



**THEMBISILE HANI LOCAL MUNICIPALITY**  
Annual Financial Statements  
for the period ended 30 June 2021

**Audited  
By**  
**2022 -02- 10**  
**Auditor General South Africa  
Mpumalanga Business Unit**

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## General Information

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### Mayoral committee

Executive Mayor

Speaker

Chief whip

Members of Executive Committee

Cllr Mtsweni Nomsa Sanny

Cllr Mabena Thomas Lebandla

Cllr Motanyane Thokozile Egnés

Cllr Tshabangu Lillian Martha

Cllr Msiza Maria Poppy

Cllr Makhwiting Theletji James

Cllr Phakathi Nomasono Emmah

Cllr Mtweni Xolani Lucky

Cllr Mahlangu Amos

Cllr Mampuru Dipolelo Sinah

Cllr Makatu Pheneus Doctor

Cllr Motena Mitopie Andries

Cllr Ngoma Siphó Koos

Cllr Jiyane Koos Vusi

Cllr Mahlangu Moses Michael

Cllr Mthimunya Joseph Elias

Cllr Dlamini Bongani Ntokoza

Cllr Nobela Maria Truddy

Cllr Mnisi Sgaule Timothy

Cllr Masango Siphó

Cllr Mahlangu Christinah Ndlelehle

Cllr Msiza James Simausu

Cllr Madyungu Alexcious Sphiwe

Cllr Mahlangu Josephinah Lindiwe

Cllr Mogoboya Samuel Bongani

Cllr Sikosana Mzwandile Obed

Cllr Masango Seisiwe Jack

Cllr Mnguni Maria Qhubeni

Cllr Ngoma Norman

Cllr Malefo Nimrod Boitumelo

Cllr Msibi Bongani Victor

Cllr Fakude Dumisani Chrescent

Cllr Mahlangu Jan Sizwe

Cllr Nduli Masotja Petrus

Cllr Skosana Dini Samson

Cllr Msiza Khulise April

Cllr Mahlangu Patrick Vusi

Cllr Mahlangu Gideon

Cllr Skosana Vusimuzi Vincent

Cllr Mabelwane Oria Mpheto

Cllr Mashinini Thabisile Elsie

Cllr Mathibela Emelinah Mavis

Cllr Skosana Lindiwe Thembi

Cllr Jiyane Laza Elsie

Cllr Msiza Marcia

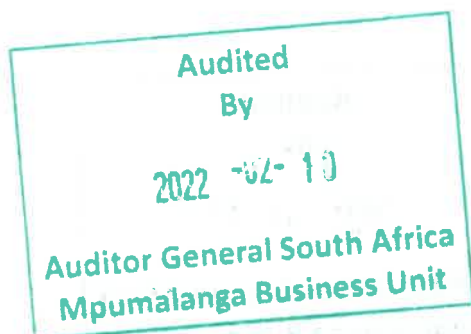
Cllr Maseko Zanele

Cllr Nhlapho Sonto Rose

Cllr Msiza Nomaŕjeni Nellie

Cllr Kekana Piet Thapelo

Councillors



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## General Information

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Cllr Molefe Remenky Stephinah  
Cllr Mahlangu Lucky Bruce  
Cllr Dhlamini Alicia Lebohang  
Cllr Msibi Vusi Amos  
Cllr Motaung Ntombi Mitta  
Cllr Mokolo Matalanyane Lucas  
Cllr Mahlangu Nompumelelo Merriam  
Cllr Masilela Toenkie Linah  
Cllr Mokwena Maria Adelaide  
Cllr Tibane Thabo John  
Cllr Mahlangu Nompumelelo  
Cllr Mtsweni Rubber Qaliwe  
Cllr Makhubela Jan Masaka  
Cllr Magolego Salome Athana

**Audited**

**By**

**2022-02-10**

**Auditor General South Africa  
Mpumalanga Business Unit**

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## General Information

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### Audit committee members

Chairperson

Ms FJ Mudau

Members

Ms. Mathabiso Moloi- Chamane

Ms. Patience Ntuli

Ms. Jane Masite

Mr T Gafane

Mr T Boltman

**Grading of local authority**

Grade 4

**Accounting Officer**

Mr ON Nkosi

**Chief Finance Officer (CFO)**

Ms JG Mahlangu

**Business address**

24 Kwaggafontein C

Kwaggafontein

0458

**Postal address**

Private Bag X4041

Empumalanga

0458

**Bankers**

Nedbank

**Auditors**

AGSA - Mpumalanga

**Telephone number**

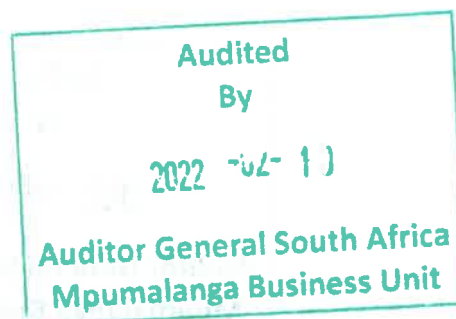
(013) 986 9100

**Fax number**

(013) 986 0995

**Web**

[www.thembisilehanilm.gov.za](http://www.thembisilehanilm.gov.za)



# THEMBISILE HANI LOCAL MUNICIPALITY

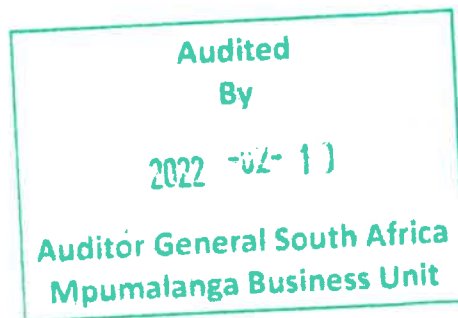
Annual Financial Statements for the year ended 30 June 2021

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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Index

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
COVID-19	Coronavirus Disease 2019
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
DBSA	Development Bank of South Africa
EEDM	Energy Efficiency and Demand Site Management Grant
EPWP	Expanded Public Works Program Grant
FMG	Finance Municipal Grant
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MDRG	Municipal Disaster Relief Grant
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PPE	Property, Plant and Equipment
PSI	Product, Sales and Inventory
WSIG	Water Service Infrastructure Grant

Audited  
By

2022 -02- 11

Auditor General South Africa  
Mpumalanga Business Unit

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's Responsibilities and Approval

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

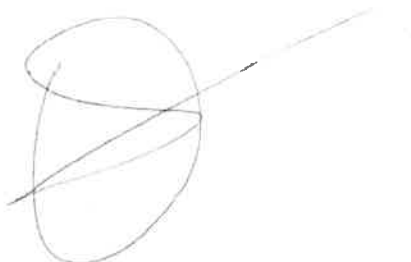
The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

The annual financial statements set out on pages 11 to 85, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:



**Mr Oscar Nkosi**  
Accounting Officer

**Audited**  
**By**  
**2022-02-11**  
**Auditor General South Africa**  
**Mpumalanga Business Unit**

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Report of the Audit and Performance Committee

### ANNUAL REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE

We are pleased to submit the report of the Audit Committee for the year ended 30 June 2020

#### 1. Background

Thembisile Hani Local municipality amongst other local municipalities is under Nkangala District Shared audit and performance committee, The Audit committee was established in terms of section 166 of the Municipal Finance Management Act (MFMA), Act 56 of 2003. The Audit committee has adopted its terms of reference.

#### Statutory requirements

Section 166 of the MFMA stipulates that each municipality must establish an Audit committee.

The Audit committee is an independent advisory body that advises council, political office bearers, accounting officer, and the staff of the municipality on the following

- \* Internal financial control and internal audit;
- \* Risk management;
- \* Accounting policies
- \* The adequacy, reliability and accuracy of financial reporting and information;
- \* Performance management;
- \* Compliance with the MFMA, the Division of Revenue Act (DoRa) and any other applicable legislation;
- \* Performance evaluation
- \* Any other issues referred to it by the municipality;
- \* Review annual financial statements so as to provide authoritative and credible view of the financial position, on overall compliance with MFMA, DoRa, ect
- \* Respond to Council on any matter raised by the Auditor- General (AGSA); and
- \* Carry out such investigation into financial affairs of the municipality as may be prescribed



#### 2. Attendance of meetings

Name of the member	Ordinary meetings	Performance meetings	Special Meeting	Total	Attendance
Mrs. FJ Mudau (Chairperson) Contract ended	4	4	2	10	8
Mr. L Langalibalele (Member) Contract ended	4	4	2	10	8
Mr. M Mathabathe (Member)	4	4	2	10	10
Ms. J Masite (Member)	4	4	2	10	9
Mr. T Gafane (Member)	4	4	21	10	8
Ms. M Moloi Chamane (Member) (Newly appointed)	1	1	0	2	2
Ms. P Ntuli1 (Member) (Newly appointed)	1	1	0	2	2



# THEMBISILE HANI LOCAL MUNICIPALITY

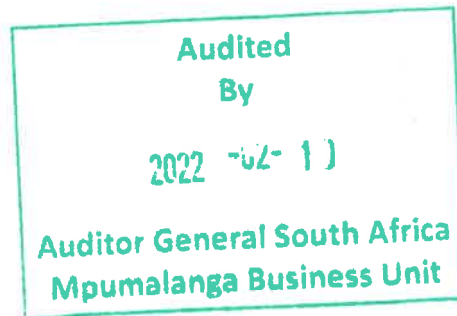
Annual Financial Statements for the year ended 30 June 2021

## Report of the Audit and Performance Committee

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The following although not members of the Audit and Performance Committee, have standing invitation to Audit and Performance committee meetings:

- \* The Accounting Officer;
- \* The Chief Financial Officer;
- \* The chairperson of the Risk committee
- \* The Section 56 Managers/Departmental Heads
- \* Chief Risk Officer
- \* The Auditor- General
- \* The National Treasury
- \* Mpumalanga Provincial Treasury
- \* Internal Audit (Secretariat function)



### 3. Internal Audit

The internal audit of Thembisile Hani Local Municipality is in-house and has discharge its mandate in terms of its charter and managed to execute all projects for 2019/20 financial year. The Audit and Performance Committee would like to commend the Council and management for the dedication in strengthening the Corporate Governance. The Audit and Performance Committee is of the opinion that Internal Audit unit is operating effectively to meet its mandate and has considered the risk pertinent to the municipality in its audit plans. The following documents were approved by the Audit Committee and performance committee and recommended to Council for adoption

- \* Internal Audit charter
- \* Internal Audit methodology
- \* Three year rolling strategic and Annual Audit Plan
- \* Combined Assurance framework

The following projects of Thembisile Hani Local Municipality were implemented by Nkangala District Municipality:

- \* Supply Chain Management Audit (SCM)
- \* Information, Communication and Technology (ICT)

### 4. Effectiveness of Internal controls

The system of internal control was not entirely effective during the year under review as compliance with prescribed policies and procedures were lacking in certain instances and this was evident with the investigation of irregular expenditure of R1 287 494.00 that was conducted by the Council through financial misconduct board during the year under review.

The following Internal audit reports are among others that were presented to the Audit Committee

- \* Audit of quarterly performance information;
- \* Quarterly Compliance;
- \* Audit of draft annual financial statements;
- \* Land and building;
- \* Environmental and Waste Management audit;
- \* Draft Interim Financial Statements audit;

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Report of the Audit and Performance Committee

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- \* Risk management audit;
- \* Revenue management audit;
- \* SCM Audit (NDM);
- \* ICT audit (NDM);
- \* Follow up Internal Audit findings;
- \* Follow up AGSA action plan;

There has been improvement by management in responding to internal audit reports and this can be attributed to measures that have been implemented by the Accounting officer. Audit committee has also urged management to draw up action plan to address issues raised by the Auditor- General in the management letters and audit report and to ensure that all matters raised by the Auditor General are resolved by Management.

### 5. Risk Management

The municipality has an effective risk unit that consist of two staff members and Risk management, anti-fraud and anti-corruption committee that is chaired by the chairperson of Risk management, anti-fraud and anti-corruption.

Four (4) risk committee meetings were held for the year under review

The following policies were reviewed

- \* Risk Management strategy
- \* Risk Management policy
- \* Whistle blowing policy
- \* Fraud Prevention Plan and Fraud Prevention policy
- \* Risk Management Anti-corruption and Anti-fraud risk charters
- \* Fraud prevention plan and fraud prevention policy
- \* Risk appetite and Tolerance Frame work
- \* Gift Policy



### 6. Performance Management

The Audit committee has reviewed the Annual Performance Information report in the meeting held on the 23 October 2020 and further noted that the overall institutional performance has declined from the previous year institutional performance of 2018/2019.

### 7. Evaluation of draft annual financial statements

The Audit committee has reviewed the Annual Performance Information report in the meeting held on the 27 August 2021 and further noted that the overall institutional performance has improved from the previous year institutional performance of 2019/2020.

The Audit committee wishes to indicate that it performed a review on the draft financial statements focusing among others:

- \* Significant financial reporting adjustments and estimates contained in the Annual Financial Statements
- \* Alignment of Closing and Opening balances
- \* Clarity and completeness of disclosures has been set properly
- \* Quality and acceptability of and any changes in accounting policies and practice.

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Report of the Audit and Performance Committee

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\* Significant adjustments arising from the audit

\* Reasons for major year to year fluctuations

**The Audit and Performance Committee encouraged management to consider inputs made during its reviews of two set of draft AFS during special meetings held 27 August 2021 and 31 August 2021 to ensure complete, reliable and accurate information to AGSA.**

**The PAC therefore recommends the submission of the draft AFS and APR to the AGSA**

### 8. Conclusion

The Audit and Performance Committee acknowledges the co-operation and assistance by the Nkangala District Municipality for coordinating the activities of the Committee. We also acknowledge the commitment of the Accounting Officer and management of Thembisile Hani Municipality in strengthening corporate governance even under Covid-19 pandemic.

The Audit and Performance Committee further acknowledge the commitment and the foundation on good governance that has been laid by Honourable Executive Mayor Councilor N Mtsweni her Council and further express gratitude to the Chief Audit Executive, Mr. A Malope and his staff for the support and commitment to the work of the Audit and Performance Committee. We are committed to fully execute our oversight function to strengthening corporate governance.

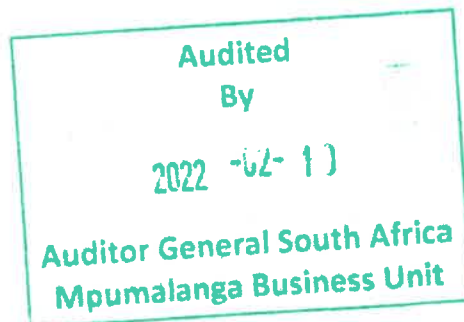


30 August 2021

Mr. FJ Mudau

Date

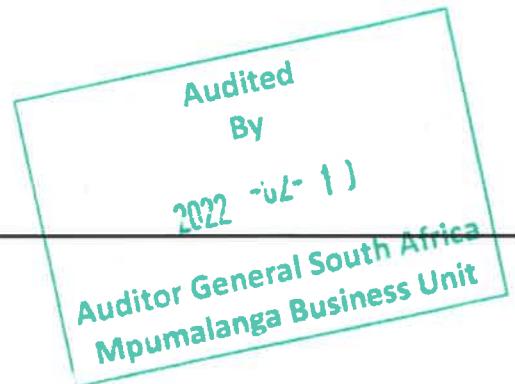
Chairperson of Audit committee



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's Report



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

### 1. Introduction

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 judgments and estimates.

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

### 2. Review of activities

#### Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements

During the year under review the municipality was faced by high number of Covid19 cases which led to the municipal offices to be closed for few days to allow processes of disinfections as required by Covid19 Regulations. This has affected the municipality's operations as it happened couple of times during the period under review however we had to put measures in place to ensure that communication is well maintained using different digital platforms such as radio, social media and Microsoft Teams application. During the year under review the municipality received additional amount of R80 951 000.00 on equitable share for Covid19 compliance matters.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 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

I certify that the salaries, allowances and benefits of Councilors, loans made to Councilors, if any, and payments made to Councilors for loss of office, if any, as disclosed in the note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

I am responsible for the preparation of these annual financial statements, which are set out from pages 6 to 59, in terms of Section 126(1) of the Local Government: Municipal Financial Management Act and which I have signed on behalf of the municipality.

### 3. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 219,465,848.

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Officer's Report

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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.

### 4. Subsequent events

The accounting officer is wants to draw attention on Covid-19 pandemic - refer Note 42 on page 89.

### 5. Accounting policies

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

### 6. Accounting Officer

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

Name	Nationality
Mr Oscar Nkosi	South African



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	6	48,303,243	48,261,206
Receivables from exchange transactions	7&10	35,124,424	25,477,054
Statutory receivables	8&10	7,945,384	6,431,560
VAT receivable	9	20,706,153	16,488,977
Cash and cash equivalents	11	137,801,708	99,412,013
		<b>249,880,912</b>	<b>196,070,810</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3	2,279,525,306	2,109,059,623
Intangible assets	4	646,435	846,089
		<b>2,280,171,741</b>	<b>2,109,905,712</b>
<b>Total Assets</b>		<b>2,530,052,653</b>	<b>2,305,976,522</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	14	99,947,308	78,544,330
Unspent conditional grants and receipts	12	-	1,871,216
Provisions	13	4,561,479	4,373,787
Employee benefit obligation - current portion	5	902,019	1,008,209
		<b>105,410,806</b>	<b>85,797,542</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	5	10,209,273	7,944,882
Provisions	13	23,415,585	21,890,736
Payables from exchange transactions - non-current portion	14	51,800,796	45,183,356
		<b>85,425,654</b>	<b>75,018,974</b>
<b>Total Liabilities</b>		<b>190,836,460</b>	<b>160,816,516</b>
<b>Net Assets</b>		<b>2,339,216,193</b>	<b>2,145,160,006</b>
Accumulated surplus		2,339,216,193	2,145,160,006

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\* See Note 39

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	16	106,894,744	130,396,773
Rental of facilities and equipment	17	1,463,583	887,061
Other income	20	15,231,072	8,085,221
Interest received	21	42,626,465	59,859,228
<b>Total revenue from exchange transactions</b>		<b>166,215,864</b>	<b>199,228,283</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	22	54,023,771	42,163,285
<b>Transfer revenue</b>			
Government grants & subsidies	23	698,992,216	612,651,267
Agency fees	24	11,350,797	8,593,478
Donations received	25	44,530,677	28,417,615
Fines, penalties and forfeits	18	8,220,600	12,624,000
<b>Total revenue from non-exchange transactions</b>		<b>817,118,061</b>	<b>704,449,645</b>
<b>Total revenue</b>	15	<b>983,333,925</b>	<b>903,677,928</b>
<b>Expenditure</b>			
Employee related costs	26	(150,745,983)	(141,352,569)
Remuneration of councillors	27	(24,992,844)	(25,154,167)
Depreciation and amortisation	28	(70,780,581)	(68,145,434)
Finance costs	29	(39,413)	(2,874)
Lease rentals on operating lease	19	(5,952,771)	(6,091,638)
Debt Impairment	30	(179,904,022)	(195,702,177)
Prescription: Consumer debtors written off	31	(1,396,124)	-
Bulk purchases	32	(150,773,812)	(163,923,928)
Grants and Subsidies paid		(770,439)	-
Inventories losses/write-downs		-	(3,111,563)
Gain/(Loss) on Property, plant and equipment derecognised		(14,755,710)	-
Amnesty: Consumer debtors written off	31	(3,719,781)	(5,728,666)
General Expenses	33	(186,275,087)	(148,045,539)
<b>Total expenditure</b>		<b>(790,106,567)</b>	<b>(757,258,555)</b>
<b>Surplus for the year</b>		<b>193,227,358</b>	<b>146,419,373</b>

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**Mpumalanga Business Unit**

\* See Note 39

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2,157,164,644	2,157,164,644
<b>Restated* Balance at 01 July 2019 as restated*</b>	-	-
Adjustments		
Correction of errors 2018-2019 and before (refer Note 40)	5,382,281	5,382,281
Correction of errors 2019-2020 (refer Note 40)	(17,408,627)	(17,408,627)
<b>Restated* Balance at 01 July 2020</b>	<b>2,145,160,006</b>	<b>2,145,160,006</b>
Changes in net assets		
PPE: FAR Opening balance and Closing balance difference 2019-2020	804,165	804,165
Net income (losses) recognised directly in net assets	804,165	804,165
Total recognised income and expenses for the year	804,165	804,165
Surplus for the year	193,227,358	193,227,358
Total changes	194,031,523	194,031,523
<b>Balance at 30 June 2021</b>	<b>2,339,216,193</b>	<b>2,339,193,993</b>
Note(s)	39	

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\* See Note 39



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		32,948,614	24,787,302
Transfers and Subsidies - Operational		461,887,597	421,535,930
Transfers and Subsidies - Capital		237,104,619	191,115,337
Interest income: Current bank accounts		783,601	2,263,519
Other receipts		19,391,390	16,834,674
VAT refund		61,121,776	45,220,662
		<u>813,237,597</u>	<u>701,757,424</u>
<b>Payments</b>			
Employee costs		(175,717,880)	(166,506,736)
Suppliers		(390,772,031)	(373,466,451)
Finance costs		(39,414)	(2,874)
Transfers and subsidies		(770,439)	-
		<u>(567,299,763)</u>	<u>(539,976,061)</u>
<b>Net cash flows from operating activities</b>	35	<u><b>245,937,834</b></u>	<u><b>161,781,363</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(211,124,429)	(159,040,972)
Purchase of other intangible assets	4	(147,708)	(1,000,005)
Interest Income: Investments accounts		3,723,998	3,385,503
<b>Net cash flows from investing activities</b>		<u><b>(207,548,139)</b></u>	<u><b>(156,655,474)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>38,389,695</b>	<b>5,125,889</b>
Cash and cash equivalents at the beginning of the year		<u>99,412,013</u>	<u>94,286,124</u>
<b>Cash and cash equivalents at the end of the year</b>	11	<u><b>137,801,708</b></u>	<u><b>99,412,013</b></u>

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\* See Note 39

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis		Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>							
<b>Revenue</b>							
Revenue from exchange transactions		112,680,000	2,763,000	115,443,000	106,894,744	(8,548,256)	Due to the correction of tariffs made on consumer accounts resulted to the less actual received
Service charges							
Rental of facilities and equipment		1,047,000	36,000	1,083,000	1,463,583	380,583	More rentals/bookings were done than anticipated
Other income - (rollup)		1,655,000	36,172,000	37,827,000	15,231,072	(22,595,928)	The reason for the actual to be less than the budgeted amount is because of the commitment of cash taken from the reserves during budgeting.
Interest received - External Investments		4,436,000	(851,000)	3,585,000	6,237,342	2,652,342	The Actual is more than the budgeted amount because more funds were saved
Interest received - Outstanding Debtors		50,885,000	6,003,000	56,888,000	36,389,123	(20,498,877)	
<b>Total revenue from exchange transactions</b>		<b>170,703,000</b>	<b>44,123,000</b>	<b>214,826,000</b>	<b>166,215,864</b>	<b>(48,610,136)</b>	
<b>Revenue from non-exchange transactions</b>							
Taxation revenue		52,059,000	(10,700,000)	41,359,000	54,023,771	12,664,771	The increase of tariffs during 2020-2021 financial year
Property rates							
<b>Transfer revenue</b>							
Government grants & subsidies - Operational & Capital grants		618,327,316	82,169,000	700,496,316	698,992,216	(1,504,100)	The allocation of the municipality were decreased by NT to Fund COVID 19

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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Licences and permits	185,000	(16,000)	169,000	752	(168,248)	Less licences were renewed than anticipated
Agency fees	8,779,000	-	8,779,000	11,350,045	2,571,045	More bookings were made on Driving and learners licences and also more funds were received as 20% collection from the Department.
Fines, Penalties and Forfeits	9,201,000	1,143,000	10,344,000	8,220,600	(2,123,400)	Less traffic fines were issued than anticipated
Donations received	-	-	-	44,530,677	44,530,677	
<b>Total revenue from non-exchange transactions</b>	<b>688,551,316</b>	<b>72,596,000</b>	<b>761,147,316</b>	<b>817,118,061</b>	<b>55,970,745</b>	
<b>Total revenue</b>	<b>859,254,316</b>	<b>116,719,000</b>	<b>975,973,316</b>	<b>983,333,925</b>	<b>7,360,609</b>	

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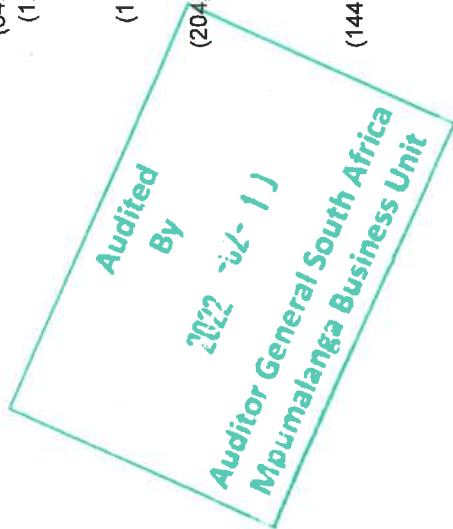
# THE MBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Expenditure</b>						
Personnel	(160,422,000)	(57,000)	(160,479,000)	(150,745,983)	9,733,017	Less expenditure incurred because of vacant position
Remuneration of councillors	(27,554,000)	-	(27,554,000)	(24,992,844)	2,561,156	Less expenditure incurred because there was no increase given by CoGTA for councillors
Depreciation and amortisation	(84,896,000)	-	(84,896,000)	(70,780,581)	14,115,419	Less expenditure incurred because of the decrease of interest of lease as per signed contract
Finance costs	(1,300,000)	-	(1,300,000)	(39,413)	1,260,587	Less expenditure incurred because of more usage of printing machinery.
Lease rentals on operating lease	(1,313,570)	-	(1,313,570)	(5,952,771)	(4,639,201)	Less actual incurred because of the data cleansing, prescriptions and written off
Debt Impairment	(204,688,000)	(80,971,000)	(285,659,000)	(179,904,022)	105,754,978	Refer Debt Impairment
Amnesty written off	-	-	-	(3,719,781)	(3,719,781)	Refer Debt Impairment
Prescription written off	-	-	-	(1,396,124)	(1,396,124)	Refer Debt Impairment
Bulk purchases	(144,192,000)	(3,587,000)	(147,779,000)	(150,773,812)	(2,994,812)	Less expenditure incurred because the City of Tshwane has not billed the municipality for certain months
Transfers and Subsidies	(250,000)	(1,000,000)	(1,250,000)	(770,439)	479,561	Less expenditure incurred due to less grant in-kind spending
Gain/(Loss) on Property, plant and equipment derecognised	-	-	-	(14,755,750)	(14,755,750)	Redundant and broken movable asset items had to be written-off
General Expenses	(154,955,430)	(48,078,153)	(203,033,583)	(186,275,087)	16,758,496	Less expenditure incurred on items like Impairment of Traffic Fine, Long Services Award, Leave and Bonus Impairment and landfill provision
<b>Total expenditure</b>	<b>(779,571,000)</b>	<b>(133,693,153)</b>	<b>(913,264,153)</b>	<b>(790,106,607)</b>	<b>123,157,546</b>	



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Surplus before taxation	79,683,316	(16,974,153)	62,709,163	193,227,318	130,518,155	-

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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

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

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgemental 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:

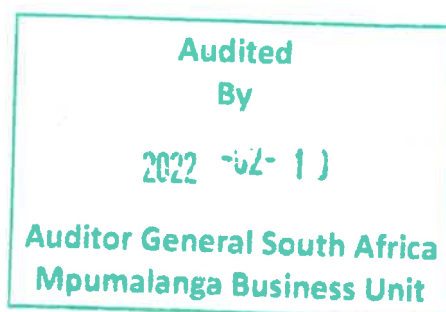
##### Trade receivables / Held to maturity investments and/or loans and receivables

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

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

##### Available-for-sale financial assets

The municipality follows the guidance of GRAP to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the invested, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) 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 (for example, over-the counter derivatives) 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. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

### 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.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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.

### 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 13 - Provisions.

### Contingencies

Contingencies recognised in the current year required estimates and judgments, refer to note 37 on entity combinations.

### Useful lives of waste and water network and other assets

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

### Effective interest rate

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

### Allowance for doubtful debts

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

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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:  
it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and  
the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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.

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	3-5 years
Transport assets	Straight line	5-15 years
Office equipment	Straight line	3-5 years
IT equipment	Straight line	3-5 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are 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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### 1.5 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

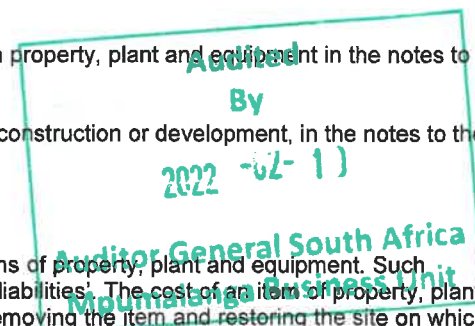
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results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

### 1.6 Intangible assets

An asset is identifiable if it either:

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

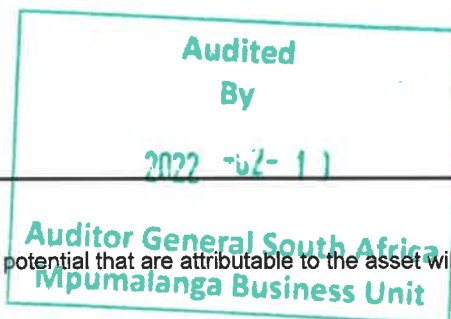
A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



An intangible asset is recognised when:

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

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

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

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.

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3-5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

### 1.7 Financial instruments

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

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

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

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

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

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

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

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

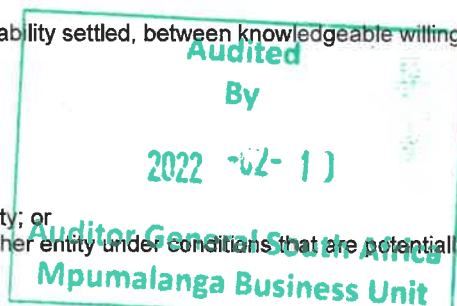
Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific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

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

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

A financial asset is:

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



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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

- derivatives;
- 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.

### Initial recognition

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

The entity recognises financial assets using trade date accounting.

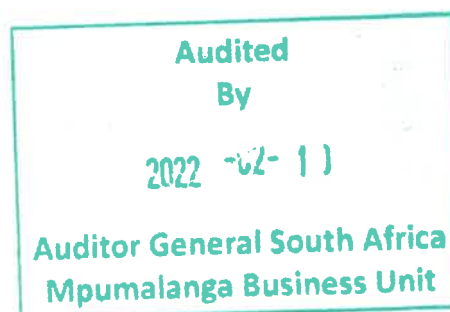
### Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

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

### Reclassification

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

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

### 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:



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

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

Financial assets measured at cost:

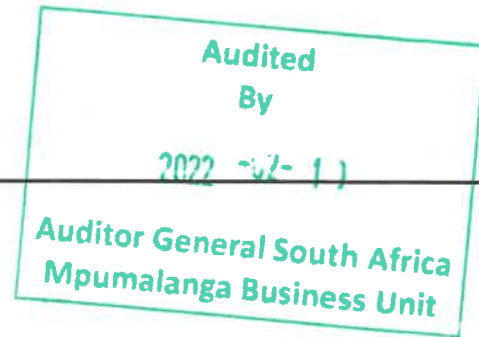
If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial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

Audited  
By  
2022-02-11  
Auditor General South Africa  
Mpumalanga Business Unit

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



### 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 :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

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

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

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

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

#### 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.

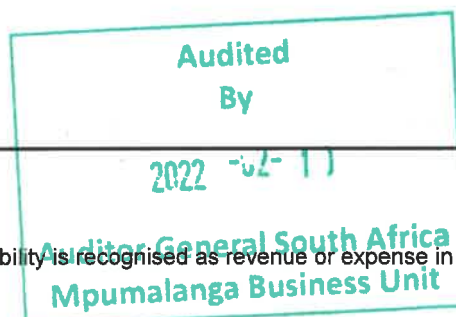
An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial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

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



### Presentation

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

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

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

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

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

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

### 1.8 Statutory receivables

#### Identification

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

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

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

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

The transaction amount (for purposes of this Standard) 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:

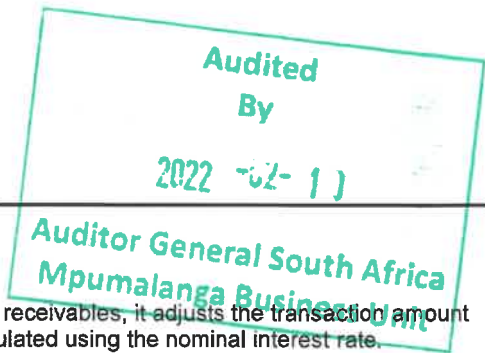
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



### Accrued interest

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

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

### Other charges

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

### Impairment losses

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

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

Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.

A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

the rights to the cash flows from the receivable are settled, expire or are waived;

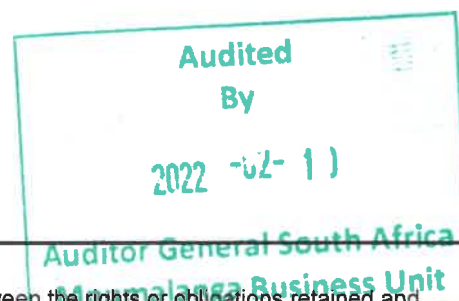
the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other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

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

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



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

### 1.9 Leases

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

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

#### Finance leases - lessee

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

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

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

#### Operating leases - lessee

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

### 1.10 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;  
distribution at no charge or for a nominal charge; or  
consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

The cost of water inventories is assigned using the weighted average cost formula. The cost formula for materials and supplies is based on the first-in, first-out (FIFO) basis

### 1.11 Impairment of cash-generating assets

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

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

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

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

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

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

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

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

Useful life is either:

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

### Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

### Identification

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

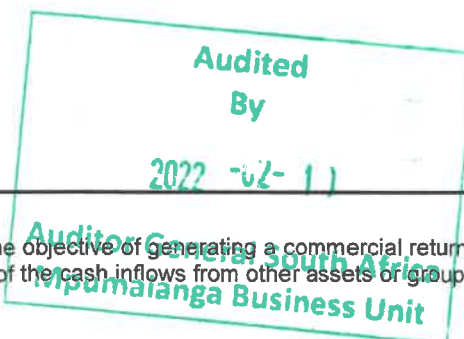
The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

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

### Value in use

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

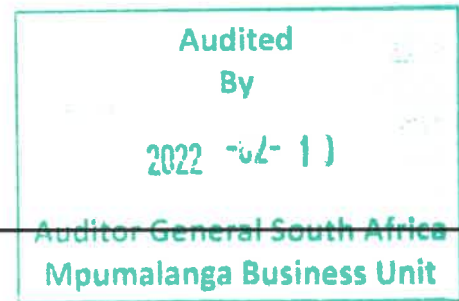
When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



### Basis for estimates of future cash flows

In measuring value in use the municipality:

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

### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

### Discount rate

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

### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### Cash-generating units

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

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

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

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

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

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

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

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

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

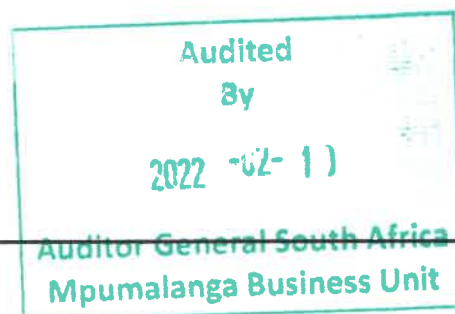
Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

**Audited  
By  
2022-06-11  
Auditor General South Africa  
Mpumalanga Business Unit**

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

### 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.

#### 1.12 Impairment of non-cash-generating assets

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

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.

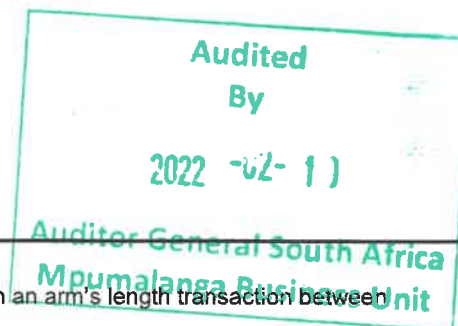
Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



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:

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

### Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

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

### Identification

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

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

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

### Value in use

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

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

#### Depreciated replacement cost approach

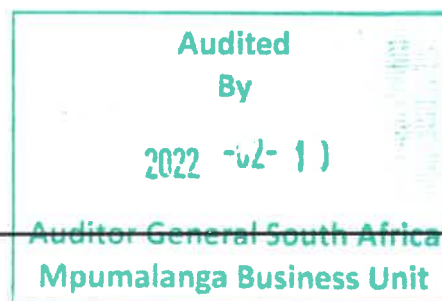
The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition.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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized 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.

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



### 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.

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

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

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.

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

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.

#### 1.13 Employee benefits

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

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

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

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

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

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

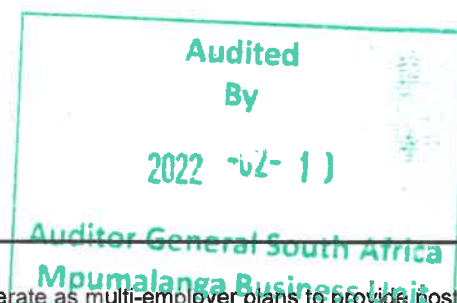
Vested employee benefits are employee benefits that are not conditional on future employment.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



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

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

### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity 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 recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

### 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:

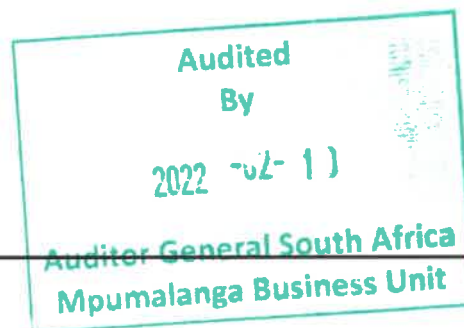
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit 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.

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity 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 entity 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.

### 1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

Audited

By

2022 -02- 11

Auditor General South Africa  
Mpumalanga Business Unit

A constructive obligation to restructure arises only when an entity:

has a detailed formal plan for the restructuring, identifying at least:

- the activity/operating unit or part of an activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both: necessarily entailed by the restructuring; and not associated with the ongoing activities of the municipality

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

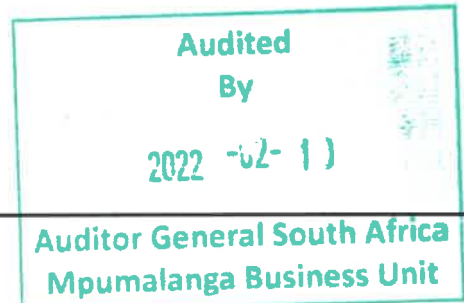
Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



### Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:  
those outflows of resources that are within the scope of other Standards, and  
fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

### 1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.16 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.

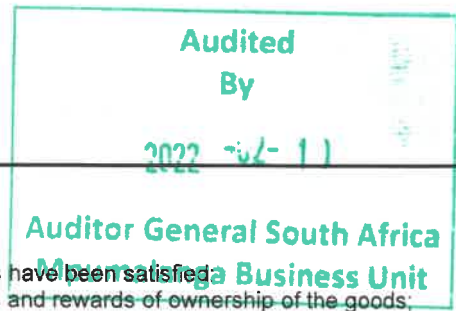
### Measurement

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

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



### Sale of goods

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

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

### Rendering of services

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

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

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

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

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

### Interest, royalties and dividends

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed

### Debt written off and provision for debt impairment

The municipality's debt write off procedure include the assessment of all debtors at year end which include amongst other things those who qualify for amnesty in terms of council resolutions and those debts whose debts have prescribed in terms of the Prescription Act. Debts written off are measured at the carrying amount of the debt at year end.

Provision for impairment takes into account the estimates for the recovery of debts at year end and the movement between the provision of last year and the provision for the current year is disclosed in the statement of financial performance as a reliable estimate.

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.17 Revenue from non-exchange transactions

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

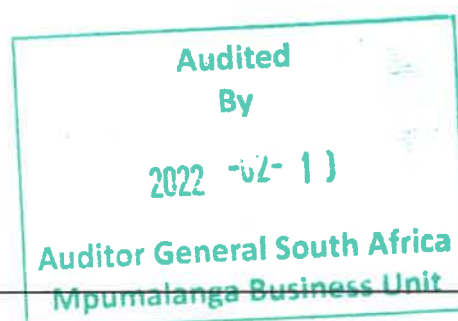
Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

### 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.

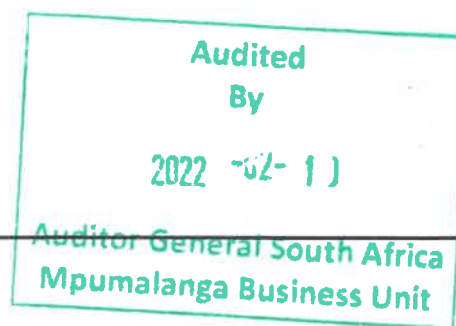
As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



### 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.

### Fines

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

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

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

### Gifts and donations, including goods in-kind

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

#### 1.18 Investment income

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

#### 1.19 Comparative figures

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

#### 1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

#### 1.21 Fruitless and wasteful expenditure

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

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

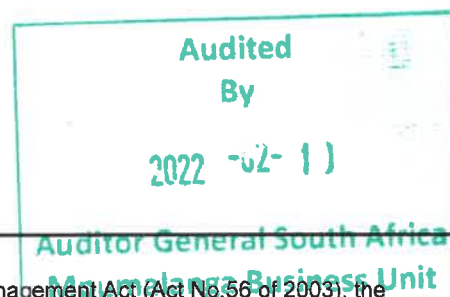
#### 1.22 Irregular expenditure

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

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies



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

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

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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

### 1.23 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 functional classification linked to performance outcome objectives.

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

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

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.

Municipalities are required to prepare to adjustments budgets during October for approval by council after mid year performance review

### 1.24 Related parties

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

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

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

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.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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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 considered to be those family members who may be expected to influence, or be influenced by, that management 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.

### 1.25 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.

### 1.26 Value Added Tax (VAT)

The municipality is registered with the South Africa Revenue Services (SARS) for VAT on the cash basis, in accordance with section 15 (2) of the VAT Act (Act. No 89 of 1991)

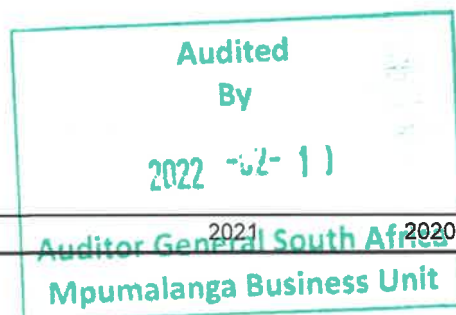


# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand



### 2. New standards and interpretations

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

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

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

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Guideline: Guideline on Accounting for Landfill Sites	01 April 2099	Unlikely there will be a material impact
Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact

#### IGRAP 20: Accounting for Adjustments to Revenue

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

The impact of the standard is not material.

#### GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that 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. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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An entity is related to the reporting entity if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that 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.

The standard elaborates on the definitions and identification of:

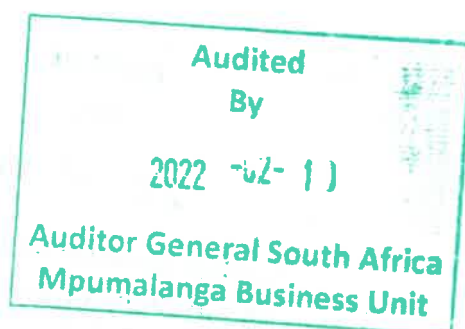
Close member of the family of a person;  
Management;  
Related parties;  
Remuneration; and  
Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

Control;  
Related party transactions; and  
Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2019 annual financial statements.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment

	2021		2020	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land - General plant	530,928,854	-	530,932,113	-
Machinery and equipment	8,200,843	(3,998,908)	4,719,203	(3,312,485)
Furniture and office equipment	7,721,299	(5,725,029)	7,594,502	(5,081,727)
Transport assets	78,219,974	(46,123,655)	44,387,957	(41,036,979)
IT equipment	10,687,166	(5,887,701)	7,968,618	(4,216,855)
Community assets	454,398,437	(292,697,760)	457,092,343	(283,465,525)
Solid waste	396,035	(359,050)	396,035	(355,758)
Storm water Infrastructure	136,719,535	(54,362,973)	116,752,662	(52,073,272)
Water network - Boreholes	73,037,967	(27,604,804)	83,037,822	(25,065,914)
Sanitation Infrastructure	84,429,181	(44,416,777)	65,780,587	(41,998,851)
Road Infrastructure	1,077,959,926	(659,098,708)	1,043,681,182	(643,151,260)
Water Supply Distribution	568,073,309	(311,853,174)	418,861,218	(304,057,849)
Water Supply Bulk mains	214,470,349	(180,532,725)	257,220,135	(178,895,345)
Pumpstations	220,894,728	(17,170,297)	214,470,349	(13,005,041)
Reservoirs	311,309,509	(101,418,826)	282,416,178	(94,221,827)
Assets under construction	252,328,581	-	360,821,204	-
<b>Total</b>	<b>4,030,775,693</b>	<b>(1,751,250,387)</b>	<b>3,798,998,311</b>	<b>(1,689,938,688)</b>
		<b>2,279,525,306</b>		<b>2,109,059,623</b>



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### Reconciliation of property, plant and equipment - 30 June 2021

	Additions	Transfers in/(out)	Transfers received	Derecognition costs	Derecognition accumulated depreciation	Derecognition accumulated impairment	Depreciation	Impairment loss	Total
Land - General plant	530,932,113	-	-	-	(3,259)	-	-	-	530,928,854
Machinery and equipment	1,406,713	2,275,973	1,205,667	-	-	-	(686,424)	-	4,201,935
Furniture and office equipment	2,512,774	126,798	-	-	-	-	(643,302)	-	1,996,270
Transport assets	3,350,978	10,998,287	22,833,731	-	-	-	(5,067,754)	(18,923)	32,096,319
IT equipment	3,751,695	2,737,881	-	(19,264)	17,207	-	(1,688,054)	-	4,799,465
Community assets	173,626,818	-	-	(2,693,906)	991,649	2,469	(10,069,158)	(157,195)	161,700,677
Solid waste	40,277	-	-	-	-	-	(3,292)	-	36,985
Storm water	64,679,390	-	20,491,267	(524,394)	382,120	-	(2,663,878)	(7,943)	82,356,562
Water network - Boreholes	57,971,908	-	5,525,471	(15,525,326)	5,398,675	53,855	(4,010,470)	(3,980,950)	45,433,163
Sanitation Infrastructure	23,781,736	-	18,682,759	(34,164)	22,444	-	(2,428,677)	(11,694)	40,012,404
Roads Infrastructure	400,529,922	-	36,548,958	(2,270,215)	1,661,756	-	(17,608,014)	(1,189)	418,861,218
Water Supply Distribution	253,704,797	-	11,357,543	(46,880)	4,219	-	(7,388,425)	(411,119)	257,220,135
Water Supply Bulk Mains	35,575,004	-	-	-	-	-	(1,637,380)	-	33,937,624
Pumpstations	8,179,869	-	199,709,818	-	-	-	(4,165,256)	-	203,724,431
Reservoirs	188,194,352	-	31,653,564	(2,760,233)	540,022	45,458	(7,581,779)	(200,701)	209,890,683
Assets under construction	360,821,204	194,985,490	-	-	-	-	-	-	252,328,581
	<b>2,109,059,550</b>	<b>211,124,429</b>	<b>-</b>	<b>(23,877,641)</b>	<b>9,018,092</b>	<b>101,782</b>	<b>(65,641,863)</b>	<b>(4,789,714)</b>	<b>2,279,525,306</b>

Audited

By

2022 (02-1)

Auditor General South Africa  
Mpumalanga Business Unit

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### Reconciliation of property, plant and equipment - 30 June 2020

	Opening balance	Additions	Transfers in/(out)	Transfers received	Derecognition costs	Derecognition accumulated depreciation	Depreciation	Impairment loss	Total
Land - General Plant	530,932,113	-	-	-	-	-	-	-	530,932,113
Machinery and Equipment	1,317,837	124,000	-	491,773	-	-	(526,892)	-	1,406,718
Furniture and office equipment	2,943,432	225,106	-	-	-	-	(655,763)	-	2,512,775
Transport assets	5,691,173	-	-	-	(125,007)	119,142	(2,334,330)	-	3,350,978
IT equipment	3,386,082	1,532,907	-	-	-	-	(1,167,226)	-	3,751,763
Community assets	185,414,902	-	-	-	-	-	(11,786,803)	(1,281)	173,626,818
Solid Waste	44,354	-	-	-	-	-	(4,077)	-	40,277
Storm Water	67,356,669	-	461,087	-	-	-	(3,138,366)	-	64,679,390
Water network - Boreholes	49,094,540	-	12,848,529	-	-	-	(3,961,161)	-	57,971,908
Sanitation Infrastructure	26,267,085	-	-	-	-	-	(2,485,349)	-	23,781,736
Road Infrastructure	378,476,848	-	16,553,920	27,925,842	(997,301)	660,261	(22,089,948)	-	400,529,922
Water Supply Distribution	252,638,193	-	9,662,218	-	-	-	(8,595,614)	-	253,704,797
Water Supply Bulk Mains	38,254,330	-	-	-	-	-	(2,679,326)	-	35,575,004
Pump Stations	2,856,277	-	5,779,773	-	-	-	(441,951)	(14,230)	8,179,869
Reservoirs	183,452,398	-	12,872,145	-	-	-	(7,386,323)	(743,869)	188,194,351
Assets under construction	261,839,901	157,158,959	(58,177,656)	-	-	-	-	-	360,821,204
	<b>1,989,956,134</b>	<b>159,040,972</b>	<b>16</b>	<b>28,417,615</b>	<b>(1,122,308)</b>	<b>779,403</b>	<b>(67,252,829)</b>	<b>(759,380)</b>	<b>2,109,059,623</b>

### Servitude's:

"Servitude's associated with linear infrastructure assets such as water, sewer pipelines and electricity conductors have been included in the asset register.

Audited  
By  
2022-02-11  
Auditor General South Africa  
Mpumalanga Business Unit

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

2021

2020

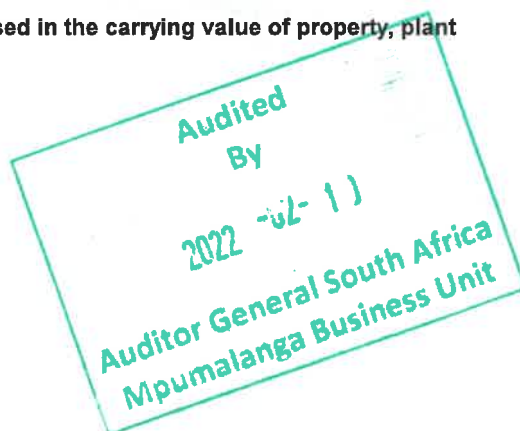
The servitude's recognised in the asset register takes on the form of a "right of way" to the asset with which it is associated, as referred to in Section 101 of the Municipal Systems Act which governs municipal rights to access premises. It exist because the associated asset exist and the need (and right to have access to the asset through the land), and will continue to do so as long as that asset, or its replacement occupies that specific area, or access is required to that specific area, and as long as that portion of land is not owned by the municipality (in title deed) fall under the control of the municipality. However, during replacement of a large number of underground assets, it is impractical to remove the old asset when it has been decommissioned, and the actual replacement asset" is merely installed next to or in close proximity of the existing asset. Bulk pipelines are a good example of this, although this has become general practice with modern-day construction to not remove the old asset. In such a case, the municipality still requires access to the location of the decommissioned asset since the liability to secure does not fall away as long as that item is still in the ground. It is therefore impractical to link the life of the right to the asset, as it would imply that there is consumption/use/amortisation of the right, which is not the case.

For this reason, the land portion equivalent to the area required to access these assets, are claimed as an intangible right of way, and the life of the Servitude is infinite due to the inseparable link to the land, which is also considered to have infinite life.

### Property, plant and equipment in the process of being constructed or developed

#### Cumulative expenditure recognised in the carrying value of property, plant and equipment

Community	33,048,097	9,468,058
Roads infrastructure	56,146,748	27,368,866
Stormwater infrastructure	-	1
Other	1,345,719	1,345,748
Sanitation infrastructure	6,868,580	16,654,826
Solid waste	63,252,801	57,094,307
Water network: Boreholes	9,644,820	5,294,467
Water supply: Bulk mains	20,669,216	9,934,581
Water Supply Distribution	35,218,648	62,753,563
Pump Stations	25,176,096	120,506,384
Reservoirs	957,301	50,400,164
	<b>252,328,026</b>	<b>360,820,965</b>



#### Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

1. Construction of Mathyzensloop Bus Route - Ward 7 MIG	694,966	-
2. Construction of Moloto South Bus Route - Ward 1 MIG	904,545	-
3. Construction of Zakehni Bus Route - Ward 4 MIG	1,098,722	-
4. Drill; Refurbish & Equip of Borehole W 22 Luthuli;Mahlabathi	228,262	-
5. Drill; Refurbish & Equip of Borehole W 28 Kwaggafontein	320,568	-
6. Drill; Refurbish & Equip of Borehole W 31 Kwaggafontein E; D	326,316	-
7. Upgrading of Kwaggafontein Stadium (Multi-Year Project) - Ward 26	910,330	-
8. Enkeldoomoog B WSI Pipelines Civil Engineer Ward 5	5,985,804	-
9. Upgrade Enkeldoomoog B Pump Station Civil Engineers Ward 5	3,426,051	-
10. Upgrade of Moloto South KwaMhlanga & Kameelpoort W2 32 19	522,723	-
11. Drill; Refurbish & Equip of Borehole W 29 Kwaggafontein	279,482	-
	<b>14,697,769</b>	<b>-</b>

These are design costs on the above 11 projects: Construction is yet to be commence due to budget constraints.

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### Reconciliation of Work-in-Progress 30 June 2021

	Included within Infrastructure	Total
Opening balance	360,821,204	360,821,204
Additions/capital expenditure	194,625,098	194,625,098
Transferred to completed items	(303,478,113)	(303,478,113)
	<b>251,968,189</b>	<b>251,968,189</b>

### Reconciliation of Work-in-Progress 30 June 2020

	Included within Infrastructure	Total
Opening balance	261,839,901	261,839,901
Additions/capital expenditure	157,158,959	157,158,959
Transferred to completed items	(58,177,656)	(58,177,656)
	<b>360,821,204</b>	<b>360,821,204</b>

### Other information

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

Community assets	198,020	571,415
Roads infrastructure	3,780,016	1,286,677
IT equipment	174,290	286,815
Water supply - Bulk mains	1,739,130	434,449
Water supply - Distribution	-	8,807,353
Transport assets	9,451,457	2,356,375
Land - General plant	-	192,634
Electrical	875,636	4,257,629
Machinery and equipment	92,199	9,752,908
	<b>16,310,748</b>	<b>27,946,255</b>

#### Maintenance of property, plant and equipment

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.

#### 4. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,147,713	(501,278)	646,435	1,000,005	(153,916)	846,089



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 5. Employee benefit obligations

#### Other long-term employee benefits

The municipality's employee benefit obligation consist of an obligation to pay out a bonus in the year of the employee attaining the required service. The obligation represents a liability to the municipality and the value is represented by the actuarial valuation obtained and is presently being implemented as per the municipality's policy.

The municipality offers bonuses for every 5 years of completed service from 10 years to 45 years.

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	11,111,292	(8,953,091)
Non-current liabilities: > 1 year	(10,209,273)	(7,944,882)
Current liabilities: < 1 year	(902,019)	(1,008,209)
	<u>(11,111,292)</u>	<u>(8,953,091)</u>

#### Net expense recognised in the statement of financial performance

Current service cost	902,454	988,000
Interest cost	779,841	766,000
Actuarial (gains) losses	(1,008,000)	(1,176,555)
Settlement	1,483,906	(444,354)
	<u>2,158,201</u>	<u>133,091</u>

#### Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	1,483,906	(1,176,555)
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#### Key assumptions used

Assumptions used at the reporting date:

Duration liability in years	7.13	7.74
Assumed retirement age (years)	63	63
Discount rates used	8.65 %	9.23 %
Expected rate of return on assets	4.97 %	4.09 %
Expected increase in salaries	5.97 %	5.09 %
Other material actuarial assumptions [provide details]	2.53 %	3.94 %

#### Sensitivity analysis

The valuation basis assumes that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determines the bonuses payable will be 3,94% less than the corresponding discount rate, in the long term. The effect of a 1% increase and decrease in the salary inflation rate is as follows:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	2,167,654	1,923,065
Effect on defined benefit obligation	11,945,401	10,360,813

As per the table above, a 1% increase in the salary increase rate results in a 7,51% increase in the accrued liability whilst a 1% decrease in salary increase rate will result result in a 6,75% decrease in the accrued liability.:

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>6. Inventories</b>		
Inventories Land held for sale	46,581,575	46,581,575
Water for distribution	1,642,769	1,649,392
Stores and materials	78,899	30,239
	<b>48,303,243</b>	<b>48,261,206</b>
<b>Water for distribution</b>		
Opening balance	1,649,393	1,490,470
System input volume	151,064,897	157,419,640
Authorised consumption	(46,033,743)	(53,050,985)
Water losses	(67,725,060)	(41,437,013)
Data transfer and management errors	(37,307,879)	(62,772,719)
<b>Closing balance</b>	<b>1,647,608</b>	<b>1,649,393</b>
<b>Water losses</b>		
Water losses	31 %	40 %
<b>7. Receivables from exchange transactions</b>		
Deposits	47,376	27,842
Debtors shortages	11	11
Sundry debtors - Rental	516,701	414,881
Interest receivable	4,179,512	3,489,263
Consumer debtors - Electricity	482	1,368
Consumer debtors - Water	19,383,484	13,989,572
Consumer debtors - Sewerage	308,864	242,214
Consumer debtors - Refuse	7,721,599	5,328,709
Consumer debtors - Merchandising Jobbing & Contracts	2,966,395	1,983,194
	<b>35,124,424</b>	<b>25,477,054</b>
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	(1,214,343,235)	(1,082,258,875)
Provision for impairment	(175,961,188)	(132,084,360)
	<b>(1,390,304,423)</b>	<b>(1,214,343,235)</b>
<b>8. Statutory receivables</b>		
<b>Statutory receivables included in non-exchange receivables:</b>		
Traffic fines	2,385,484	962,161
Other debtors - Overpayment of contractors	35,404	140,689
Consumer debtors - Property Rates	5,524,496	5,328,710
	<b>7,945,384</b>	<b>6,431,560</b>



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>Traffic fines - Impaired</b>		
Gross balance	34,209,674	28,843,618
Less: Allowance for impairment	(31,824,291)	(27,881,457)
	<b>2,385,383</b>	<b>962,161</b>
As of 30 June 2021, statutory receivables, Traffic fines issued of R8 220 600 , (2020: R12 624 000) were impaired and provided for.		
<b>Property rates - Impaired</b>		
Gross balance	255,814,349	272,484,221
Less: Allowance for impairment	(250,254,796)	(267,155,512)
	<b>5,559,553</b>	<b>5,328,709</b>
As of 30 June 2021, Statutory receivables, Property rates of R54 023 771 , (2020: R42 163 285) were impaired and provided for.		
<b>9. VAT receivable</b>		
VAT receivable	164,263,870	116,123,192
VAT payable	(143,557,717)	(99,634,215)
	<b>20,706,153</b>	<b>16,488,977</b>
<b>10. Consumer debtors- Disclosure</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	255,779,292	506,246,042
Consumer debtors - Water	797,953,961	448,116,531
Consumer debtors - Sewerage	14,211,908	12,385,646
Consumer debtors - Refuse	355,297,706	272,484,221
	<b>1,423,242,867</b>	<b>1,239,232,440</b>
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(250,254,796)	(500,917,332)
Consumer debtors - Water	(778,570,477)	(434,126,959)
Consumer debtors - Sewerage	(13,903,044)	(12,143,432)
Consumer debtors - Refuse	(347,576,107)	(267,155,512)
	<b>(1,390,304,424)</b>	<b>(1,214,343,235)</b>
<b>Net balance</b>		
Consumer debtors - Rates	5,524,496	5,328,710
Consumer debtors - Water	19,383,484	13,989,572
Consumer debtors - Sewerage	308,864	242,214
Consumer debtors - Refuse	7,721,599	5,328,709
	<b>32,938,443</b>	<b>24,889,205</b>
<b>Included in above is receivables from exchange transactions</b>		
Water	19,383,484	13,989,572
Sewerage	308,864	242,214
Refuse	7,721,600	5,328,709
	<b>27,413,948</b>	<b>19,560,495</b>

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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	5,524,496	5,328,710
<b>Net balance</b>	<b>32,938,444</b>	<b>24,889,205</b>
<b>Rates</b>		
Current (0 -30 days)	111,191	53,288
31 - 60 days	111,191	106,574
61 - 90 days	111,191	53,287
91 - 120 days	111,191	106,574
121 - 365 days	722,742	799,306
> 365 days	4,356,990	4,209,681
	<b>5,524,496</b>	<b>5,328,710</b>
<b>Water</b>		
Current (0 -30 days)	691,855	133,217
31 - 60 days	172,964	133,218
61 - 90 days	172,965	133,218
91 - 120 days	2,075,566	133,218
121 - 365 days	1,210,747	1,198,960
> 365 days	15,059,387	12,257,741
	<b>19,383,484</b>	<b>13,989,572</b>
<b>Sewerage</b>		
Current (0 -30 days)	9,266	2,422
31 - 60 days	3,089	2,422
61 - 90 days	3,089	2,422
91 - 120 days	46,330	2,423
121 - 365 days	24,709	21,799
> 365 days	222,381	210,726
	<b>308,864</b>	<b>242,214</b>
<b>Refuse</b>		
Current (0 -30 days)	386,080	106,574
31 - 60 days	77,216	106,574
61 - 90 days	77,216	106,574
91 - 120 days	1,312,672	106,574
121 - 365 days	617,728	639,445
> 365 days	5,250,687	4,262,968
	<b>7,721,599</b>	<b>5,328,709</b>

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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>Gross balances</b>		
Households	1,321,672,411	1,015,623,004
Industrial/Commercial	16,299,006	62,596,032
National and Provincial Government	85,271,450	161,013,403
	<b>1,423,242,867</b>	<b>1,239,232,439</b>
<b>Summary of receivables by customer classification</b>		
<b>Households</b>		
Current (0 -30 days)	39,651,224	10,156,230
31 - 60 days	13,217,075	10,156,230
61 - 90 days	13,217,075	10,156,230
91 - 120 days	118,953,672	10,156,230
121 - 365 days	118,953,672	101,562,300
> 365 days	1,017,679,693	873,435,784
	<b>1,321,672,411</b>	<b>1,015,623,004</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	284,238	619,282
31 - 60 days	284,238	1,857,847
61 - 90 days	284,238	1,238,565
91 - 120 days	426,357	1,238,565
121 - 365 days	1,847,548	8,669,952
> 365 days	13,172,387	48,304,021
	<b>16,299,006</b>	<b>61,928,232</b>
<b>National and provincial government</b>		
Current (0 -30 days)	852,715	3,220,268
31 - 60 days	852,715	3,220,268
61 - 90 days	852,715	3,220,268
91 - 120 days	852,715	3,220,268
121 - 365 days	5,116,287	25,762,145
> 365 days	76,744,305	122,370,186
	<b>85,271,452</b>	<b>161,013,403</b>
<b>Total</b>		
Current (0 -30 days)	40,788,177	13,995,780
31 - 60 days	14,354,027	15,234,345
61 - 90 days	14,354,027	14,615,063
91 - 120 days	120,232,744	14,615,063
121 - 365 days	125,917,507	135,994,397
> 365 days	1,107,596,385	1,044,777,792
	<b>1,423,242,867</b>	<b>1,239,232,440</b>
Less: Allowance for impairment	<b>(1,390,304,424)</b>	<b>(1,214,343,235)</b>
	<b>32,938,443</b>	<b>24,889,205</b>



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,000	5,000
Bank balances	116,853,387	78,460,163
Short-term deposits	20,943,321	20,946,850
	<u>137,801,708</u>	<u>99,412,013</u>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
First National Bank - Current account: 620-262-96427	20,402,366	58,062,611	14,541,398	20,402,366	58,062,611	14,541,399
First National Bank - Call deposit: 621-470-52427	20,943,321	20,943,321	66,890,080	20,943,321	20,943,321	66,890,080
Nedbank - Current account 100-422-2378	96,451,021	20,401,078	732,213	96,451,021	20,397,552	732,213
Nedbank 2	-	-	-	-	-	10,359,770
<b>Total</b>	<u>137,796,708</u>	<u>99,407,010</u>	<u>82,163,691</u>	<u>137,796,708</u>	<u>99,403,484</u>	<u>92,523,462</u>

### 12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

<b>Unspent conditional grants and receipts</b>		
WSIG	-	1,618,226
MDRG	-	252,990
	<u>-</u>	<u>1,871,216</u>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 23 for reconciliation of grants from National/Provincial Government.

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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand 2021 2020

### 13. Provisions

#### Reconciliation of provisions - 30 June 2021

	Opening Balance	Additions	Total
Environmental rehabilitation	22,893,470	1,419,254	24,312,724
Provision for Bonuses	3,371,053	293,287	3,664,340
	<b>26,264,523</b>	<b>1,712,541</b>	<b>27,977,064</b>

#### Reconciliation of provisions - 30 June 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	21,791,817	1,101,653	22,893,470
Provision for Bonuses	3,261,618	109,435	3,371,053
	<b>25,053,435</b>	<b>1,211,088</b>	<b>26,264,523</b>

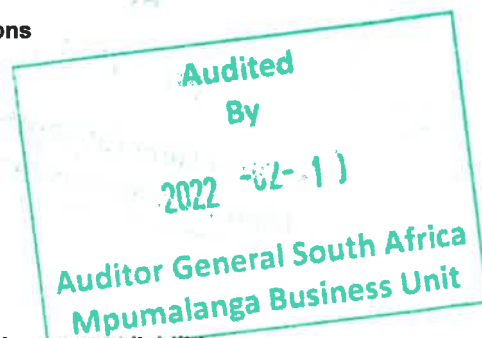
Non-current liabilities	23,415,585	21,890,736
Current liabilities	4,561,479	4,373,787
	<b>27,977,064</b>	<b>26,264,523</b>

The municipality raises a provision for 13th cheque bonuses that staff members receive during their anniversary. The provision is based on the appointment month and the most recent effective salary notches of individual employees.

The municipality has two dumping sites, one in Kwaggafontein which is 3,5 hectares and the other one in KwaMlanga which is 4,5 hectares. The remaining useful lives of these dumping sites are 10 years and 6 years respectively. Each year the dumping sites remaining useful lives are assessed and the provision is adjusted accordingly.

### 14. Payables from exchange transactions

Payables and Accruals	84,154,787	64,218,692
Accrued leave pay	14,238,465	9,669,691
Retention	129,523	3,159,503
Debtors with credit balances	-	-
Unallocated deposits	986,542	1,058,563
Over banking	437,991	437,881
Advance payments: Land	-	-
	<b>99,947,308</b>	<b>78,544,330</b>



#### Payables from exchange transactions: Non-current liabilities

Advance payments: Land	6,057,757	4,604,385
Retention	35,572,463	32,434,541
Debtors with credit balances	9,718,024	7,770,238
Deposits received	452,552	374,192
	<b>51,800,796</b>	<b>45,183,356</b>

Current liabilities: Payables from exchange transactions	99,947,308	64,764,036
Non-current liabilities: Payables from exchange transactions	51,800,796	45,183,356
	<b>151,748,104</b>	<b>109,947,392</b>

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>15. Revenue</b>		
Service charges	106,894,744	130,396,773
Rental of facilities and equipment	1,463,583	887,061
Other income	15,231,072	8,085,221
Interest received	42,626,465	59,859,228
Property rates	54,023,771	42,163,285
Government grants & subsidies	698,992,216	612,651,267
Licences and permits	11,350,797	8,593,478
Public contributions and donations	44,530,677	28,417,615
Fines, Penalties and Forfeits	8,220,600	12,624,000
	<b>983,333,925</b>	<b>903,677,928</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	106,894,744	130,396,773
Rental of facilities and equipment	1,463,583	887,061
Other income	15,231,072	8,085,221
Interest received	42,626,465	59,859,228
	<b>166,215,864</b>	<b>199,228,283</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	54,023,771	42,163,285
<b>Transfer revenue</b>		
Government grants & subsidies	698,992,216	612,651,267
Licences and permits	11,350,797	8,593,478
Public contributions and donations	44,530,677	28,417,615
Fines, Penalties and Forfeits	8,220,600	12,624,000
	<b>817,118,061</b>	<b>704,449,645</b>
<b>16. Service charges</b>		
Sale of water	70,384,449	80,917,547
Sewerage and sanitation charges	1,637,701	1,887,741
Refuse removal	34,872,594	47,591,485
	<b>106,894,744</b>	<b>130,396,773</b>
<b>17. Rental of facilities and equipment</b>		
<b>Facilities and equipment</b>		
Rental of facilities	1,463,583	887,061
<b>18. Fines, Penalties and Forfeits</b>		
Traffic Fines - Municipal and Court	8,220,600	12,624,000

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# THEMBISILE HANI LOCAL MUNICIPALITY

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>19. Lease rentals on operating lease</b>		
<b>Motor vehicles</b>		
Contingent amounts	4,560,668	4,645,324
<b>Equipment</b>		
Straight-lining	784,792	674,953
Contingent amounts	607,311	771,361
	<b>5,952,771</b>	<b>6,091,638</b>

The municipality has entered into operating lease agreement for the lease of printers and copiers. The lease period vary between 3 and 5 years.

Payable within 1 year	2,971,649	4,600,813
Payable within 2-5 years	-	2,971,649
	<b>2,971,649</b>	<b>7,572,462</b>

### 20. Other income

Library fees & fines	3,752	3,569
Handling fees	29,099	17,709
Application fees	199,364	88,845
Building plan approval	184,734	123,144
Clearance certificates	9,751	6,025
Maps publications	1,908	1,428
Occupation certificates	391	783
Insurance refunds	731,819	104,423
Tender documents	313,539	616,490
Staff recoveries	17,461	10,195
Valuation services	1,631	759
Statutory services	12,062	7,747
Trading licences	139,758	289,854
VAT receivable	13,324,625	6,547,523
Sale of other goods & rendering of services	261,178	266,727
	<b>15,231,072</b>	<b>8,085,221</b>

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### 21. Interest received

<b>Interest revenue</b>		
Current Bank	932,678	2,263,520
Interest charged on trade and other receivables	36,389,123	50,720,941
Interest on investments	5,304,664	6,874,767
	<b>42,626,465</b>	<b>59,859,228</b>

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>22. Property rates</b>		
<b>Rates received</b>		
Property rates: Residential & other	54,023,771	42,163,285
<b>Valuations</b>		
Residential	907,232,000	907,232,000
Commercial	294,692,000	294,692,000
State	1,923,352,000	1,923,352,000
Municipal	7,741,869,800	7,741,869,800
Agricultural	411,350,000	411,350,000
Schools	524,311,000	524,311,000
Churches	1,246,000	1,246,000
PBO	4,700,000	4,700,000
PSI	35,000	35,000
	<b>11,808,787,800</b>	<b>11,808,787,800</b>

Valuations on land and buildings are performed every 4 years. The new general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>23. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	447,741,519	404,156,000
FMG	1,700,000	1,770,000
EPWP	1,760,000	2,029,000
MIG	5,686,078	5,743,095
WSIG	5,000,000	7,394,825
EEDM	-	100,000
MDRG	-	343,010
	<b>461,887,597</b>	<b>421,535,930</b>
<b>Capital grants</b>		
Equitable share	71,501,471	-
MIG	115,384,922	117,685,905
EEDM	3,600,000	4,900,000
WSIG	46,618,226	68,529,432
	<b>237,104,619</b>	<b>191,115,337</b>
	<b>698,992,216</b>	<b>612,651,267</b>
<b>Equitable Share</b>		
Current-year receipts	519,242,990	404,156,000
Conditions met - Capital expenditure	(71,501,471)	-
Conditions met - Operational expenditure	(447,741,519)	(404,156,000)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>MIG</b>		
Current-year receipts	121,071,000	123,429,000
Conditions met - Capital expenditure	(115,384,922)	(117,685,905)
Conditions met - Operational expenditure	(5,686,078)	(5,743,095)
	-	-
<b>FMG</b>		
Current-year receipts	1,700,000	1,770,000
Other	(1,700,000)	(1,770,000)
	-	-
<b>EPWP Grant</b>		
Current-year receipts	1,760,000	2,029,000
Other	(1,760,000)	(2,029,000)
	-	-
<b>WSIG</b>		
Balance unspent at beginning of year	1,618,226	17,542,483
Current-year receipts	50,000,000	60,000,000
Conditions met - Capital expenditure	(46,618,226)	(68,529,432)



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
Conditions met - Operational expenditure	(5,000,000)	(7,394,825)
	-	<b>1,618,226</b>

Conditions still to be met - remain liabilities (see note 12).

The municipality submitted an application for roll over funds in compliance with section 22(2) of the 2019 Division of Revenue Act, (Act No 16 of 2019) (DoRa). This requires that any conditional grants which are not spent at the end of the financial year must be reverted back to the National Revenue Fund, unless the receiving officer proves to the satisfaction of National Treasury that the unspent allocations committed to identifiable projects, in which case the funds may be rolled over. The Municipality has submitted proof that funds to the amount off R1 618 228 (2019-2020) has been committed and should be rolled over to the next financial year 2020-2021. Approval granted by NT - Ref:MP315/23

### EEDM

Current-year receipts	3,600,000	5,000,000
Conditions met - transferred to revenue	(3,600,000)	(4,900,000)
Other	-	(100,000)
	-	-

### MDRG

Balance unspent at beginning of year	252,990	596,000
Current-year receipts	-	(343,010)
Other	(252,990)	-
	-	<b>252,990</b>

### 24. Licences and Pemits

Agency fees - Drivers licence application	11,350,045	8,591,034
Public road permits	752	2,444
	<b>11,350,797</b>	<b>8,593,478</b>

### 25. Donations received

Nkangala District Municipality	44,530,677	27,925,841
Department of Arts, Culture, Sport and Recreation	-	491,774
	<b>44,530,677</b>	<b>28,417,615</b>

Donations by way of assets were received from Nkangala District Municipality in R44 530 677; (2020: R27 925 841); and Department of Arts, Culture, Sport & Recreation of RNil; (2020:: R491 7745).



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>26. Employee related costs</b>		
Basic	102,288,705	96,830,579
Bonus	8,138,949	7,609,335
Medical aid - company contributions	8,083,365	7,297,867
UIF	951,377	671,846
WCA	-	843,316
SDL	1,144,159	1,059,226
Standby allowance	888,318	1,310,526
Leave pay provision charge	256,331	189,733
Travel, motor car, accommodation, subsistence and other allowances	4,305,547	3,876,000
Overtime and Shift allowance	2,630,489	1,341,585
Long-service awards	1,384,683	444,354
Acting allowances	618,547	653,844
Housing benefits and allowances	131,366	114,378
Cellphone allowances	631,230	631,400
Pension contributions	19,247,397	18,435,686
SALGBC	45,520	42,894
	<b>150,745,983</b>	<b>141,352,569</b>



During the financial period 2018-2019 the municipality migrated from Grade 3 to 4

### Remuneration of Municipal Manager: Mr ON Nkosi 01 July 2017 to 30 June 2021

Annual Remuneration	925,154	950,128
Car Allowance	180,000	180,000
Contributions to UIF, Medical and Pension Funds	93,559	149,952
	<b>1,198,713</b>	<b>1,280,080</b>

### Remuneration of Chief Finance Officer: Ms JG Mahlagu 01 May 2019 to 30 June 2021

Annual Remuneration	708,103	718,788
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	168,163	188,026
	<b>996,266</b>	<b>1,026,814</b>

### Remuneration of Corporate Service Manager: Ms SA Nxumalo 01 July 2017 to 30 June 2021

Annual Remuneration	855,066	905,122
Car Allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	81,131	96,348
	<b>996,197</b>	<b>1,061,470</b>

### Remuneration of Social Services Manager: Mr AK Chego 01 August 2018 to 30 June 2021

Annual Remuneration	928,095	971,892
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	68,211	89,707
	<b>1,116,306</b>	<b>1,181,599</b>

### Remuneration of Development Planning Manager: Mr MS Tsebe 01 May 2019 to 30 June 2021

Annual Remuneration	808,095	816,058
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	70,966	117,240

# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
	<b>999,061</b>	<b>1,053,298</b>
<b>Remuneration of Technical Service Manager: Mr VL Skosana 01 May 2019 to 30 June 2021</b>		
Annual Remuneration	782,704	790,674
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	104,788	100,547
	<b>1,007,492</b>	<b>1,011,221</b>
<b>27. Remuneration of councillors</b>		
Executive Mayor	945,985	944,238
Chief Whip: Cllr Tau Joyce Johanna (Deceased)	119,131	719,102
Chief Whip: Cllr Motanyane Thokozile Egnés	480,286	-
Speaker	773,689	764,057
Councillors	22,673,753	22,726,770
	<b>24,992,844</b>	<b>25,154,167</b>
<b>In-kind benefits</b>		
The Executive Mayor, Speaker, Chief whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has use of a separate council owned vehicle for official duties.		
<b>28. Depreciation and amortisation</b>		
Property, plant and equipment	70,780,581	68,145,434
<b>29. Finance costs</b>		
Other Interest paid	341,979	970,560
Interest on overdue accounts	39,413	2,874
	<b>381,392</b>	<b>973,434</b>
<b>30. Debt impairment</b>		
Consumer debtors contribution to debt impairment provision	175,961,188	184,271,552
Traffic fines bad debt contribution to debt impairment provision	3,942,834	11,430,625
	<b>179,904,022</b>	<b>195,702,177</b>
<b>31. Amnesty and prescriptions written off - consumer debtors</b>		
Amnesty written off	3,719,781	5,728,666
Prescription written off	1,396,124	-
<b>32. Bulk purchases</b>		
Water purchases	150,773,812	163,923,928

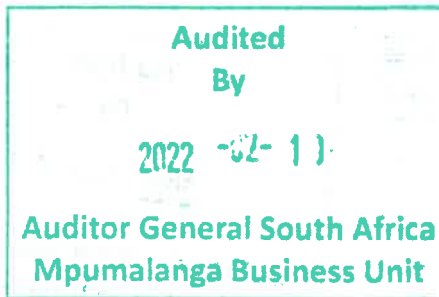
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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>33. General expenses</b>		
Advertising	871,797	451,058
Auditors remuneration	5,705,227	4,834,225
Bank charges	664,675	456,400
Consulting and professional fees	18,138,129	15,693,702
Debt collection	4,431,130	2,773,792
Entertainment	805,449	1,377,491
Flowers	-	184,800
Insurance	1,393,542	1,741,991
Community development	3,262,225	869,356
Conferences and seminars	1,151,302	535,444
Motor vehicle expenses	532,897	662,641
Pest control	448,550	139,958
Postage and courier	2,330	-
Printing and stationery	32,404	1,182,113
Repairs and maintenance	16,310,749	27,954,255
Security (Guarding of municipal property)	23,545,632	19,263,745
Software expenses	5,326,432	3,759,933
Staff welfare	198,020	-
Subscriptions and membership fees	1,894,413	1,887,070
Telephone and fax	1,783,501	1,626,647
Travel - local	1,378,057	2,844,198
Sewerage and waste disposal	8,760,550	2,625,097
Municipal services	15,880,417	13,335,221
Uniforms	818,841	245,650
Material and supplies	21,602,850	8,983,414
Motor vehicle licences	644,089	843,646
Town planning costs	2,005,313	192,634
Indigent relief	60,071	112,544
Sample testing - Water	1,048,197	977,064
Ward committee allowances	3,731,000	3,724,000
Water delivery services	39,312,977	25,153,171
Other expenses	4,534,321	3,614,279
	<b>186,275,087</b>	<b>148,045,539</b>
<b>34. Auditors' remuneration</b>		
Expenses	5,705,227	4,834,225



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand		2021	2020
<b>35. Cash generated from operations</b>			
Surplus		193,227,358	146,419,373
<b>Adjustments for:</b>			
Depreciation and amortisation	28	70,780,581	68,145,434
Gain/(Loss) on Property, plant and equipment derecognised		14,606,276	-
Inventories losses/write-downs		-	3,111,563
Consumer debtors Prescriptions written off		1,396,124	-
Debt impairment	30	179,904,022	195,702,177
Consumer debtors Amnesty written off	32	3,719,781	5,718,666
Donations received	25	(44,530,677)	(28,417,615)
Movements in retirement benefit assets and liabilities		2,158,201	417,091
Movements in provisions		1,712,541	1,211,088
<b>Changes in working capital:</b>			
Inventories		(42,037)	2,911,997
Receivables from exchange transactions		(9,647,370)	(16,623,775)
Consumer debtors		(170,413,651)	(201,722,647)
Statutory receivables		(1,513,824)	(3,165,036)
Payables from exchange transactions		10,668,901	16,718,916
VAT receivable		(4,217,176)	(12,974,602)
Unspent conditional grants and receipts		(1,871,216)	(15,671,267)
		<b>245,937,834</b>	<b>161,781,363</b>
<b>36. Commitments</b>			
<b>Authorised capital expenditure</b>			
<b>Already contracted for but not provided for</b>			
Property, plant and equipment		253,831,181	115,157,449
Other financial assets		-	1,155,013
		<b>253,831,181</b>	<b>116,312,462</b>
<b>Total capital commitments</b>			
Already contracted for but not provided for		253,831,181	116,312,462





# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

		2021	2020
<b>37. Contingencies</b>			
<b>Plaintiff</b>	<b>Detail</b>		
Piet Chilli v/s THLM - Case nr: 12/2013	Mr. Chili has issued a summons against the Municipality claiming among others loss of income as a result of alleged breach of contract on the part of the municipality.	345 000	345 000
THLM/ Lawmark Consulting cc - Case nr: 70121/11	The contractor (Joint Venture between Lawmark and Casnans) was awarded the tender of VIP toilets in Cluster E. The municipality concluded a contract on the 24th March 2010. The contractor was unable to complete the work.	1 200 000	1 200 000
Telkom SA Limited Case nr: 110/2015	The plaintiff is alleging that at or near Moloto Road on or about the 04th of March 2013, employees of the municipality acting within their scope of employment damaged an overhead cable belonging the plaintiff.	24 909	24 909
SAMWU abo Thutse Reinethine Mmantimo Case nr: JS436/15	Around 2012 the municipality advertised the position of the Senior Technician: Sanitation, interviews were conducted and appointments done. There were two appointments done while the vacant position was one. The plaintiff was the second best candidates and she was issued with an appointments. She was given an appointment on the 24th December 2012 and it was discovered by HR that her appointment was erroneously issued since it was one vacant position. The plaintiff was then informed telephonically of the mistake and a letter withdrawing her appointment was sent to her on the 28th December 2012. The plaintiff wants to be reinstated to the position and she also demands to be paid all the salaries she was would have received had the municipality not repudiated the contract.	Amount not available	Amount not available
Mabapa Building Construction t/a Moriti School Uniform CC vs THLM Case nr: 623/16	On or about 7th August 2013 at Phola Park Kwamhlanga, some employees of the municipality negligently started fire or negligently failed and/or omitted to contain the fire they started. The said fire burned down and destroyed the plaintiff's business premises and other items	2 000 000	2 000 000
MJ Magaela vs Minister of Police/ THLM and NPA Case nr: Case no 84342/17 North Gauteng High court	On the 5th of January 2018 summons were served wherein the Plaintiff claim against the municipality payment of an amount of R1 290 000.00 for damages he claims to have suffered due assault by the member of the Municipal traffic officers on the 15th of March 2016 at Kwamhlanga R573 near total garage. The municipality has filed its appearance to defend and also has filed notice in terms of Rule (34i). to which the Plaintiff must respond within 30 days.	860 000	860 000



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
THLM vs Phungo Incorporated Case no:4801/19 Kunene Ramapala Attorneys	534 479	534 479
The municipality received combined summons from Phungo Incorporated, whereby the plaintiff is suing the municipality for damages amounting to R534 479.06 arising from a dispute regarding payment for services rendered. The Plaintiff was appointed to investigate Unauthorised, Irregular, Fruitless and Wasteful Expenditure, identified by Auditor-General during the annual audits from 2012/2013 to 2017/2018 financial years. The Plaintiff was expected to investigate the matters and deliver the full report and to date he has not delivered the report.		

### 38. Related parties

#### Relationships

Accounting Officer  
Corporate Service Manager  
Social Service Manager  
Chief Financial Manager  
Development Planning Manager  
Technical Service Manager  
District Municipality  
Councillors

Mr ON Nkosi  
Ms SA Nxumalo  
Mr AK Chego  
Ms JG Mahlangu  
Mr MS Tsebe  
Mr VL Skosana  
Nkangala District Municipality  
Thembisile Hani Local Municipality

The information required as per GRAP 20 paragraph 35(a) to (i) can be found in note 5 (Employee benefit obligations), 13 (Bonus provision), 14 (Leave provision), 26 (employee related costs), 27 (remuneration of councilors) and 45 (Councillor's in arrears) within the financial statements where relevant to the municipality.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### 39. Prior-year adjustments

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

#### Description of nature of the prior period error:

1. Receivables from exchange transactions:

- (i) Water, Refuse and Sewerage - Correction of General ledger to Valuation roll for the mentioned services in 2020, and 2019; and
- (ii) Water billing iro Kwagga Mall for 2019-2020

2. Statutory receivables:

- (i) Property rates - Property rates were overstated in 2020 & 2019 due to the new Valuation Roll update effective from 01 July 2018.

3. Property, Plant and Equipment (PPE):

- (i) Correction of PPE previously omitted and identified in 2020-2021 annual review and verification
- (ii) Correction of incorrect RUL rollover during the prior financial periods 2019-2020 and 2018-2019
- (iii) Prior period correction on depreciation
- (iv) Correction of derecognition
- (v) Recognition of omitted movable assets
- (vi) WIP correction to capitalising of Infrastructure assets

(v) transport assets - Write back of finance leased vehicles to operational lease.

4. Cash and cash equivalent: Sub-module incorrectly created within the Nedbank account - should have never be.

5. Other debtors: Reclassification of Overpayment of contractors from receivables from exchange transactions to statutory receivables.

6. Payables and accruals: Reallocation of Payables and accruals on Projects to Payables and accruals.

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## THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

### Notes to the Annual Financial Statements

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7. Traffic fines: Reversal of incorrect TFC (Traffic fines integration) not yet finalised in Munsoft financial system.
8. Write back of Finance lease obligation to Operating lease due to AGSA finding matter since 2018-2019t.
9. Bulk purchases of water correction accruing for Tswane Water.

\* (The correction explanation is indicated with a number in brackets next to the item adjusted)

\* As a result of prior period errors, the cash flow June 2019 was restated to reflect accurate figures.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

### Statement of financial position

30 June 2020

	Note	As previously reported	Prior period error 2019-2020	Reallocation/ Reconciliation	Restated 2019-2020	Correction 2018-2019 and older
<b>Inventories</b>						
- Inventories: Land held for sale			(676,737)			
<b>Receivables from exchange transactions:</b>						
- Water: 1(i) and 1(ii)			667,772			(153)
- Sewerage: 1(i)			1			(1)
- Refuse: 1(i)			(15)			(79)
- Other debtors: (5)		140,689		(140,689)		
- Fruitless and wasteful expenditure						10,540
<b>Statutory receivables:</b>						
- Rates: 2(i)			(31)			(57)
- Traffic fines: (7)			6,250			
- Other debtors: (5)				140,689		
<b>Cash and Cash equivalents (4)</b>						(46,945)
<b>VAT receivable (9)</b>			1,745,800			
<b>Property, Plant and Equipment</b>						
- Land - General plant: 3(i)						2,030,000
- IT Equipment: 3(i) to 3(v)			(28,160)			128,778
- Furniture and office equipment: 3(i) to 3(v)			(21,258)			140,236
- Machinery and Equipment: 3(i) to 3(v)			(40,598)			173,119
- Transport assets: 3(i) to 3(v) and (8)			3,951,277			(10,568,621)

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## THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

### Notes to the Annual Financial Statements

Figures in Rand

- Community assets: 3(i) & 3(ii)	-	(365,406)	-	(185,719)
- Sanitation infrastructure: 3(i) & 3(ii)	-	-	-	531,205
- Water network - Boreholes: 3(i) & 3(ii)	-	(638)	-	887,367
- Pumpstations: 3(i) & 3(ii)	-	-	-	299,705
- Reservoirs: 3(i) & 3(ii)	-	-	-	1,719,394
- Roads infrastructure: 3(i) & 3(ii)	-	(75,348)	-	(308,464)
- Stormwater infrastructure: 3(i) & 3(ii)	-	(1,612)	-	(176,691)
- WIP: 3(vi)	-	(4,778,880)	(335,985)	-
<b>Payables from exchange transactions</b>				
- Payables and Accruals: (6) and (9)	(29,658,717)	(14,116,279)	(20,443,696)	-
- Payables and Accruals: Projects: (6)	(20,779,681)	-	20,779,681	-
<b>Finance lease obligation (8)</b>				
	-	(3,674,765)	-	10,712,261
	-	<b>(17,408,627)</b>	-	<b>5,345,875</b>

#### Statement of financial performance

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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

30 June 2020

	Note	As previously reported	Prior period error 2019-2020	Reallocation/ Reclassification	Restated 2019-2020	Correction 2018-2019 and older
<b>Revenue from exchange transactions</b>						
- Water		85,207,608	(4,290,061)	-	80,917,547	(27,561,273)
- Sewerage		1,882,854	4,887	-	1,887,741	(179,083)
- Refuse		50,421,002	(2,829,517)	-	47,591,485	(14,192,576)
<b>Revenue from non-exchange transactions</b>						
- Rates		47,680,432	(5,517,147)	-	42,163,285	(10,254,549)
- Transfer revenue		8,978,787	(95,454)	(289,854)	8,593,479	-
- Licences, permits and agency fees						
- Fines, penalties and forfeits		12,617,750	6,250	-	12,624,000	-
<b>Other income</b>		7,795,367	-	289,854	8,085,221	-
<b>Expenditure</b>						
- Debt impairment		(209,001,742)	13,299,565	-	(195,702,177)	52,187,192
- Finance cost		(973,434)	970,560	-	(2,874)	431,098
- Lease rental on operating lease		(1,446,314)	(4,645,325)	-	(6,091,639)	(1,574,017)
- Depreciation and amortisation		(71,564,107)	3,418,257	-	(68,145,850)	4,495,489
- Bulk purchases		(151,648,903)	(12,275,025)	-	(163,923,928)	-
- Inventories: losses/write-downs		(2,434,826)	(676,737)	-	(3,111,563)	-
- General expense						
> Repairs and maintenance		(24,345,073)	(4,778,880)	1,169,698	(27,954,255)	2,030,000
* Town planning costs		-	-	(192,634)	(192,634)	-
* Sample testing - Water		-	-	(977,064)	(977,064)	-
> Other expenses:		(4,956,677)	-	1,342,398	(3,614,279)	-

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## THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

### Notes to the Annual Financial Statements

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* Community development	-	(869,356)	(869,356)	-
* Pest control	-	(139,958)	(139,958)	-
* Sewerage and waste disposal	(2,292,013)	(333,084)	(2,625,097)	-
	<u>-</u>	<u>(17,408,627)</u>	<u>-</u>	<u>5,382,281</u>

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# THEMBISILE HANI LOCAL MUNICIPALITY

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### 40. Risk management

#### Liquidity risk

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

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

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>Current liabilities</b>	<b>105,410,806</b>	-	-	-
- Payables and accruals	84,154,787	-	-	-
- Finance lease obligation	-	-	-	-
- Retention	129,523	-	-	-
- Unallocated deposits	986,542	-	-	-
- Over banking	437,991	-	-	-
- Accrued leave pay	14,238,465	-	-	-
- Provisions	4,561,479	-	-	-
- Employee benefit obligation	902,019	-	-	-
<b>Non-current liabilities: Payables from exchange transactions</b>	-	<b>41,666,712</b>	-	<b>10,170,576</b>
- Deposits received	-	-	-	452,552
- Retention	-	35,572,463	-	-
- Advance payments: Land & building	-	6,094,249	-	-
- Debtors with credit balances	-	-	-	9,718,024
<b>Non-current liabilities: Employee benefit obligations</b>	-	-	-	<b>10,209,273</b>
<b>Non-current liabilities: Landfill sites</b>	-	-	-	<b>23,415,585</b>
<b>At 30 June 2020</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
<b>Current liabilities</b>	<b>85,797,542</b>	-	-	-
- Payables from exchange transactions	64,218,692	-	-	-
- Retention	3,159,503	-	-	-
- Unallocated deposits	1,058,563	-	-	-
- Over banking	437,881	-	-	-
- Accrued leave pay	9,669,691	-	-	-
- Provisions	4,373,787	-	-	-
- Unspent conditional grants	1,871,216	-	-	-
- Employee benefit obligation	1,008,209	-	-	-
<b>Non-current liabilities: Payables from exchange transactions</b>	-	<b>15,821,872</b>	<b>21,217,054</b>	<b>8,144,430</b>
- Deposits received	-	-	-	374,192
- Retention	-	11,217,487	21,217,054	-
- Advance payments: Land & building	-	4,604,385	-	-
- Debtors with credit balances	-	-	-	7,770,238
<b>Non-current liabilities: Employee benefit obligations</b>	-	-	-	<b>7,944,882</b>
<b>Non-current liabilities: Landfill sites</b>	-	-	-	<b>21,890,736</b>

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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

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### Credit risk

#### Definition

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.

#### Components exposed to credit risk

Components exposed to credit risk include the following

- \* Cash deposits & cash and cash equivalents - risk that the municipality might deposit funds with the institution that are not approved by council and whose credit standing is questionable
- \* Trade debtors – possibility that the debtors might not pay the municipality on time exposing the municipality to liquidity problems.

#### Risk management process

- \* Deposits cash & cash and cash equivalents

The municipality only utilises registered major banks with high quality credit standing to curb the risk of potential losses on the funds deposited with the bank institutions

- \* Trade debtors

Trade receivables comprise a widespread of customer base. Management evaluates credit risk relating to customers on an ongoing basis taking into account the credit policy of the municipality which includes the following:

- \* 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 year end were as follows:

Financial instrument	30 June 2021	30 June 2020
Cash and cash equivalents	137,801,708	99,412,013
Receivables from exchange transactions	35,124,424	25,477,054

### Market risk

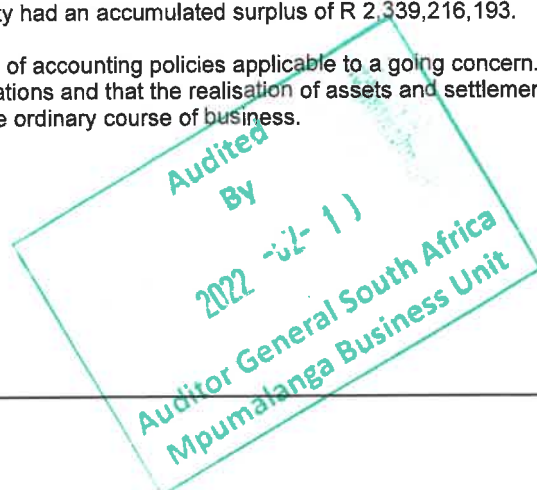
#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

#### 41. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus of R 2,339,216,193.

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.



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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### 42. Subsequent events

On 26 March 2020, our honourable president, Mr Matamela Cyril Ramaphosa declared the commencement of Lock-down countrywide.

The severe operational impact of COVID-19 both in private and public sectors was felt country-wide and our municipality was not immune to that impact. As a result an amount of R1.5 million allocated for MIG was decreased by National Treasury to fund the COVID-19 pandemic. The municipality continues to operate in a volatile environment under the pandemic where national budgets and spending is prioritised and focused to fight the spread of the virus.

### 43. Fruitless and wasteful expenditure

Opening balance as previously reported	12,263,174	11,167,649
<b>Opening balance as restated</b>	<b>12,263,174</b>	<b>11,167,649</b>
Add: Fruitless and wasteful expenditure- current	39,413	1,095,525
Less: Amount written off - prior period	(820,989)	-
<b>Closing balance</b>	<b>11,481,598</b>	<b>12,263,174</b>

The municipality has appointed a disciplinary board to investigate the fruitless and wasteful expenditure. The investigation is concluded and therefore Council has condoned or written off fruitless and wasteful expenditure for 2018-2019 amounting to R820 989..

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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

2021

2020

### Expenditure identified in the current year include those listed below:

Description of expenditure	2021	2020
1. Eskom and Rand Water Bulk Interest on late payments	39,413	2,874
2. Non-compliance with indigents - Eskom FEB to be Indigent debtors for electricity services from ESKOM	-	112,543
3. Fruitless and wasteful expenditure was identified since due care was not exercised by the contractor, consultant and project manager to ensure that THLM pays for services/goods received:		
(i) Insimbemnyama Construction and Project - Section 62(1)(d) of MFMA Kwa-Mhlanga B link route Ward 32 project	-	69,560
(ii) Insimbemnyama Construction and Project - Section 62(1)(d) of MFMA - items that could not be verified - Kwa-Mhlanga B link route Ward 32 project	-	585,323
(iii) Insimbemnyama Construction and Project - Section 62(1)(d) of MFMA - on compacted pavement layer dimension - Kwa-Mhlanga B link route Ward 32 project	-	118,325
(iv) Insimbemnyama Construction and Project - Section 62(1)(d) of MFMA - payment for paving laid was not support with evidence - Kwa-Mhlanga B link route Ward 32 project	-	206,900
	<b>39,413</b>	<b>1,095,525</b>

### 44. Irregular expenditure

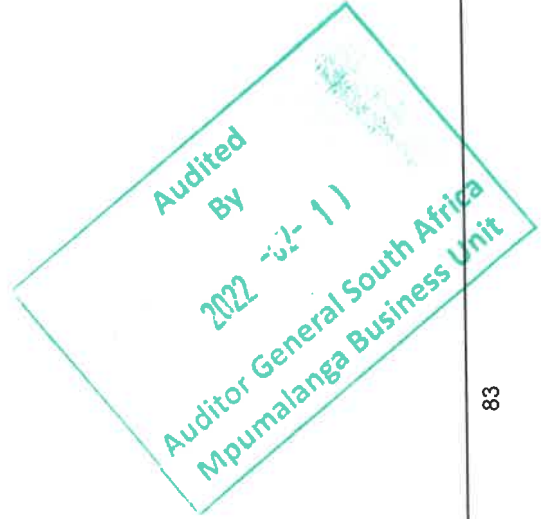
Opening balance as previously reported  
Add: Irregular Expenditure - current year

#### Opening balance as restated

Less: Amount written off - prior period

#### Closing balance

57,227,613	44,136,824
20,466,469	13,090,789
<b>77,694,082</b>	<b>57,227,613</b>
(9,128,547)	-
<b>68,565,535</b>	<b>57,227,613</b>



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

	2021	2020
<b>Incidents/cases identified in the current year include those listed below:</b>		
1. Zembeleni	Legislation transgressed against SCM Regulation 19(b)	Services Repair and maintenance of fleet
2. Mamolato Construction	SCM Reg 29(1)	4,400,863
3. Thobela Attorneys and LMK Consulting JV	Constitution 117, SCM Reg 32, 19	1,855,542
4. Bidvest Bank	SCM Reg 32	2,554,009
5. City Medical Wholesalers	SCM Regulation 13(c)	4,601,726
		31,661
6.. Kasonengezi Trading	SCM Regulation 44	17,200
7. I@Consulting	SCM Reg 32	2,342,476
8. MWG	SCM Reg 32	221,457
9. Kgotso Mokone	PPR 9(1)	3,237,077
10. Jasino General Services	CIDB reg 17	5,458,173
11. Laizment General Trading	PPR 5(6)	1,242,025
		<b>20,466,469</b>
		<b>13,090,789</b>

### Cases under investigation

The municipality has appointed a disciplinary board to investigate the irregular expenditure. The investigation is concluded and therefore Council has condoned or written off irregular expenditure for 2018-2019 amounting to R9 128 547..



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021	2020
<b>45. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Current year subscription / fee	5,705,227	4,834,225
Amount paid - current year	(5,705,227)	(4,834,225)
	<u>-</u>	<u>-</u>
<b>PAYE</b>		
Current year subscription / fee	23,304,060	21,444,178
Amount paid - current year	(23,304,060)	(21,444,178)
	<u>-</u>	<u>-</u>
<b>UIF</b>		
Current year subscription / fee	682,167	671,697
Amount paid - current year	(682,167)	(671,697)
	<u>-</u>	<u>-</u>
<b>Pension and Medical Aid contributions</b>		
Current year subscription / fee	30,628,600	28,682,189
Amount paid - current year	(30,628,600)	(28,682,189)
	<u>-</u>	<u>-</u>

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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

2021

2020

### Councillors' arrear consumer accounts

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

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Boshego Steven (Deceased)	537	5,611	6,148
Maseko Zanele	1,628	4,381	6,009
Msibi Vusi Amos	380	-	380
Dhlamini Alicia Lebohang	665	29,620	30,285
Hlope Nompumelelo Evidence	433	890	1,323
Jiyane Laza Elsie	674	17,267	17,941
Kekana Piet Thapelo	407	15,172	15,579
Mabelwane Oria Mpheto	1,243	57,150	58,393
Mabena Mbebenzi (Deceased)	537	5,611	6,148
Mabena Thomas Lebandla	674	15,942	16,616
Madyungu Alexcious Sphiwe	364	-	364
Mahlangu Amos	407	6,552	6,959
Mahlangu Christinah Ndlelenhle	711	19,575	20,286
Mahlangu Gideon	399	125	524
Mahlangu Moses Michael	665	24,733	25,398
Makhubela Jan Masaka	37	2	39
Makhwiting Theletjie James	420	4	424
Mampuru Dipolelo Sinah	479	2,261	2,740
Mashaba Mqosh Paulus	537	5,611	6,148
Mashinini Thabisile Elsie	407	112	519
Masilela Toenkie Linah	318	-	318
Mathibela Emelinah Mavis	380	-	380
Mnguni Maria Qhubeni	407	8,633	9,040
Mnisi Sgaule Timothy	177	683	860
Mogoboya Samuel Bongani	380	-	380
Motanyane Thokozile Egnas	665	27,912	28,577
Motaung Ntombi Mitta	432	1,058	1,490
Motena Mitopi Andries	555	7,003	7,558
Mtsweni Rubber Qaliwe	367	-	367
Nduli Masotja Petrus	665	33,490	34,155
Ngoma Norman	692	14,303	14,995
Ngoma Sipho Koos	136	-	136
Sikosana Mzwandile Obed	1,462	21,036	22,498
Skosana Dini Samson	407	13,019	13,426
Skosana Lindiwe Thembu	450	1,615	2,065
Skosana Vusimusi Vincent	367	-	367
Tau Joyce Johannah (Deceased)	230	-	230
Tshabangu Martha Lilian	432	612	1,044
	<b>20,126</b>	<b>339,983</b>	<b>360,109</b>

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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand	2021		2020
30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Maseko Zanele	-	1,456	1,456
Msibi Vusi Amos	647	12,790	13,437
Dhlamini Alicia Lebohang	602	27,086	27,688
Fakude Dumisani Chrescent	655	13,408	14,063
Jiyane Laza Elsie	523	14,786	15,309
Kekana Piet Thapelo	386	13,564	13,950
Mabena Mbebenzi Ben	474	3,589	4,063
Mabena Thomas Lebandla	611	13,372	13,983
Madyungu Alexcious Sphiwe	602	23,151	23,753
Mahlangu Amos	386	4,944	5,330
Mahlangu Christinah Ndlelenhle	648	16,859	17,507
Mahlangu Gideon	457	3,090	3,547
Mahlangu Moses Michael	602	22,199	22,801
Makhubela Jan Masaka	402	467	869
Mampuru Dipolelo Sinah	474	3,589	4,063
Mashinini Thabisile Elsie	386	57	443
Masilela Toenkie Linah	474	3,589	4,063
Mathibela Emelinah Mavis	648	18,425	19,073
Mnguni Maria Qhubeni	258	7,154	7,412
Mnisi Sgaule Timothy	508	6,236	6,744
Mogoboya Samuel Bongani	948	13,892	14,840
Mokwena Maria Adelaide	445	2,254	2,699
Motanyane Thokozile Egnés	602	25,379	25,981
Motaung Ntombi Mitta	643	12,486	13,129
Motena Mitopi Andries	314	4,285	4,599
Msibi Bongani Victor	576	12,202	12,778
Msiza Khulisile April	561	13,943	14,504
Msiza Nomatjeni Nellie	425	1,207	1,632
Nduli Masotja Petrus	602	30,957	31,559
Ngoma Norman	627	11,503	12,130
Ngoma Sipho Koos	386	3,270	3,656
Sikosana Mzwandile Obed	931	2,514	3,445
Skosana Dini Samson	386	11,411	11,797
Skosana Lindiwe Thembi	412	881	1,293
Skosana Vusimusi Vincent	409	14,911	15,320
Tshabangu Martha Lilian	347	-	347
	<b>18,357</b>	<b>370,906</b>	<b>389,263</b>

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### Supply chain management regulations

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



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

2021

2020

### 46. Deviation from supply chain management regulations

Paragraph 36 of the MFMA Act and regulations 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 accounting officer and includes a note to the annual financial statements.

#### Details of deviations – current year

Service description	Service providers	Justifiable reason for deviation	
Fumigation services of municipal offices	Donato Business Enterprise	Impractical to obtain three quotations	304,133
Trauma counselling services for 16 officials	Donato Business Enterprise	Emergency	34,580
Repairs of CAT Grader (FDV 722 MP)	Thulasizwe Care Centre	Emergency	172,000
Major service on mayoral vehicle Reg. HVV 223 MP	McCarthy Limited	Impractical to obtain three quotations	46,620
Roadworthiness tests on heavy and light vehicles	Eyethu Road Worthy Centre (Pty) Ltd	Impractical to obtain three quotations	22,350
Vehicle service on mayoral car and fitment of brake pads	Hatfiled Holdings	Impractical to obtain three quotations	42,204
			<b>621,887</b>

### 47. Segment information



**THEMBISILE HANI LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2021

**Notes to the Annual Financial Statements**

Figures in Rand

**Segment surplus or deficit and assets**

30 June 2021

Revenue from non-exchange transactions	Revenue from exchange transactions	Interest revenue	Other revenue	Expenditure: Salaries and wages	Expenditure: Depreciation and amortisation	Expenditure: Other	Non-current assets: Additions	Total
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# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

Segment description	Revenue from non-exchange transactions	Revenue from exchange transactions	Revenue from Other revenue	Expenditure: Salaries and wages	Expenditure: Salaries and wages	Expenditure: Depreciation and amortisation	Expenditure: Other	Non-current assets: Additions	Total
Support: Administrative & Corporate Development	-	-	-	-	(12,611,710)	-	(900,223)	-	(13,511,933)
Support: Communication PMS & Youth Development	-	17,310	-	44,530,677	(2,801,807)	(70,433,219)	(5,212,545)	-	(33,916,894)
Asset Management: Asset Management	-	-	-	-	-	-	(135,399)	-	(118,089)
Cemeteries Funeral Parlours & Crematoriums: Cemetery	-	59,396	-	-	(5,337,878)	-	(576,439)	-	(5,854,921)
Community Halls & Facilities	-	-	-	-	-	-	(49,140)	-	(49,140)
Corporate Wide Strategic Planning (IDPs LEDs): Integrated Development Planning	-	-	-	-	-	-	(60,153)	-	(60,153)
Disaster Management	-	25,358	-	-	(3,286,616)	-	(3,255)	-	(3,264,513)
Economic Development/Planning: Community Services	-	-	-	-	(5,414,707)	-	(771,779)	-	(6,186,486)
Economic Development/Planning: Local Economic Development	-	-	-	-	(1,221,541)	-	(637,294)	-	119,525,704
Economic Development/Planning: Technical Services	313,539	-	-	121,071,000	(1,221,541)	-	(637,294)	-	119,525,704
Electricity: Electricity	-	-	-	-	(1,549,567)	-	(20,166,729)	-	(18,116,296)
Finance: Default	-	-	-	-	-	-	(194,409,537)	-	(194,409,537)
Finance: Financial Services	15,646,472	14,782,967	6,237,341	520,942,990	(11,954,678)	-	(21,112,848)	-	524,542,244
Fleet Management	-	-	-	-	(5,337,101)	-	(21,602,242)	-	(26,939,343)
Governance Function: Internal Audit	-	-	-	-	(2,137,958)	-	(17,651)	-	(2,155,609)
Human Resource Management	-	240,589	-	-	(5,828,299)	-	(12,301,844)	-	(17,889,554)
Information Technology: ICT	-	-	-	-	(5,636,885)	(347,362)	(7,383,001)	-	(13,367,248)
Legal Services	-	-	-	-	(4,312,175)	-	(1,397,445)	-	(5,709,620)
Libraries & Archives	-	3,752	-	-	(1,629,956)	-	-	-	(1,626,204)
Mayor and Council: Thembisile Hani Council General	-	-	-	-	(24,992,844)	-	(7,825,194)	-	(32,818,038)
Municipal Manager	-	-	-	-	(6,432,849)	-	(5,716,265)	-	(12,149,114)
Licensing & Regulation: Trading Licences	-	139,758	-	-	-	-	-	-	139,758
Property Services	38,377,299	1,390,080	-	-	-	-	(306,431)	-	39,460,948
Project Management Unit: Technical Services	-	-	-	-	(5,088,829)	-	-	-	(5,088,829)
Risk Management	-	-	-	19,571,397	(1,060,679)	-	(4,857)	-	18,505,861

## THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

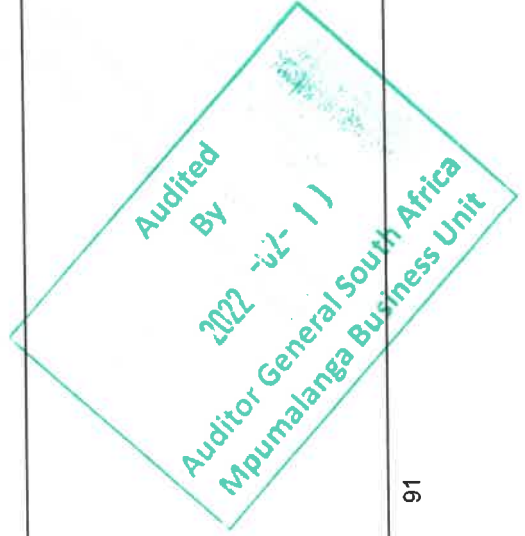
### Notes to the Annual Financial Statements

Figures in Rand

	Revenue from Revenue from Other revenue	Expenditure: Salaries and wages	Expenditure: Salaries and wages	Expenditure: Depreciation and amortisation	Expenditure: Other	Non-current assets: Additions	Total
Road & Traffic Regulation: Community Traffic Services	-	-	(14,540,237)	-	(25,491,536)	-	(40,031,773)
Roads and Stormwater	-	-	(13,500,692)	-	(5,826,956)	-	(19,327,648)
Solid Waste Removal: Refuse Removal	-	1,760,000	(6,190,897)	-	(4,611,665)	-	34,424,324
Sports Grounds and Stadiums: Sports Facilities Management	-	-	-	-	(192,867)	-	(191,273)
Sports Grounds & Stadiums	-	-	(5,947,942)	-	-	-	(5,947,942)
Supply Chain Management	-	-	(2,955,612)	-	(57,563)	-	(3,013,175)
Town Planning Building Regulations and Enforcement and City Engineer: Building Plans and Inspection	-	404,027	-	-	-	-	404,027
Town Planning Building Regulations and Enforcement and City Engineer	23,216	-	-	-	(5,267,538)	-	(5,244,322)
Waste Water Treatment: Sanitation Services	1,463,505	675,030	(6,913,564)	-	(321,034)	-	(5,096,063)
Water Distribution: Water	69,839,202	27,132,314	(19,053,804)	-	(201,227,729)	-	(71,691,791)
<b>Total</b>	<b>54,023,771</b>	<b>123,589,400</b>	<b>42,626,464</b>	<b>763,094,290</b>	<b>(175,738,827)</b>	<b>(70,780,581)</b>	<b>(543,587,159)</b>

**Total segmental surplus/(deficit)**

**193,227,358**



# THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Rand

	Revenue from non-exchange transactions	Revenue from exchange transactions	Revenue from Other revenue	Expenditure: Salaries and wages	Expenditure: Salaries and wages	Expenditure: Depreciation and amortisation	Expenditure: Other	Non-current assets: Additions	Total
<b>Assets</b>									
Mayor and Council: Thembisile Hani Council General	-	-	-	-	-	-	-	761,123	761,123
Property Services	-	-	-	-	-	-	-	86,900	86,900
Human Resource Management	-	-	-	-	-	-	-	148,000	148,000
Road & Traffic Regulation: Community Traffic Services	-	-	-	-	-	-	-	326,726	326,726
Solid Waste Removal: Refuse Removal	-	-	-	-	-	-	-	10,012,231	10,012,231
Information Technology: ICT	-	-	-	-	-	-	-	2,739,881	2,739,881
<b>Assets under construction</b>									
- Community Halls & Facilities	-	-	-	-	-	-	-	-	-
- Electricity: Electricity	-	-	-	-	-	-	-	3,542,937	3,542,937
- Project Management Unit: Technical Services	-	-	-	-	-	-	-	4,004,914	4,004,914
- Town Planning Building Regulations and Enforcement and City Engineer	-	-	-	-	-	-	-	130,245	130,245
- Roads and Stormwater	-	-	-	-	-	-	-	1,392,207	1,392,207
- Solid Waste Removal: Refuse Removal	-	-	-	-	-	-	-	71,317,193	71,317,193
- Sports Grounds and Stadiums: Sports Facilities Management	-	-	-	-	-	-	-	6,826,290	6,826,290
- Waste Water Treatment: Sanitation Services	-	-	-	-	-	-	-	13,212,977	13,212,977
- Water Distribution: Water	-	-	-	-	-	-	-	9,964,898	9,964,898
<b>Total segment assets</b>	-	-	-	-	-	-	-	86,659,907	86,659,907
<b>Total assets additions as per Statement of financial Position</b>	-	-	-	-	-	-	-	<b>211,126,429</b>	<b>211,126,429</b>
									<b>211,126,429</b>

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**THEMBISILE HANI LOCAL MUNICIPALITY**  
**Unaudited MFMA Section 125 (2)(e)**

The following non-compliances were identified

- Non-compliance with Section 62(1) (d) of MFMA since irregular and fruitless and wasteful expenditure were incurred

