by R 13 093 and the Accumulated depreciation for the year increased by the same amount.

WIP Correction 30 June 2023

The closing balance of WIP Infrastructure Assets as at 30 June 2023 reduce by R 71 424 668 and the cost price of Infrastructure assets as disclosed in Property, Plant and Equipment note increased by the same amount.

The closing balance of WIP Community Assets as at 30 June 2023 reduce by R 899 980 and the cost price of Community assets as disclosed in Property, Plant and Equipment note increased by the same amount.

The depreciation charge for the ended 30 June 2023 on Infrastructure Assets increased by R 3 067 580 and the Accumulated depreciation for the year increased by the same amount. The depreciation charge for the ended 30 June 2023 on Community assets increased by R 37 403 and the Accumulated depreciation for the year increased by the same amount. The depreciation charge for the ended 30 June 2023 on Buildings increased by R 19 428 and the Accumulated depreciation for the year increased by the same amount.

Understatement of operating leased assets

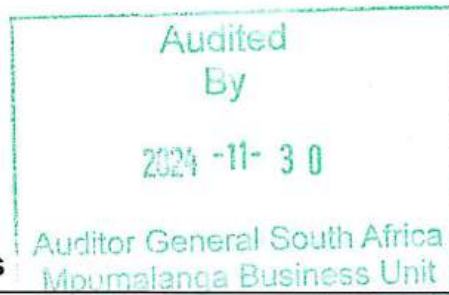
In the previous financial year ending 30 June 2023, an operating leased contract was omitted from the calculation and straightlining of the operating leased assets. The impact of the error resulted with the understatement of the operating leased assets by R 222 357 and the understatement of the rental of facilities and equipment in the statement of financial performance by the same amount.

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52. Prior-year adjustments (continued)

Unaccounted expenditure transactions

In the process of reperforming the bank reconciliations for the previous financial years, it was revealed that some expenditures were processed in the municipality's cashbook with no corresponding bank statement amount. The impact of the misstatement resulted with the understatement of the Cash and Cash Equivalents by R 4 306 149 and over-statement of other operational expenditures by the same amount which will result in the restatement against accumulated surplus.

In the same financial year, expenditure transactions processed on the cashbook were erroneously note recorded in the general ledger. The impact of the error resulted with the understatement of contracted services and operational costs by R 2 651 046 and R 1 657 025 respectively, payables from exchange transactions understated by R 4 727 990 and Vat receivable overstated by R 419 920.

Overstated VAT refund

In the financial year ending 30 June 2023, a VAT refund received from SARS was duplicated in the accounting records resulting in the understatement of VAT receivable by R 8 788 906 and overstatement of cash and cash equivalents by the same amount. The correction will increase the VAT receivables and reduce the cash and cash equivalents by the same amount

Re-alignment of cashbook and general ledger

There is a constant movement of R 398 025 that has been identified as a difference between the general ledger and the sub-module (Cashbook). The impact of the correction results with a decrease in the accumulated surplus by R 398 025 and decrease in the Cash and Cash Equivalents by the same amount.

In the same financial year a duplicate interface of expenditure transactions on the general gedger occurred resulting in the understatement of cash and cash equivalent by R 6 499 862 and understatement of payables from the exchange transaction by the same amount.

In the same financial year expenditure related transaction did not interface with the general ledger resulting with the overstatement of cash and cash equivalents by R 13 109 221 and the overstatement of payables from the exchange transactions by the same amount.

Error in the recognition and accounting of payables from exchange transactions

In the previous financial year deposits were made into the municipal bank account and the origin of the depoits and references thereof could not be established for allocation to the correct account. These transactions were omitted for recording into the municipal unknown deposit register. The error resulted with the understatement of Payables from Exchange Transactions (Unallocated Deposits) by R 4 191 884 and understatement of Cash and Cash Equivalents by the same amount.

In the same financial year, an error occurred in the accounting of the 80/20 revenue from the Department of Transport in relation to the rendering of licensing services by the municipality. The impact of the error resulted with the understament of licensing and permits revenue by R 1 058 810 and the overstatement of payables from exchange transactions by the same amount.

In the same financial year, an error occurred in the recognition of commission paid to prepaid electricity vendors. The impact of the error resulted with the understatement of operational costs (commission paid) by R 869 518 and the understatement of the payables from exchange transactions by the same amount.

Expenditures erroneously capitalised

In the previous financial year expenditures relating to the repairs and maintenance were incorrectly capitalised resulting with the overstatement of Property, Plant and Equipment by R 6 328 072 and understement of Assets Expensed by the same amount.

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52. Prior-year adjustments (continued)

Reversal of assets incorrectly disposed

In the previous financial year movable assets were erroneously disposed from the asset register. The impact of the error resulted with the understatement of property, plant and equipment (movable assets) by R 1 024 794 and overstatement of the gains and losses by the same amount.

Allocation of income from auction to the correct financial year

In the previous financial year, the income received from sale assets through auction was not accounted for. The impact of the error resulted with the understatement of sundry debtors by R 4 255 743 and understatement of gains from sale of assets by the same amount.

Reclassifications

The following reclassifications adjustment occurred:

Reallocation of cashbook transactions

In the previous financial years the municipality erroneously used two cashbooks when transacting on cash and cash equivalents resulting in the cashbooks with different banks being utilised interchangeably. The impact of the error resulted in the overstatement of FNB Cashbook by R 24 865 501 and the understatement of ABSA Cashbook by the same amount. The breakdown of the reclassification of the amount to the relevant cashbook per financial year is reflected below:

| Impact | 30 June 2021 | 30 June 2022 | 30 June 2023 | Total |
|---------------------------|--------------|--------------|--------------|--------------|
| Movement in ABSA Cashbook | 592,265 | 24,562,340 | (437,361) | 24,717,244 |
| Movement in FNB Cashbook | (592,265) | (24,562,340) | 437,361 | (24,717,244) |
| | - | - | - | - |

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53. Risk management

Financial risk management

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

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 June 30, 2024 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|--|------------------|-----------------------|-----------------------|--------------|
| Long term liabilities | - | 134,442,934 | 201,664,401 | 536,434,586 |
| Payables from exchange transactions | 609,841,758 | - | - | - |
| Current portion of long term liabilities | 37,423,138 | - | - | - |
| At June 30, 2023 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| Long term liabilities | - | 101,877,976 | 167,334,880 | 640,904,505 |
| Payables from exchange transactions | 517,916,550 | - | - | - |
| Current portion of long term liabilities | 37,235,912 | - | - | - |

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53. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. 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.

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

| Financial instrument | 2024 | 2023 |
|--|-------------|------------|
| Long term receivables | 1,005,430 | 8,241,846 |
| Other receivables from exchange transactions | 12,315,479 | 18,358,987 |
| Current portion of long term receivables | 1,583,057 | 7,028,926 |
| Operating leased assets | 1,597,169 | 1,160,147 |
| Receivables from exchange transactions | 101,072,401 | 79,592,147 |
| Investments | - | 30,000,000 |
| Deposits | 3,296,378 | 3,208,655 |
| Cash and cash equivalents | 27,604,828 | 93,892,228 |



54. 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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

55. Unauthorised expenditure

| | | |
|---------------------------------------|------------|---|
| Add: Expenditure identified - current | 95,377,135 | - |
|---------------------------------------|------------|---|

The unauthorised expenditure is made up of depreciation and amortisation, employee related costs and post retirement benefits incurred during the year.

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

| | | |
|----------|-------------------|----------|
| Non-cash | 93,219,987 | - |
| Cash | 2,157,148 | - |
| | 95,377,135 | - |

Unauthorised expenditure: Budget overspending – per municipal department:

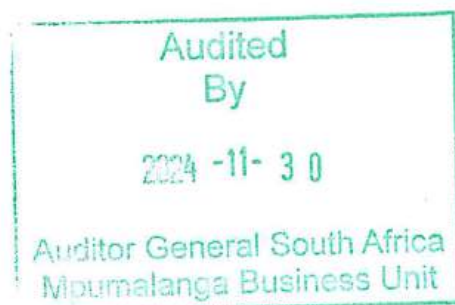
| | | |
|-------------------------------|-------------------|----------|
| Corporate Services | 2,157,148 | - |
| Financial Services | 9,100,393 | - |
| Community and Social Services | 20,303,661 | - |
| Infrastructure Services | 63,815,932 | - |
| | 95,377,134 | - |

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|---|------------------|------------------|
| 56. Fruitless and wasteful expenditure | | |
| Opening balance as previously reported | 3,233,052 | - |
| Correction of prior period error | - | 1,136,240 |
| Opening balance as restated | 3,233,052 | 1,136,240 |
| Add: Expenditure identified - current | 3,801,602 | 2,096,812 |
| Less: Amounts recoverable - current | (2,391,098) | - |
| Closing balance | 4,643,556 | 3,233,052 |



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56. Fruitless and wasteful expenditure (continued)

| Disciplinary steps taken/criminal proceedings | Amount recovered in the current financial year | Disciplinary proceedings and matter also reported to SAPS | Disciplinary proceedings and matter also reported to SAPS |
|--|--|---|---|
| Invalid payments made to suppliers | | | |
| Invalid payment made to former employee | | | |
| Double payment for standby allowance | | | |
| Invalid overtime payments | | | |
| Invalid acting allowance payments | | | |
| Payments not linked to services rendered to the municipality | | | |

- a) In relation to the invalid supplier payments the fraud case was reported with the municipality banker to the proceeds with the process to trace and freeze the funds.
- b) The demand letter was writtent to the former employee erroneously remunerated to refund the funds to the municipality.
- c) The municipality engaged with the undue beneficiaries of the overtime and acting allowances to refund the municipality and will also initiate recovery of the funds from the employees pension funds.

The employees who benefited and involved in the invalid overtime and acting allowance payments were suspended from their services with the municipality and criminal case opened with SAPS.

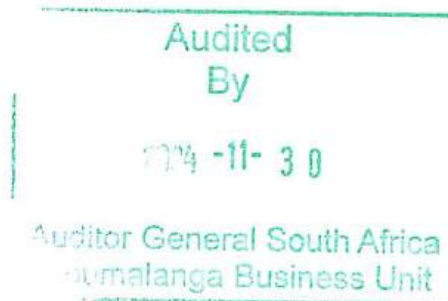
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|---|--------------------|--------------------|
| 57. Irregular expenditure | | |
| Opening balance as previously reported | 303,772,658 | 221,358,992 |
| Correction of prior period error | - | (8,009,985) |
| Opening balance as restated | 303,772,658 | 213,349,007 |
| Add: Irregular Expenditure - current | 29,130,172 | 68,548,297 |
| Add: Irregular Expenditure - identified in current for prior year | - | 21,875,354 |
| Closing balance | 332,902,830 | 303,772,658 |



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57. Irregular expenditure (continued)

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

| Expenditure incurred outside of SLA terms and conditions | Disciplinary steps taken/criminal proceedings Not yet implemented | 1,209,498 | 2,873,250 | |
|--|---|-------------------|-------------------|--|
| Expenditure incurred on products delivered and invoiced after SLA had expired | Not yet implemented | 3,378,480 | 4,923,225 | |
| Expenditure incurred on projects after the SLAs of the service providers had expired | Not yet implemented | 6,801,687 | 4,324,846 | |
| Variation order based on incorrect original contract value | Not yet implemented | 10,479,870 | - | |
| Extension based on irregular variation order | Not yet implemented | 7,260,637 | - | |
| Allocations above service providers CIDB grading limit | Not yet implemented | - | 3,278,373 | |
| Payments above the approved allocation amounts | Not yet implemented | - | 1,721,779 | |
| Unfair rotations and deviations | Not yet implemented | - | 38,097,382 | |
| Allocations above service providers CIDB grading limit | Disciplinary steps taken | - | 35,204,796 | |
| | | 29,130,172 | 90,423,651 | |

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58. In-kind donations and assistance

| | |
|--|------------------|
| Nkangala District Municipality | |
| HIV/AIDS Campaign | 57,209 |
| MHS Education and Awareness | 68,133 |
| Designs for Nazareth Storm Water Drainage | - |
| Disaster Management Awareness Campaign | 83,826 |
| Moral Regeneration | 37,173 |
| Establishment of Hendrina/Kwazamokuhle Industrial Township | - |
| | 2,277,483 |
| | 246,341 |

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|---|---------------|---------------|
| 59. Additional disclosure in terms of Municipal Finance Management Act | | |
| Contributions to SALGA | | |
| Current year subscription / fee | 8,250,093 | 7,252,079 |
| Amount paid - current year | (8,250,093) | (7,252,079) |
| | - | - |
| Audit fees | | |
| Current year subscription / fee | 6,499,915 | 5,784,411 |
| Amount paid - current year | (6,499,915) | (5,784,411) |
| | - | - |
| PAYE and UIF | | |
| Current year payroll deductions (PAYE) | 127,382,744 | 112,918,398 |
| Current year payroll deductions (UIF) | 6,484,954 | 6,481,254 |
| Amount paid - current year (PAYE) | (127,382,744) | (112,918,398) |
| Amount paid - current year (UIF) | (6,484,954) | (6,481,254) |
| | - | - |
| Pension and Medical Aid Deductions | | |
| Current year payroll deductions (Medical Aid) | 73,962,466 | 66,785,479 |
| Current year payroll deductions (Pension Fund) | 116,717,508 | 110,792,287 |
| Amount paid - current year (Medical Aid) | (73,962,466) | (66,785,479) |
| Amount paid - current year (Pension Fund) | (116,717,508) | (110,792,287) |
| | - | - |

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2024 and 30 June 2023.

June 30, 2024

| | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|-------------|-------------------------------------|-------------------------------------|---------------|
| Amigo M G | 1,708 | 3,668 | 5,376 |
| Mogola M P | 3,275 | 40,497 | 43,772 |
| Ngubeni Z J | 2,544 | 5,231 | 7,775 |
| Skosana J | 292 | 3,431 | 3,723 |
| Zulu S W | 1,586 | 2,231 | 3,817 |
| Mphego MC | 5,185 | 22,000 | 27,185 |
| Tshoane TN | 712 | 1,424 | 2,136 |
| | 15,302 | 78,482 | 93,784 |

June 30, 2023

| | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|--------------|-------------------------------------|-------------------------------------|----------------|
| Amigo M G | 1,423 | 1,675 | 3,098 |
| Cossa O A | 3,129 | 26,407 | 29,536 |
| Mogola M P | 2,649 | 30,199 | 32,848 |
| Ngubeni Z J | 1,396 | 383 | 1,779 |
| Phetla W M M | 2,427 | 1,879 | 4,306 |
| Skhosana D J | 2,203 | 10,384 | 12,587 |
| Skosana J | 196 | 2,672 | 2,868 |
| Soko C M | 2,049 | 9,878 | 11,927 |
| Zulu S W | 1,185 | 5,719 | 6,904 |
| | 16,657 | 89,196 | 105,853 |



60. Deviation from supply chain management regulations

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

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements.

Class

| | | |
|--|------------------|------------------|
| Emergency | - | 1,162,500 |
| Sole supplier | - | 9,529 |
| Impractical or impossible to follow normal process | 1,971,588 | 100,521 |
| | 1,971,588 | 1,272,550 |

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61. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: Community and Public Services, Economic and Environmental Services and Trading Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Types of goods and/or services by segment

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

Reportable segment

Community and Public Services

Economic and Environmental Services

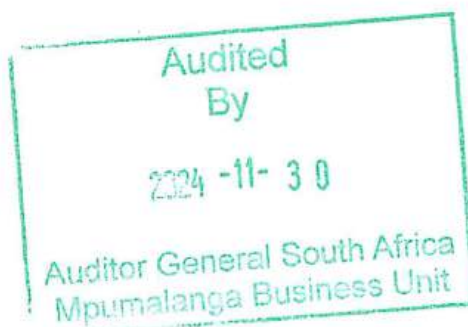
Trading Services

Goods and/or services

Sports and Recreation, Housing, Health, Public Safety and Community and Social Services

Environmental Protection, Road Transport, Planning and Development

Water and Electricity, Waste Management, Waste Water Management



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61. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

| | Community and Public Services | Trading services | Economic and Environmental Services | Total |
|--|-------------------------------|----------------------|-------------------------------------|----------------------|
| Revenue | | | | |
| Revenue from non-exchange transactions | 26,409,617 | 341,783,663 | 80,090,123 | 448,283,403 |
| Revenue from exchange transactions | 4,601,076 | 1,041,000,943 | 3,932,984 | 1,049,535,003 |
| Total segment revenue | 31,010,693 | 1,382,784,606 | 84,023,107 | 1,497,818,406 |
| Unallocated revenue | | | | 784,466,906 |
| Entity's revenue | | | | 2,282,285,312 |
| Expenditure | | | | |
| Contracted services | 33,779,694 | 115,469,659 | 15,046,803 | 164,296,156 |
| Bulk purchases | - | 595,730,886 | - | 595,730,886 |
| Depreciation and amortisation | 19,197,629 | 95,244,990 | 55,057,779 | 169,500,398 |
| Employee related costs | 179,230,394 | 248,324,318 | 63,367,195 | 490,921,907 |
| Finance costs | 158,098 | 77,046,185 | 7,118,040 | 84,322,323 |
| Inventory consumed | 14,494,839 | 59,215,177 | 3,523,063 | 77,233,079 |
| Operating leases | 1,757,931 | 4,146,954 | 72,667 | 5,977,552 |
| Operational costs | 9,301,852 | 14,674,985 | 3,094,049 | 27,070,886 |
| Bad debts written off | 12,237,450 | 705,916 | - | 12,943,366 |
| Impairment loss | - | 13,062,842 | - | 13,062,842 |
| Transfers and subsidies | - | 3,539 | 4,998,420 | 5,001,959 |
| Total segment expenditure | 270,157,887 | 1,223,625,451 | 152,278,016 | 1,646,061,354 |
| Total segmental surplus/(deficit) | | | | (148,242,948) |
| Unallocated expenditures | | | | (746,121,914) |
| Total revenue reconciling items | | | | (148,242,948) |
| Entity's surplus (deficit) for the period | | | | (109,897,956) |

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| | Community and Public Services | Trading services | Economic and Environmental Services | Total |
|---|-------------------------------|------------------|-------------------------------------|----------------------|
| 61. Segment information (continued) | | | | |
| Current Assets | | | | 427,030,551 |
| Non-Current Assets | | | | 8,634,269,809 |
| Total assets as per Statement of financial Position | | | | 9,061,300,360 |
| Current Liabilities | | | | 668,033,770 |
| Non-Current Liabilities | | | | 1,091,634,328 |
| Total liabilities as per Statement of financial Position | | | | 1,759,668,098 |

Following a restatement of certain items of statement of financial performance in 2022/2023 financial year, certain line items of income and expenditure were restated. The overall impact resulted with the reduction of surplus for year by R 176 075 004 and reported under the unallocated segments.

2024

| | | | | |
|--|-------------------------------|-------------------------------------|----------------------|----------------------|
| Revenue | Community and Public Services | Economic and Environmental Services | Trading Services | Total |
| Revenue from non-exchange transactions | 76,565,002 | 39,304,897 | 281,492,774 | 397,362,673 |
| Revenue from exchange transactions | 6,174,404 | 3,481,125 | 1,177,865,688 | 1,187,521,217 |
| Total segment revenue | 82,739,406 | 42,786,022 | 1,459,358,462 | 1,584,883,890 |
| Unallocated revenue | | | | 798,604,240 |
| Entity's revenue | | | | 2,383,488,130 |

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61. Segment information (continued)

| | | | | | |
|---|--------------------|--------------------|----------------------|----------------------|--|
| Expenditure | | | | | |
| Contracted services | 34,479,571 | 16,233,917 | 146,239,036 | 196,952,524 | |
| Bulk purchases | - | - | 662,720,840 | 662,720,840 | |
| Depreciation and amortisation | 25,841,549 | 95,302,488 | 118,508,987 | 239,653,024 | |
| Employee related costs | 212,111,849 | 60,950,583 | 282,872,539 | 555,934,971 | |
| Impairment of assets | - | - | 40,205,425 | 40,205,425 | |
| Inventory consumed | 16,342,583 | 3,384,160 | 65,683,138 | 85,409,881 | |
| Transfers and subsidies paid | - | 461,834 | - | 461,834 | |
| Bad debts written off | 13,406,550 | - | 5,689,745 | 19,096,295 | |
| Operating leases | 2,364,341 | 80,230 | 7,786,401 | 10,230,972 | |
| Operational costs | 9,001,681 | 3,651,720 | 40,874,803 | 53,528,204 | |
| Finance costs | 294,426 | 12,378,510 | 92,678,065 | 105,351,001 | |
| Total segment expenditure | 313,842,550 | 192,443,442 | 1,463,258,979 | 1,969,544,971 | |
| Total segment surplus/(deficit) | | | | (384,661,081) | |
| Total revenue reconciling items | | | | 798,604,240 | |
| Unallocated expenditures | | | | (612,003,367) | |
| Total segmental deficit | | | | (356,788,189) | |
| Entity's surplus (deficit) for the period | | | | (170,187,316) | |
| Current Assets | | | | 336,720,490 | |
| Non-Current Assets | | | | 8,635,525,313 | |
| Total assets as per Statement of financial Position | | | | 8,972,245,803 | |
| Current Liabilities | | | | 772,378,570 | |
| Non-current liabilities | | | | 1,068,979,567 | |
| Total liabilities as per Statement of financial Position | | | | 1,841,358,137 | |

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Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

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|-----------------|------|------|
|-----------------|------|------|

62. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

Details of the arrangement(s) is/are as follows:

The municipality entered into an agreement with various prepaid electricity vendors to distribute, process and manage the sale of prepaid electricity on behalf of the municipality. The municipality acts as the principal and the prepaid electricity vendors as an agent to this arrangement in accordance with the provisions of GRAP 109, Principal Agent Arrangement. The prepaid vendors received a commission based compensation from the services rendered to the municipality in terms of the arrangement. There is no significant risks associated with the arrangement due to the fact that the vendors purchase the bulk electricity in advance for distribution purposes.

The municipality also has a contractual arrangement with the Department of Community, Safety and Liason Mpumalanga (Principal) for the motor vehicle registrations on an 80/20 commission basis. The remittance of 80 percent of the revenue collected in terms of rendering of services on behalf of the principal occurs on a monthly basis and any unpaid amounts at the end of the financial year are reflected as payables on the statement of financial position. There is no significant risks associated with the arrangement as the risks are transferred to the principal in terms of the agreement. The municipality reserve its 20% commission upon collection of the licensing revenue and pay-over the remaining 80 % to the department.

Municipality as principal

Prepaid electricity revenue

The aggregate revenue generated from the sale of prepaid electricity by vendors through this arrangement amounted to R 418 040 294 2023 (R 356 737 460)

Fee paid

| | | |
|---------------------------------------|------------|------------|
| Fee paid as compensation to the agent | 25,697,941 | 22,713,381 |
|---------------------------------------|------------|------------|

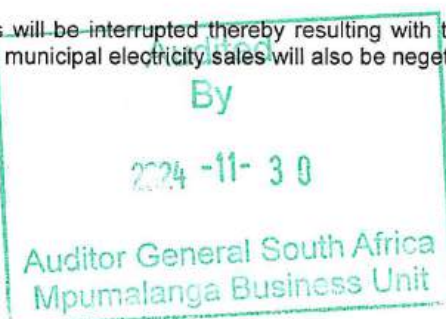
Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

The resource and/or cost implications for the municipality if the principal-agent arrangement is terminated, are:

The prepaid electricity vending services will be interrupted thereby resulting with the inconvenience of the consumers in accessing the service, the municipal electricity sales will also be negatively impacted.

63. Inventory consumed

| | | |
|------------------------------|-------------------|-------------------|
| Consumables : Standard rated | 2,073,851 | 2,165,948 |
| Consumables : Zero rated | 41,351,481 | 20,477,993 |
| Materials and supplies | 37,627,219 | 24,157,202 |
| Land | 104,285 | 578,542 |
| Water | 15,083,456 | 14,339,777 |
| | 96,240,292 | 61,719,462 |



64. Movement in long service awards

Unspent conditional grants and receipts comprises of:

Movement during the years

| | | |
|-------------------------------------|---------------|---|
| Additions during the years | 193,503,000 | - |
| Income recognition during the years | (193,503,000) | - |
| | - | - |

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64. Movement in long service awards (continued)

See note 34 for reconciliation of grants from National/Provincial Government.

65. Change in estimate

Property, plant and equipment

During the review of the RUL's (remaining useful lives) of assets, a total of 5 907 assets were deemed for adjustment. The identified assets are those in use with a zero RUL and/or will depreciate to zero within the next 24 months. These assets are identified at the beginning of the reporting period.

The assets that abided by this rule were adjusted to reflect their condition rating at the end of the year.

Adjusting the RUL of an asset is considered a subsequent measurement (as it constitutes a change in estimate). In accordance with GRAP 3, paragraphs 38–40, a change in an accounting estimate may affect only the current period's surplus or deficit or the surplus or deficit of both the current period and future periods

The tables below illustrates the depreciation effect per asset class of the adjustment conducted for the year ended 30 June 2023:

Table of adjustment

7 878 assets in use for which the remaining RUL were adjusted

| Assets Category | Asset Count | Depreciation for the year (Before adjustment) | Current year depreciation and future prospected depreciation based on revised useful life |
|-------------------------------|--------------|---|---|
| Intangible Assets | 15 | 338 | 1,339 |
| Investment Property | 15 | 26,685 | 2,843 |
| Property, Plant and Equipment | 5,877 | 13,079,203 | 2,709,247 |
| | 5,907 | 13,106,226 | 2,713,429 |

Audited
By
2024-11-30
Auditor General South Africa
Mpumalanga Business Unit