



THEMBISILE HANI LOCAL MUNICIPALITY
Annual Financial Statements
for the 12 month period ended 30 June 2022

**Audited
By**
2022 -12- 01
Auditor General South Africa
Mpumalanga Business Unit

THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

General Information

Mayoral committee

Executive Mayor

Speaker

Chief whip

Members of Executive Committee

Councillors

Cllr Dikgale Lesetja Jacob
Cllr Msiza Maria Poppy
Cllr Motanyane Thokozile Egnés
Cllr Tshabangu Lillian Martha
Cllr Mthimunya Joseph Elias
Cllr Mtsweni Lucky Xolani
Cllr Mabena Thomas Lebandla
Cllr Skhosana Ntombifuthi Thandeka
Cllr Malekane Eunice Martha
Cllr Seswike Simon Chani Puleng
Cllr Maphoso Lucky Mathhatsi
Cllr Mahlangu Steven Citha
Cllr Radebe Namntungwa Elizabeth
Cllr Ntuli Vusi Michael
Cllr Mabanga Mable Elsie
Cllr Sindana Simon Bangiswani
Cllr Dlamini Bongani Ntokozi
Cllr Masanabo Khanyi Leah
Cllr Ntuli Mmelisizwe Terance
Cllr Sepogwana Moses Mmoisetsi
Cllr Jiyane Richard Bongani
Cllr Masombuka Simon Vusi
Cllr Mnguni Simon Siphó
Cllr Dube Tenboy Butitjje
Cllr Mogoboya Samuel Bongani
Cllr Mgayi Fikile Violet
Cllr Mokoena David Sello
Cllr Mnguni Nomvula Sister
Cllr Jiyane Class Menzelwa
Cllr Nhlapho Sonto Rose
Cllr Msibi Bongani Victor
Cllr Mtshaise Bernard Vusi
Cllr Mahlangu Poppie
Cllr Nduli Masotja Petros
Cllr Mabhena Bawinile Simon
Cllr Sithole Mkhululi Jacob
Cllr Kgomo Rose Martha
Cllr Mahlangu Godfrey Nkosinathi
Cllr Skosana Solomon Fickson
Cllr Nkosi Thabile Prunella
Cllr Nobela Maria Thruddy
Cllr Mampuru Dipolelo Sinah
Cllr Mahlangu Christinah Ndlelehle
Cllr Tshabangu Lillian Martha
Cllr Mhlanga Maggie Thandi
Cllr Rahlogo Tsanky Michael
Cllr Motaung Ntombi Mitta
Cllr Mahlangu Thabiso Klass
Cllr Rampisa Motlalepule Sweetness

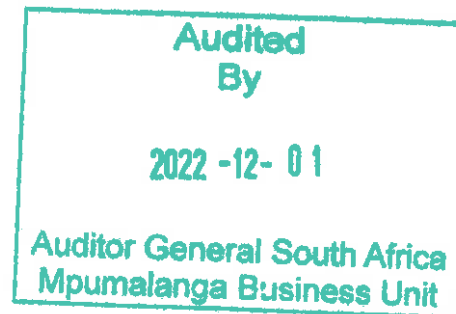


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General Information

Cllr Mokwena Augustine Renny
Cllr Shiburi Busisiwe Maria
Cllr Sithole Abram Glen
Cllr Molefe Remenky Stephinah
Cllr Mokolo Matalanyane Lucas
Cllr Gulube Lindiwe Kate
Cllr Khumalo Eliot Sunday
Cllr Nyalunga Xolani Clement
Cllr Mokwena Masontaga Adelaide
Cllr Sibanyoni David Mabuzwa
Cllr Tibane Thabo John
Cllr Mtsweni Samuel Mazungwe
Cllr Skhosana Andries Mphatlalashane
Cllr Mnguni Zenaye Jantjie
Cllr Mabelane Margaret
Cllr Mnguni Moses Thabo
Cllr Mtsweni Rubber Qaliwe



THEMBISILE HANI LOCAL MUNICIPALITY

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General Information

Audit committee members

Chairperson

Ms FJ Mudau

Members

Ms. Mathabiso Moloji- Chamane

Ms. Patience Ntuli

Ms. Jane Masite

Mr T Gafane

Chairperson of Risk Management Anti-Fraud and Anti-Corruption Committee

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



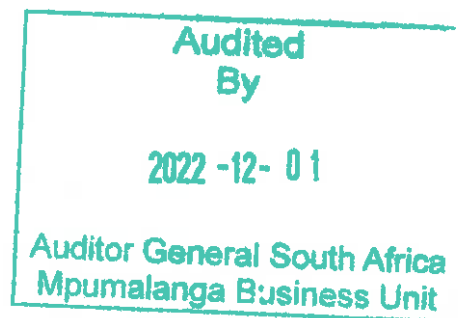
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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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COIDA	Compensation for Occupational Injuries and Diseases
CIDB	Construction Industry Development Board
CRR	Capital Replacement Reserve
COVID-19	Coronavirus Disease 2019
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
DBSA	Development Bank of Southern Africa
DLTC	Driving Licence Testing Centre
DWS	Department of Water and Sanitation
EEDM	Energy Efficiency and Demand Supply 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 (Act 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)
MPRA	Municipal Property Rates Act
MSA	Municipal Systems Act
PPE	Property, Plant and Equipment
PPR	Preferential Procurement Regulation
PSI	Product, Sales and Inventory
SAPS	South African Police Services
SCM	Supply Chain Management
WSIG	Water Service Infrastructure Grant



THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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



Accounting Officer (Acting)



THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

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	1	9	9
Ms. J Masite (Member)	4	4	1	9	9
Mr. T Gafane (Member)	4	4	1	9	4
Ms. M Moloji Chamane (Member) (Newly appointed)	4	4	1	9	9
Ms. P Ntuli1 (Member) (Newly appointed)	4	4	1	9	9

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

- * The Accounting Officer;

THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Report of the Audit and Performance Committee

- * 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
- * Mpumalanga Department of Cooperative Governance
- * South African Local Government Association (SALGA)
- * Internal Audit (Secretariat function)
- * Chairperson of Risk Management Anti-Fraud and Anti-corruption Committee

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 2021/22 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

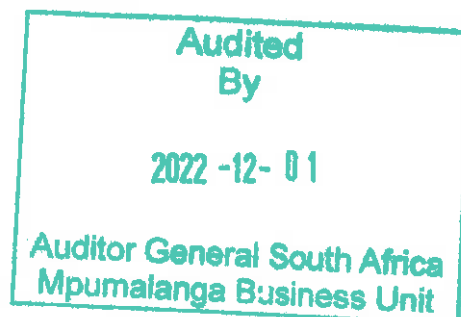
- * Internal Audit charter
- * Internal Audit methodology
- * Three year rolling strategic and Annual Audit Plan
- * Combined Assurance framework

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 that was conducted by the Council 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;
- * Compliance;
- * Supply chain management;
- * ICT audit;
- * Follow-up Governancet;
- * Asset management;
- * Local Economic Development;
- * Water and Sanitation;



THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Report of the Audit and Performance Committee

- * Waste and Environment
- * Occupation Health and Safety;
- * Follow up Buildings and Facilities;
- * Land and Buildings
- * Risk management
- * Revenue management;

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.

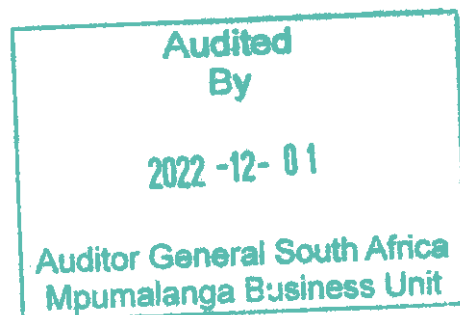
5. Risk Management

The municipality has an effective risk unit that consist of one 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
- * Risk appetite



6. Performance Management

Management has cascaded performance up to level five and plans have been put in place to cascade performance to other levels as well.

The Audit committee has reviewed the Annual Performance Information report in the meeting held on the 26 & 31 August 2022 and performance department has shown significant improvement

7. Year-end reporting

The Audit and Performance Committee (APC) has reviewed the Annual Performance Information report before the report was submitted to the Auditor-General and the quality of the quarterly reports submitted by management during the year were of acceptable standard.

8. Evaluation of annual financial statements

The Audit and Performance Committee (APC), on its meeting held on the 26 August 2022 to discuss the draft annual financial statements and unaudited annual report with the Accounting Officer, before submitting to the Auditor General.

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

THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Report of the Audit and Performance Committee

- * Clarity and completeness of disclosures has been set properly
- * Quality and acceptability of and any changes in accounting policies and practice.
- * Significant adjustments arising from the audit
- * Reasons for major year to year fluctuations

The Audit and Performance Committee (APC) has:

- * Further reviewed the audited financial statements to be included in the Annual Report with the Accounting Officer.
- * Reviewed the Auditor General Management report and management response thereof
- * Reviewed the municipality compliance with legal and regulatory provision and;
- * Reviewed significant adjustments resulting from the audit.

The Audit and Performance Committee (APC) concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements be accepted and read together with the report of the Auditor-General.

9. Internal audit recommendations

Audit and Performance Committee would like to appreciate the level of implementation of internal audit recommendations by management as that is the indication of commitment from the side of management

Description of departments	Previously reported deficiencies	Deficiencies due	Status of corrective action taken	
			YES	NO
Municipal Manager	3	3	2	1
Corporate Services	13	12	5	7

10. Conclusion

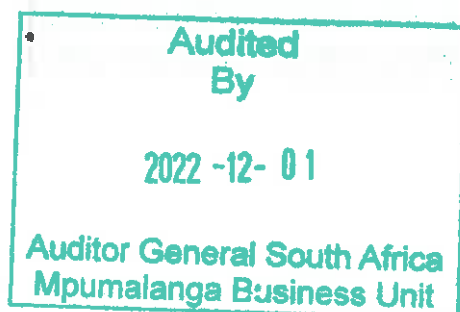
The Audit and Performance Committee (APC) acknowledges the co-operation and assistance by the Thembisile Hani Local Municipality for coordinating the activities of the Committee. We also acknowledge the commitment of the Accounting Officer and management of Thembisile Hani Local Municipality in strengthening corporate governance and working in maintaining the clean audit.

The Audit and Performance Committee (APC) further acknowledge the commitment and the foundation on good governance that has been laid by the previous Honorable Executive mayor Councillor N Mtshweni and the current Honorable Executive Mayor Councillor L Dikgale and his Council and further express gratitude to the Chief Audit Executive, Mr. AS Malope and his staff for the support and commitment to the work of the Audit and Performance Committee.



Mr. FJ Mudau

Chairperson of Audit committee



Date

31 August 2022

THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Statement

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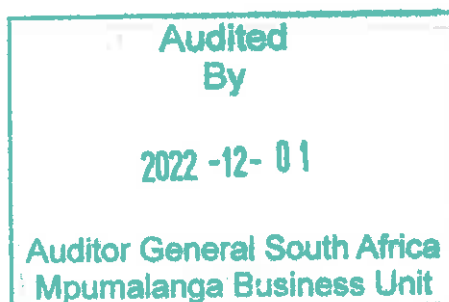
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Accounting officer (Acting)



THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	6	47,860,409	48,303,243
Receivables from exchange transactions	7&10	31,702,439	25,233,090
Receivables from non-exchange transactions	10&8	9,456,945	6,956,931
VAT receivable	9	-	7,401,660
Cash and cash equivalents	11	132,257,576	137,801,708
		<u>221,277,369</u>	<u>225,696,632</u>
Non-Current Assets			
Property, plant and equipment	3	2,379,103,220	2,280,792,402
Intangible assets	4	1,413,327	646,435
		<u>2,380,516,547</u>	<u>2,281,438,837</u>
Total Assets		<u>2,601,793,916</u>	<u>2,507,135,469</u>
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	49,812,901	110,179,954
VAT payable	15	34,966,665	-
Provisions	13	8,226,182	8,983,477
Employee benefit obligation - current portion	5	1,982,000	902,019
		<u>94,987,748</u>	<u>120,065,450</u>
Non-Current Liabilities			
Employee benefit obligation	5	11,199,000	10,209,273
Provisions	13	44,337,390	23,415,585
Payables from exchange transactions - non-current portion	14	42,515,305	42,035,396
		<u>98,051,695</u>	<u>75,660,254</u>
Total Liabilities		<u>193,039,443</u>	<u>195,725,704</u>
Net Assets		<u>2,408,754,473</u>	<u>2,311,409,765</u>
Accumulated surplus		<u>2,408,754,473</u>	<u>2,311,409,765</u>

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* See Note 40

THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	114,341,982	106,884,215
Rental of facilities and equipment	18	1,030,277	1,463,583
Agency services	25	11,315,061	11,350,797
Other income	21	1,176,893	1,926,580
Interest received	22	74,754,833	42,287,294
Total revenue from exchange transactions		202,619,046	163,912,469
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	55,144,559	53,977,351
Transfer revenue			
Government grants & subsidies	24	652,245,000	698,992,216
Donations received	26	7,110,280	44,530,677
Fines, penalties and forfeits	19	3,913,007	8,220,600
Total revenue from non-exchange transactions		718,412,846	805,720,844
Total revenue	16	921,031,892	969,633,313
Expenditure			
Employee related costs	27	(157,515,792)	(150,745,983)
Remuneration of councillors	28	(25,341,159)	(24,992,844)
Depreciation and amortisation	29	(79,596,249)	(71,045,243)
Finance costs	30	(8,036)	(39,413)
Lease rentals on operating lease	20	(6,301,622)	(5,952,771)
Debt Impairment	31	(220,433,366)	(179,904,022)
Prescription: Consumer debtors written off	32	-	(1,396,124)
Bulk purchases	33	(130,555,769)	(150,773,812)
Grants and subsidies paid		-	(770,439)
Gain/(Loss) on Property, plant and equipment derecognised		(7,313,597)	(14,776,017)
Amnesty: Consumer debtors written off	32	(2,083,321)	(3,719,781)
General Expenses	34	(201,341,812)	(189,659,759)
Total expenditure		(830,490,723)	(793,776,208)
Surplus for the year		90,541,169	175,857,105

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Mpumalanga Business Unit**

* See Note 40

THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2,339,216,193	2,339,216,193
Adjustments		
Prior period error: 2019-2020 and older (refer Note 40)	(10,446,710)	
Correction of errors prior year 2020-2021 (refer Note 40)	(17,359,718)	(17,359,718)
Restated* Balance at 01 July 2020 as restated*	2,311,409,765	2,311,409,765
Restated* Balance at 01 July 2021	2,311,409,765	2,311,409,765
Changes in net assets		
Correction: PPE	6,803,539	6,803,539
Net income (losses) recognised directly in net assets	6,803,539	6,803,539
Surplus for the year	90,541,169	90,541,169
Total recognised income and expenses for the year	97,344,708	97,344,708
Total changes	97,344,708	97,344,708
Balance at 30 June 2022	2,408,754,473	2,408,754,473
Note(s)	40	

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* See Note 40

THEMBISILE HANI LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Property rates		28,506,969	32,948,614
Government grants and subsidies - Operational		467,981,900	461,887,597
Government grants and subsidies - Capital		184,263,100	237,104,619
Interest income: Current bank accounts		1,301,325	783,601
Other receipts		20,090,325	19,391,390
VAT refund		79,782,047	61,121,776
		<u>781,925,666</u>	<u>813,237,597</u>
Payments			
Employee costs		(182,544,573)	(175,717,876)
Suppliers		(183,144,415)	(366,732,637)
Finance costs		(8,036)	(39,413)
Transfers and subsidies		(199,600)	(770,439)
		<u>(365,896,623)</u>	<u>(543,260,365)</u>
Net cash flows from operating activities	36	<u>416,029,043</u>	<u>269,977,232</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(426,205,712)	(235,163,827)
Purchase of other intangible assets	4	(1,392,325)	(147,708)
Interest Income: Investments accounts		6,024,862	3,723,998
		<u>(421,573,175)</u>	<u>(231,587,537)</u>
Net cash flows from investing activities			
Net increase/(decrease) in cash and cash equivalents		<u>(5,544,132)</u>	<u>38,389,695</u>
Cash and cash equivalents at the beginning of the year		137,801,708	99,412,013
Cash and cash equivalents at the end of the year	11	<u>132,257,576</u>	<u>137,801,708</u>

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* See Note 40

THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions	125,466,024	(11,070,427)	114,395,597	114,341,982	(53,615)	The was data cleansing on consumer accounts which affected the billing by going down.
Service charges						
Rental of facilities and equipment	1,124,820	(245,820)	879,000	1,030,277	151,277	More rentals/bookings were done by community than anticipated
Agency services	9,182,484	2,168,313	11,350,797	11,312,617	(38,180)	Less 20% paid out by the Department to the municipality because of less collection by the municipality for the department was anticipated
Licences and permits	175,884	(43,884)	132,000	2,444	(129,556)	Less licence and permits were renewed than anticipated
Other income	1,204,680	(628,680)	576,000	1,176,893	600,893	More revenue was collected than anticipated
Interest received - External Investments	3,999,996	1,062,100	5,062,096	7,326,187	2,264,091	More funds were invested than anticipated and this resulted to higher interest received
Interest received - Outstanding Debtors	61,389,792	4,566,000	65,955,792	67,428,646	1,472,854	More interest were received than anticipated because of non payment of services by the consumers
Total revenue from exchange transactions	202,543,680	(4,192,398)	198,351,282	202,619,046	4,267,764	

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THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

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
Revenue from non-exchange transactions						
Taxation revenue	42,971,856	12,807,379	55,779,235	55,144,559	(634,676)	There was write offs, Prescriptions, and data cleansing done on consumer accounts and this affected interest received
Property rates						
Transfer revenue						
Government grants & subsidies - Operational & Capital grants	648,245,016	(16)	648,245,000	652,245,000	4,000,000	Additional grant received from DWS
Donations received	-	-	-	7,110,280	7,110,280	The municipality does not provide budget for donations received
Fines, Penalties and Forfeits	10,552,896	2,068,170	12,621,066	3,913,007	(8,708,059)	Less traffic fines were issued by traffic officers than anticipated
Total revenue from non-exchange transactions	701,769,768	14,875,533	716,645,301	718,412,846	1,767,545	
Total revenue	904,313,448	10,683,135	914,996,583	921,031,892	6,035,309	

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THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

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
Expenditure						
Personnel	(166,375,000)	(711,563)	(167,086,563)	(157,515,792)	9,570,771	Less expenditure incurred because of vacant position
Remuneration of councillors	(28,228,584)	1,367,661	(26,860,923)	(25,341,159)	1,519,764	Less expenditure incurred because there was no increase given by CoGTA for councillors
Depreciation and amortisation	(84,896,412)	4	(84,896,408)	(79,596,249)	5,300,159	Less expenditure incurred because less wip capitalised than anticipated
Finance costs	(1,299,996)	-	(1,299,996)	(8,036)	1,291,960	Less expenditure incurred because of the decrease of interest of lease as per signed contract
Lease rentals on operating lease	(6,413,676)	-	(6,413,676)	(6,301,622)	112,054	Less expenditure incurred because of less usage of machinery and vehicles
Debt Impairment	(305,555,232)	-	(305,555,232)	(220,433,366)	85,121,866	Less actual incurred because of the data cleansing, prescriptions and written off of consumer accounts
Amnesty written off	-	-	-	(2,083,321)	(2,083,321)	Amnesty Written Off are budgeted under Debt Impairment
Bulk purchases	(143,878,824)	-	(143,878,824)	(130,555,769)	13,323,055	Less expenditure incurred because the City of Tshwane has supplied the municipality less water than anticipated.
Grants and Subsidies paid	(250,008)	4	(250,004)	-	250,004	Less expenditure incurred during the financial year
Gain/(Loss) on Property, plant and equipment derecognised	-	-	-	(7,313,597)	(7,313,597)	Redundant and broken moveable asset items had to be written-off.

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THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
General Expenses	(185,531,988)	(23,331,178)	(208,863,166)	(201,341,812)	7,521,354	Less expenditure incurred on items like Impairment of Traffic Fine, Long Services Award, Leave and Bonus Impairment and landfill provision
Total expenditure	(922,429,720)	(22,675,072)	(945,104,792)	(830,490,723)	114,614,069	
Surplus before taxation	(18,116,272)	(11,991,937)	(30,108,209)	90,541,169	120,649,378	-

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THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Reportable segments for the year 30 June 2022

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Segment revenue

Segment expenditure

Non-current
Assets

Liabilities

	Revenue from non-exchange transactions	Revenue from exchange transactions	Interest revenue	Other revenue	Expenses: Salaries and wages	Expenses: Depreciation and amortisation	Expenses: Other	PPE: Additions	Non-current Assets	Liabilities
REVENUE & EXPENDITURE										
Municipal governance and administration										
Executive and council	-	-	-	(25,341,159)	(13,101,986)	-	(6,933,279)	2,520,426	-	97,879
Mayor and Council	-	-	-	(6,188,192)	(2,977,838)	(86,904,423)	(6,263,371)	183,053,425	-	-
Municipal Manager, Town Secretary and Chief Executive	-	-	-	-	(12,958,491)	-	(243,850,455)	1,225,049	-	-
Finance and administrative	-	-	-	-	(5,386,860)	-	(23,508,985)	251,037	-	(15,459,401)
Administrative and Corporate Support	-	-	-	262,774	(8,503,663)	-	(14,374,450)	-	-	(13,672)
Asset Management	(31,081,375)	-	7,326,187	460,340,588	(5,995,294)	-	(8,564,532)	-	-	(6,584,705)
Finance	-	-	-	-	(3,139,847)	-	(1,565,541)	-	-	(570,516)
Fleet Management	-	-	-	968,662	(1,100,956)	-	(23,669)	21,899	-	-
Human Resources	-	-	-	-	(3,079,945)	-	(47,639)	-	-	-
Information Technology	-	-	-	-	(2,237,260)	-	(944,068)	-	-	(4,012)
Legal Services	-	-	-	-	-	-	-	-	-	-
Property Services	86,225,934	-	-	-	-	-	-	-	-	-
Risk Management	-	-	-	-	-	-	-	-	-	-
Supply Chain Management	-	-	-	-	-	-	-	-	-	-
Internal audit	-	-	-	-	-	-	-	-	-	-
Governance Function	-	-	-	-	-	-	-	-	-	-
Community and social services	-	-	-	-	-	-	-	-	-	-
Cemeteries, Funeral Parlours and Crematoriums	-	-	-	17,727	-	-	(129,898)	-	-	-
Community Halls and Facilities	-	-	-	-	-	-	(883,664)	-	-	(5,287)
Libraries and Archives	-	-	-	62,719	(4,001,238)	-	-	-	-	-
Disaster management	-	-	-	6,795	(2,147,273)	-	-	-	-	(130,768)
Sport and recreation	-	-	-	-	-	-	-	-	-	-
Sports Grounds and Stadiums	-	-	-	5,975	(6,772,146)	-	(139,684)	-	-	(3,254,505)
Economic and environmental services										
Planning and development	-	-	-	-	-	-	-	-	-	-

THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

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Figures in Rand

Corporate Wide Strategic Planning (IDPs, LEDs)	-	-	-	-	(398,765)	-	-	-	-
Economic Development/Planning: Community Services	-	-	116,651	(3,693,748)	(45,528)	-	-	-	(2,809,229)
Economic Development/Planning: Local Economic Development	-	-	-	(5,738,931)	(25,285)	-	-	-	-
Economic Development/Planning: Technical Services	-	-	130,731,372	(1,191,634)	(129,410)	-	-	-	705,043
Town planning: Building Plans and Inspection	-	-	286,828	-	-	-	-	-	-
Town Planning, Building Regulations and Enforcement, and City Engineer	-	-	-	-	(1,681,761)	-	-	-	-
Project Management Unit	-	-	-	(5,330,239)	(550,535)	-	-	-	(295,832)
Road transport	-	-	15,228,068	(15,011,038)	(30,504,590)	-	-	-	-
Road and traffic regulation	-	-	-	-	-	-	-	-	-
Trading services	-	-	-	-	-	-	-	-	-
Energy sources	-	-	4,500,000	(1,653,525)	(22,707,216)	-	-	-	(1,953,786)
Electricity	-	-	-	-	-	-	-	-	-
Water management	-	-	-	-	-	-	-	-	-
Water Treatment	-	-	55,000,000	(20,283,039)	(155,426,945)	(5,423)	149,767,971	-	(23,878,162)
Water Distribution	-	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-
Sewerage	-	-	864,128	(13,797,135)	(10,852,262)	-	89,365,902	-	(35,315,685)
Roads & Storm Water Management	-	-	-	(7,242,503)	(399,168)	-	-	-	5,287
Waste water treatment	-	-	1,890,529	-	-	-	-	-	(2,031,616)
Waste management	-	-	-	-	-	-	-	-	-
Recycling	-	-	-	-	-	-	-	-	-
Solid Waste Disposal (Landfill Sites)	-	-	-	-	-	-	-	-	-
Solid Waste Removal	-	-	36,036,792	(6,524,570)	(24,085,478)	-	-	-	(757,908)
Other	-	-	-	-	-	-	-	-	-
Road transport	-	-	-	-	-	-	-	-	-
Total	55,144,559	114,341,982	74,754,833	(183,398,510)	(96,909,846)	(560,182,366)	426,205,709	(92,328,259)	(92,328,259)
Total segmental surplus/(deficit)						90,541,169			

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THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

Reportable segments for the year 30 June 2021

	Segment revenue		Segment expenditure		Non-current Assets	Liabilities	
	Revenue from non-exchange transactions	Interest revenue	Other revenue	Expenditure: Salaries and wages			Expenditure: Depreciation and amortisation
REVENUE & EXPENDITURE							
Municipal governance and administration							
Executive and council	-	-	-	(24,992,844)			
Mayor and Council	-	-	-	(6,432,849)			
Municipal Manager, Town Secretary and Chief Executive	-	-	-	-			
Finance and administration	-	-	-	(12,611,710)			
Administrative and Corporate Support	-	-	44,530,677	(2,801,807)	(70,697,866)		(125,004)
Asset Management	15,646,472	5,898,171	463,505,043	(12,093,361)	(227,273,436)		(79,938,898)
Finance	-	-	-	(5,337,101)	-		(365,199)
Fleet Management	-	-	240,589	(7,212,982)	(16,209,110)	148,000	(927,731)
Human Resources	-	-	-	(5,636,885)	(7,383,001)	2,739,881	-
Information Technology	-	-	-	(2,927,492)	(347,362)		-
Legal Services	-	-	1,529,837	-	(1,397,445)		-
Property Services	38,330,879	-	-	(306,431)	(86,900)		(86,900)
Risk Management	-	-	-	(1,060,679)	(4,857)		-
Supply Chain Management	-	-	-	(2,955,612)	(57,563)		-
Internal audit	-	-	-	(2,137,958)	(17,651)		(4,012)
Governance Function							
Community and public services							
Community and social services	-	-	17,310	-	(135,399)		
Cemeteries, Funeral Parlours and Crematoriums	-	-	59,396	(5,337,878)	(576,439)	3,542,937	(50,288)
Community Halls and Facilities	-	-	-	-	(60,153)		(130,768)
Disaster Management	-	-	3,752	(1,629,956)	-		
Libraries and Archives	-	-	-	-	-		


THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

Sport and recreation	-	1,594	(5,812,145)	-	(192,867)	13,212,977	(1,839,063)
Sports Grounds and Stadiums	-	-	-	-	-	-	-
Economic and environmental services	-	-	-	-	(49,140)	-	(27,169)
Planning and development	-	-	-	-	-	-	-
Corporate Wide Strategic Planning (IDPs, LEDs)	-	25,358	(3,286,616)	-	(3,255)	-	(2,479,601)
Economic Development/Planning: Community Services	-	-	(5,411,813)	-	(771,779)	-	(321,934)
Economic Development/Planning: Local Economic Development	-	-	(1,221,541)	-	(637,294)	-	705,043
Economic Development/Planning: Technical Services	-	427,243	-	-	-	-	-
Town planning: Building Plans and Inspection	-	-	-	-	(5,267,538)	1,392,207	-
Town Planning, Building Regulations and Enforcement, and City Engineer	-	-	(5,088,829)	-	-	130,245	(262,500)
Project Management Unit	-	19,571,397	(14,540,237)	-	(25,491,536)	326,726	-
Road transport	-	-	-	-	-	-	-
Road and traffic regulation	-	-	-	-	-	-	-
Trading services	-	3,600,000	(1,549,567)	-	(20,166,729)	4,004,914	(1,683,038)
Energy sources	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-
Water management	70,548,116	51,618,226	(19,053,812)	-	(201,227,729)	89,085,217	(19,155,309)
Water Distribution	-	-	-	-	-	-	-
Waste water management	-	-	(13,500,692)	-	(5,826,956)	91,808,460	(7,661,965)
Roads & Storm Water Management	1,463,505	675,030	(6,913,564)	-	(321,034)	41,589,217	(37,112,984)
Waste water treatment	-	-	-	-	-	-	-
Waste management	-	-	-	-	-	-	-
Recycling	-	-	-	-	-	-	-
Solid Waste Disposal (Landfill Sites)	-	-	-	-	-	-	-
Solid Waste Removal	34,872,594	1,772,513	(6,190,897)	-	(4,613,065)	6,826,290	(845,909)
Other	-	-	-	-	-	-	-
Licences and Regulations: Trading licences	-	-	-	-	-	-	-
Total	53,977,351	106,884,215	(175,738,827)	(71,045,228)	(560,296,645)	255,655,094	(152,215,350)
Total segmental surplus/(deficit)					175,857,105		



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THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

Accounting policies

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 2022

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 38 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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Annual Financial Statements for the year ended 30 June 2022

Accounting policies



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.

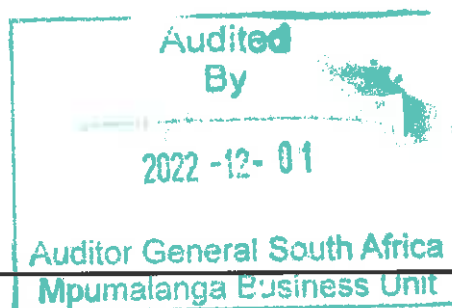
The useful lives of items of property, plant and equipment have been assessed as follows:

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.

Accounting policies



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.

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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.

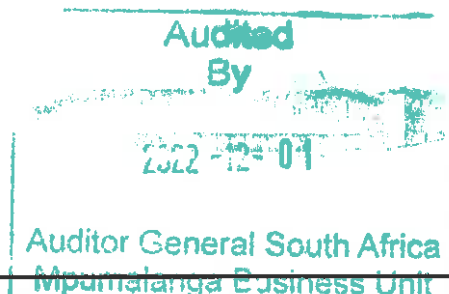
Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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

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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 unissued 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

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Accounting policies

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.

**Audited
By**

2022 -12- 01

**Auditor General South Africa
Mpumalanga Business Unit**

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Accounting policies

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, a 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

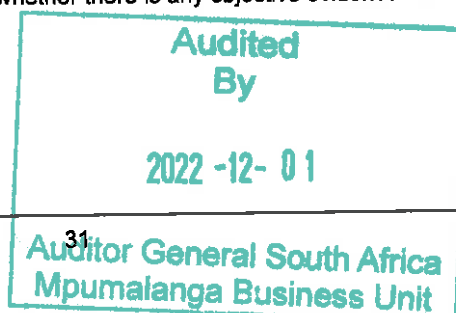
A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

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:



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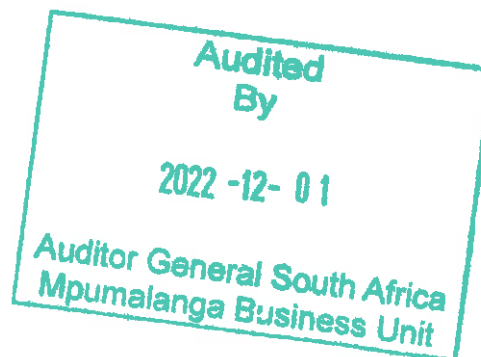
Accounting policies

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.

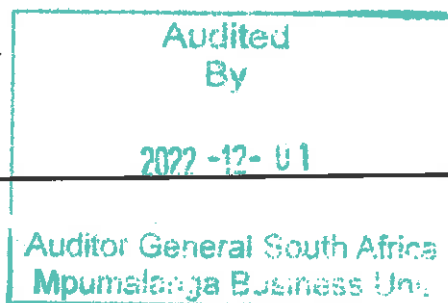
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result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



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.

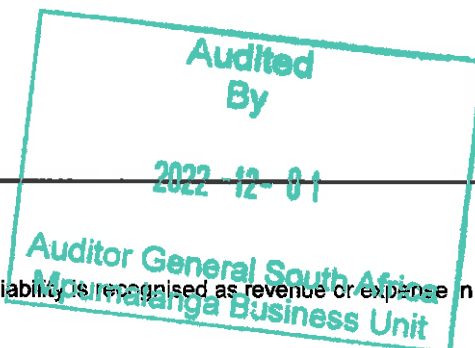
An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial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

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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.

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

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

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

Derecognition

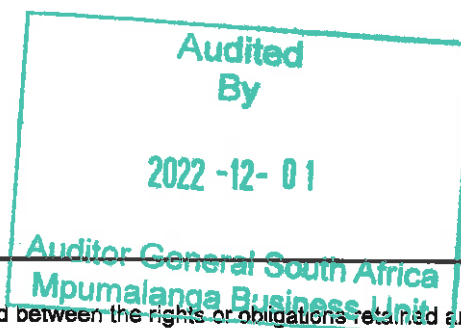
The municipality derecognises a statutory receivable, or a part thereof, when:

- 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.

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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.

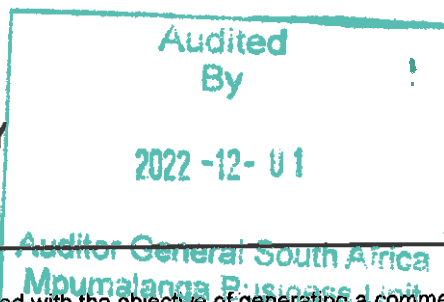
Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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.

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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

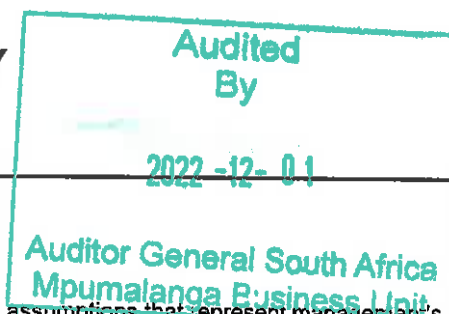
Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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

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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

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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.

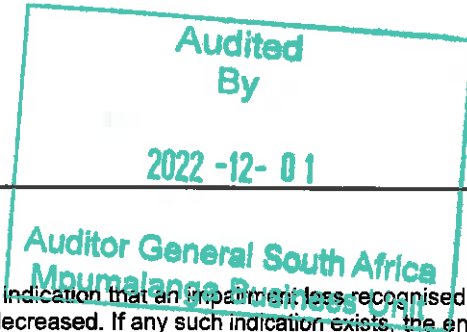
The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

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.



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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.

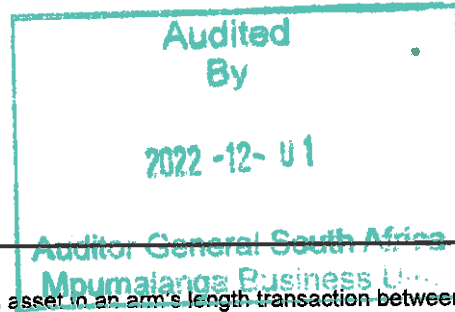
Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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

THEMBISILE HANI LOCAL MUNICIPALITY

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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 overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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Annual Financial Statements for the year ended 30 June 2022

Accounting policies

Audited
By

2022 -12- 01

Auditor General South Africa
Mpumalanga Business Unit

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.

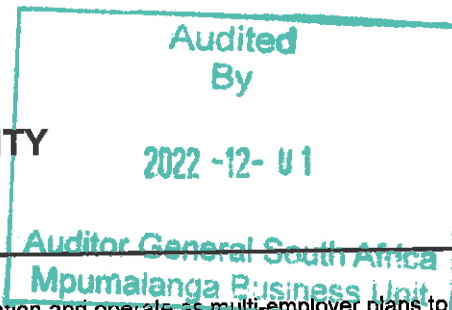
Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

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

THEMBISILE HANI LOCAL MUNICIPALITY

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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.

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.

Accounting policies

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 38.

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

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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

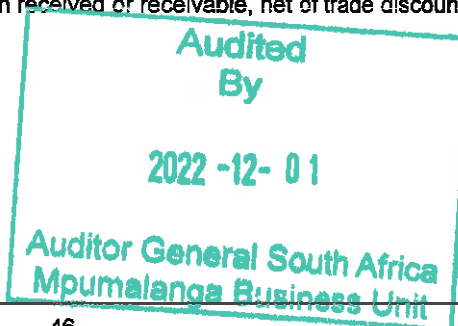
Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

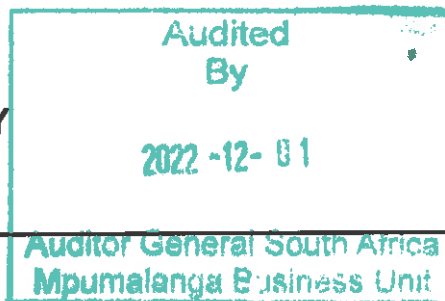
Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.



THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

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 2022

Accounting policies

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.

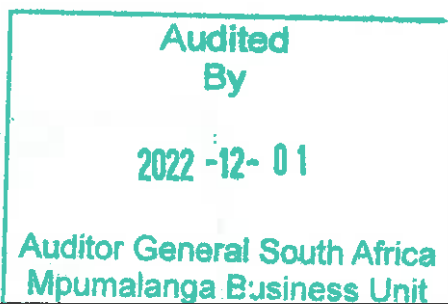
Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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.

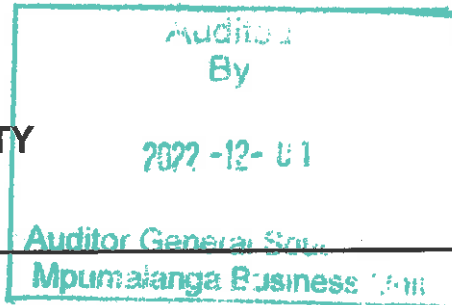
As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.



THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

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.

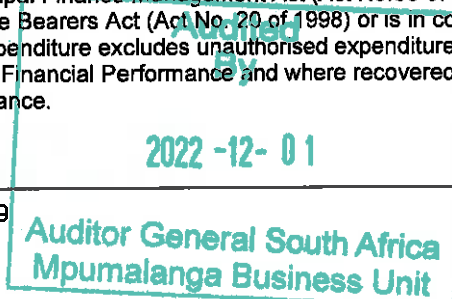
1.21 Fruitless and wasteful expenditure

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

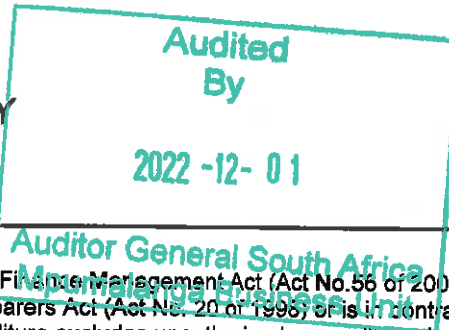
Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 29 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular 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 2022

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 1996) 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 2022

Accounting policies

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:

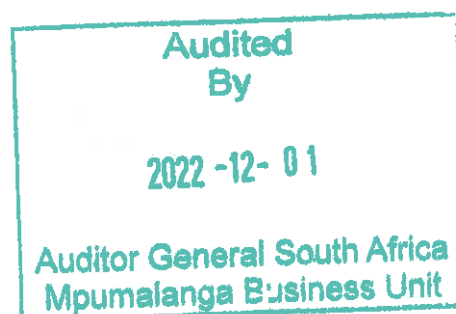
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);
- and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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 2022

Notes to the Annual Financial Statements

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
---------------------------	---	------------------

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Guideline: Guideline on Accounting for Landfill Sites	01 April 2009	Unlikely there will be a material impact
Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact

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:

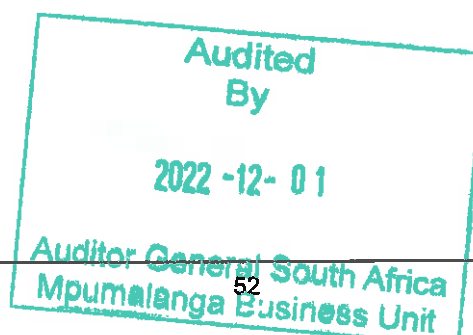
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about 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 2022

Notes to the Annual Financial Statements

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.

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By
2022-12-01
Auditor General South Africa
Mpumalanga Business Unit

THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land - General plant	530,928,854	-	530,928,854	530,928,854	-	530,928,854
Machinery and equipment	8,265,532	(5,114,808)	3,150,724	8,200,843	(3,998,908)	4,201,935
Furniture and office equipment	7,580,810	(5,851,485)	1,729,325	7,721,299	(5,725,029)	1,996,270
Transport assets	96,420,303	(57,598,463)	38,821,840	78,219,974	(46,123,655)	32,096,319
IT equipment	20,371,751	(7,642,783)	12,728,968	12,077,830	(5,887,701)	6,190,129
Community assets	508,145,601	(303,782,719)	204,362,882	493,163,327	(294,625,630)	198,537,697
Solid waste	71,378,898	(407,221)	70,971,677	63,648,836	(359,050)	63,289,786
Storm water Infrastructure	139,938,865	(57,996,635)	81,942,230	136,719,535	(54,362,973)	82,356,562
Water network - Boreholes	71,331,207	(29,091,223)	42,239,984	79,037,833	(27,604,804)	51,433,029
Sanitation Infrastructure	110,409,726	(47,849,308)	62,560,417	85,046,104	(44,421,256)	40,624,848
Road Infrastructure	1,167,893,848	(675,582,133)	492,311,715	1,124,694,832	(659,117,599)	465,577,233
Water Supply Distribution	636,899,994	(319,224,908)	317,675,086	591,794,823	(311,853,174)	279,941,649
Water Supply Bulk mains	273,051,584	(181,083,239)	91,968,345	271,371,313	(180,532,725)	90,838,588
Pumpstations	247,676,390	(23,474,607)	224,201,783	239,438,461	(16,549,641)	222,888,820
Reservoirs	312,504,910	(108,995,520)	203,509,390	311,309,509	(101,418,826)	209,890,683
Total	4,202,798,273	(1,823,695,053)	2,379,103,220	4,033,373,373	(1,752,580,971)	2,280,792,402



THEMBISILE HANI LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

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Reconciliation of property, plant and equipment - 30 June 2022

	Opening balance	Additions	WIP in/(out)	Transfers	Derecognition costs	Derecognition accumulated depreciation	Derecognition accumulated impairment	Depreciation	Impairment loss	Total
Land - General plant	530,928,854	-	-	-	-	-	-	-	-	530,928,854
Machinery and equipment	4,201,930	71,140	-	-	(6,450)	5,381	-	(1,121,281)	-	3,150,724
Furniture and office equipment	1,996,270	209,864	-	-	(350,354)	307,764	1	(434,220)	-	1,729,325
Transport assets	32,086,319	18,200,329	-	-	-	-	-	(11,474,808)	-	38,821,840
IT equipment	6,190,129	9,041,105	-	-	(747,185)	681,276	3	(2,436,361)	-	12,728,968
Community assets	198,537,697	53,967,583	(38,015,097)	-	(970,213)	702,022	-	(9,833,948)	(25,162)	204,362,882
Solid waste	63,289,786	78,712,923	(70,982,860)	-	(1,289)	841	-	(48,171)	(72)	70,971,677
Storm water	82,356,562	7,916,540	(3,612,120)	-	(1,085,089)	255,473	-	(3,876,556)	(12,580)	81,942,230
Water network - Boreholes	51,433,029	1,503,981	-	-	(9,210,604)	2,504,587	1,851,149	(2,837,029)	(3,005,128)	42,239,984
Sanitation Infrastructure	40,624,848	25,364,911	-	-	-	-	-	(3,428,821)	-	62,560,417
Roads Infrastructure	465,577,233	81,449,362	(38,200,364)	-	(50,018)	39,121	-	(16,503,655)	-	492,311,715
Water Supply Distribution	279,941,649	50,471,962	(4,866,948)	-	(499,844)	483,093	-	(7,854,826)	-	317,675,086
Water Supply Bulk Mains	90,838,588	88,259,575	(85,932,552)	-	(646,181)	643,334	-	(1,193,849)	-	91,968,345
Pumpstations	222,888,820	9,000,440	-	-	(762,512)	61,417	-	(6,986,382)	-	224,201,783
Reservoirs	209,890,684	2,035,994	-	-	(840,593)	321,273	-	(7,892,544)	(5,423)	203,509,390
	2,280,792,398	426,205,709	(241,609,941)	(15,170,332)	6,005,582	1,851,153	(75,922,451)	(3,048,366)	2,379,103,220	

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2022 -12- 01
Auditor General South Africa
Mpumalanga B:usiness Unit

THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 30 June 2021

	Opening balance	Additions	WIP out	WIP Transfers out	WIP 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	1,406,719	3,481,640	-	-	-	-	-	-	(686,424)	-	4,201,935
Furniture and office equipment	2,512,774	126,798	-	-	-	-	-	-	(843,302)	-	1,996,270
Transport assets	3,352,617	33,832,018	-	-	-	-	-	-	(5,069,395)	(18,921)	32,096,319
IT equipment	5,142,359	2,737,881	-	-	-	(19,264)	17,207	-	(1,688,054)	-	6,190,129
Community assets	184,646,932	25,986,671	-	-	-	(2,693,906)	991,649	2,469	(10,238,922)	(157,195)	198,537,697
Solid Waste	57,134,584	6,158,494	-	-	-	-	-	-	(3,292)	-	63,289,786
Storm Water	64,679,390	20,491,267	-	-	20,491,267	(524,394)	382,120	-	(2,663,878)	(7,943)	82,356,562
Water network - Boreholes	63,054,742	6,442,501	(5,525,471)	(5,525,471)	5,525,471	(15,525,326)	5,398,675	53,855	(4,010,470)	(3,980,950)	51,433,029
Sanitation Infrastructure	34,877,575	7,586,921	(18,682,756)	(18,682,756)	19,299,681	(34,164)	22,444	-	(2,433,156)	(11,694)	40,624,848
Road Infrastructure	427,898,786	65,326,839	(45,995,391)	(45,995,391)	36,583,553	(2,270,215)	1,661,756	-	(17,626,906)	(1,189)	465,577,233
Water Supply Distribution	322,444,159	24,108,516	(70,126,363)	(70,126,363)	11,357,543	(46,880)	4,219	-	(7,388,425)	(411,119)	279,941,649
Water Supply Bulk Mains	156,604,407	42,702,896	(106,831,335)	(106,831,335)	-	-	-	-	(1,637,380)	-	90,838,588
Pump Stations	17,331,582	1,309,589	-	-	208,504,751	(712,503)	692,196	-	(4,236,796)	-	222,888,819
Reservoirs	238,594,512	15,363,063	(65,763,220)	(65,763,220)	31,653,564	(2,760,233)	540,022	45,458	(7,581,779)	(200,701)	209,890,683
	2,110,613,251	255,655,094	(312,924,536)	(312,924,536)	333,415,830	(24,590,144)	9,710,288	101,782	(65,908,179)	(4,789,712)	2,280,792,401

Property, plant and equipment: Contingent assets

Contingent assets: property, plant and equipment	
Stormwater Phumula	4,608,368
Community Hall Moloto	7,497,549
Kwaggafontein B and C Stormwater drainage	955,739
Bundu Machipe Community Hall (CB)	1,200,811
	14,262,467

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THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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	10,985,487	33,048,097
Roads infrastructure	61,853,004	56,112,151
Stormwater infrastructure	-	1,345,719
Sanitation infrastructure	6,868,580	6,868,580
Solid waste	-	63,252,801
Water network: Boreholes	6,211,484	9,644,820
Water supply: Bulk mains	-	11,257,361
Water Supply Distribution	70,645,850	35,218,648
Pump Stations	-	25,176,096
Reservoirs	434,783	957,301
Design and implementation of Energy Efficiency Programme (capital)	3,911,984	-
ICT System upgrade to improve operation; security and continuity	3,954,415	-
	164,865,587	242,881,574

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	694,966
2. Construction of Moloto South Bus Route - Ward 1 MIG	904,545	904,545
3. Construction of Zakehni Bus Route - Ward 4 MIG	1,098,722	1,098,722
4. Drill; Refurbish & Equip of Borehole W 22 Luthuli;Mahlabathi	228,262	228,262
5. Drill; Refurbish & Equip of Borehole W 28 Kwaggafontein	320,568	320,568
6. Drill; Refurbish & Equip of Borehole W 31 Kwaggafontein E; D	326,316	326,316
7. Upgrading of Kwaggafontein Stadium (Multi-Year Project) - Ward 26	910,330	910,330
8. Enkeldoemoog B WSI Pipelines Civil Engineer Ward 5	-	5,985,804
9. Upgrade Enkeldoemoog B Pump Station Civil Engineers Ward 5	-	3,426,051
10. Upgrade of Moloto South KwaMhlanga & Kameelpoort W2 32 19	522,723	522,723
11. Drill; Refurbish & Equip of Borehole W 29 Kwaggafontein	279,482	279,482
	5,285,914	14,697,769

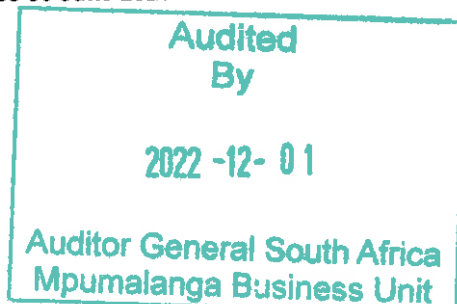
These are design costs on the above 9 projects: Construction is yet to be commence due to budget constraints.

Reconciliation of Work-in-Progress 30 June 2022

	Included within Infrastructure	Total
Opening balance	242,882,132	242,882,132
Additions/capital expenditure	163,593,952	163,593,952
Transferred to completed items	(241,609,941)	(241,609,941)
	164,866,143	164,865,783

Reconciliation of Work-in-Progress 30 June 2021

	Included within Infrastructure	Total
Opening balance	360,821,204	360,821,204
Additions/capital expenditure	194,985,490	194,985,490
Transferred to completed items	(312,924,562)	(312,924,562)
	242,882,132	242,882,132



THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
Other information		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Community assets	570,137	198,020
Roads infrastructure	8,849,029	3,780,016
IT equipment	87,703	174,290
Water supply - Bulk mains	2,222,702	187,074
Transport assets	12,982,689	9,451,457
Electrical	-	875,636
Machinery and equipment	-	92,199
	24,712,260	14,758,692

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.



THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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4. Intangible assets

	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2,540,037	(1,126,710)	1,413,327	1,147,713	(501,278)	646,435

Reconciliation of intangible assets - 30 June 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	646,435	1,392,325	(625,433)	1,413,327

Reconciliation of intangible assets - 30 June 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	846,089	147,708	(347,362)	646,435

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:

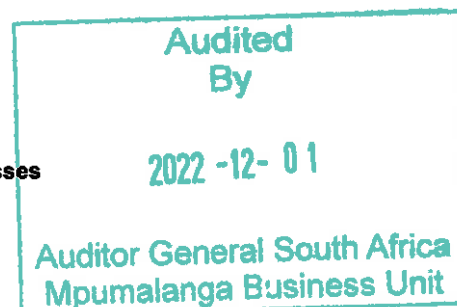
Carrying value		
Present value of the defined benefit obligation-partly or wholly funded	13,181,000	11,111,292
Non-current liabilities: > 1 year	(11,199,000)	(10,209,273)
Current liabilities: < 1 year	(1,982,000)	(902,019)
	(13,181,000)	(11,111,292)

Net expense recognised in the statement of financial performance

Current service cost	1,086,262	902,454
Interest cost	922,114	779,841
Benefit paid	(948,000)	(1,008,000)
Actuarial Loss/(Gain)	1,009,332	1,483,906
	2,069,708	2,158,201

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	1,009,332	1,483,906
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THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

Key assumptions used

Assumptions used at the reporting date:

Average age of retirement	63	63
Net effective discount rate	11.38 %	8.65 %
CPI Consumer price inflation	7.60 %	4.97 %
Normal salary increase rate	8.60 %	5.97 %
Other material actuarial assumptions [provide details]	2.56 %	2.53 %

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	2,913,000	2,528,000
Effect on defined benefit obligation	14,119,000	12,332,000

As per the table above, a 1% increase in the salary increase rate results in a 7,11% increase in the accrued liability whilst a 1% decrease in salary increase rate will result result in a 6,44% decrease in the accrued liability.:

6. Inventories

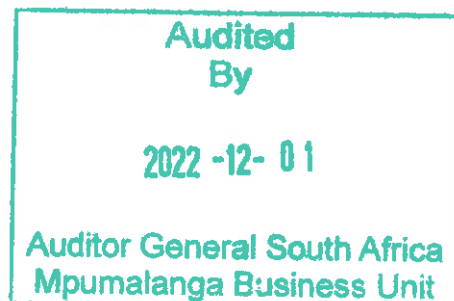
Inventories Land held for sale	46,056,215	46,581,575
Water for distribution	1,662,657	1,642,769
Stores and materials	141,537	78,899
	<u>47,860,409</u>	<u>48,303,243</u>

Water for distribution

Opening balance	1,642,769	1,649,393
System input volume	158,368,700	151,064,897
Authorised consumption	(133,851,690)	(113,488,850)
Water losses	(24,199,072)	(37,307,879)
Data transfer and management errors	(298,051)	(274,790)
Closing balance	<u>1,662,656</u>	<u>1,642,771</u>

Water losses

Water losses	15 %	25 %
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THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
7. Receivables from exchange transactions		
Debtors shortages	138,206	11
Sundry debtors - Rental	542,429	516,701
Under banking DLTC	4,446,218	-
Interest receivable	-	3,840,341
Consumer debtors - Water	18,118,176	14,256,793
Consumer debtors - Sewerage	322,026	254,582
Consumer debtors - Refuse	8,135,384	6,364,772
	31,702,439	25,233,200

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(1,390,304,423)	(1,214,343,235)
Provision for impairment	(218,742,421)	(175,961,188)
	(1,609,046,844)	(1,390,304,423)

Deposits for prior year has been reallocated to Other debtors.

There was an under banking from DLTC amounting to R4 446 218 the municipality opened a case at SAPS Kwamhlanga, case number registered, ref nr CAS 500/8/2022.

8. Receivables from non-exchange transactions

Other receivables from non-exchange transactions

Overpayments	706,639	35,404
Statutory receivables		
Consumer debtors - Property Rates	5,724,089	4,536,043
Traffic fines	3,026,217	2,385,484
	9,456,945	6,956,931

Traffic fines - Impaired

Gross balance	36,541,453	34,209,674
Less: Allowance for impairment	(33,517,095)	(31,824,291)
	3,024,358	2,385,383



The Traffic Fines are administrated as per iGrap01 and the Traffic Regulation Act.

Property rates - Impaired

Gross balance	295,424,892	254,837,259
Less: Allowance for impairment	(289,628,432)	(250,254,796)
	5,796,460	4,582,463

The Property Rates is charged to the consumers as per the MPRA, MSA (Chapter 09) and the adopted Tariff Structure.

THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
9. VAT receivable		
VAT receivable	-	164,263,870
VAT payable	-	(156,862,210)
	<u>-</u>	<u>7,401,660</u>
Prior period error correction was made to Vat receivable to the amount of R13 304 493.		
10. Consumer debtors- Disclosure		
Gross balances		
Consumer debtors - Rates	295,352,521	254,790,839
Consumer debtors - Water	919,184,409	792,827,270
Consumer debtors - Sewerage	16,412,494	14,157,626
Consumer debtors - Refuse	410,397,095	353,940,879
	<u>1,641,346,519</u>	<u>1,415,716,614</u>
Less: Allowance for impairment		
Consumer debtors - Rates	(289,628,432)	(250,254,796)
Consumer debtors - Water	(901,066,233)	(778,570,477)
Consumer debtors - Sewerage	(16,090,468)	(13,903,044)
Consumer debtors - Refuse	(402,261,711)	(347,576,107)
	<u>(1,609,046,844)</u>	<u>(1,390,304,424)</u>
Net balance		
Consumer debtors - Rates	5,724,089	4,536,043
Consumer debtors - Water	18,118,176	14,256,793
Consumer debtors - Sewerage	322,026	254,582
Consumer debtors - Refuse	8,135,384	6,364,772
	<u>32,299,675</u>	<u>25,412,190</u>
Included in above is receivables from exchange transactions		
Water	18,033,432	14,256,552
Sewerage	322,026	254,582
Refuse	8,050,639	6,364,531
	<u>26,406,097</u>	<u>20,875,665</u>
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	5,796,459	4,582,463
	<u>5,796,459</u>	<u>4,582,463</u>
Net balance		
	<u>32,202,556</u>	<u>25,458,128</u>
Rates		
Current (0 -30 days)	118,827	91,649
31 - 60 days	99,699	91,649
61 - 90 days	26,664	91,649
91 - 120 days	108,394	91,649
121 - 365 days	737,889	595,720
> 365 days	4,632,616	3,573,727
	<u>5,724,089</u>	<u>4,536,043</u>

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Figures in Rand	2022	2021
Water		
Current (0 -30 days)	804,279	570,262
31 - 60 days	214,598	142,566
61 - 90 days	164,104	142,566
91 - 120 days	2,151,388	1,710,786
121 - 365 days	1,311,030	997,958
> 365 days	13,472,777	10,692,655
	18,118,176	14,256,793
Sewerage		
Current (0 -30 days)	10,305	7,637
31 - 60 days	3,800	2,546
61 - 90 days	3,027	2,546
91 - 120 days	49,817	38,187
121 - 365 days	24,249	20,366
> 365 days	230,828	183,300
	322,026	254,582
Refuse		
Current (0 -30 days)	461,515	318,227
31 - 60 days	110,294	63,645
61 - 90 days	81,311	63,645
91 - 120 days	1,383,905	1,081,970
121 - 365 days	657,737	509,162
> 365 days	5,440,622	4,328,123
	8,135,384	6,364,772

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THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

	2022	2021
Gross balances		
Households	1,526,361,942	1,316,659,174
Industrial/Commercial	16,412,494	14,157,626
National and Provincial Government	98,474,964	84,945,753
	1,641,249,400	1,415,762,553
Summary of receivables by customer classification		
Households		
Current (0 -30 days)	49,606,763	39,499,775
31 - 60 days	21,216,431	13,166,592
61 - 90 days	15,416,256	13,166,592
91 - 120 days	135,540,940	118,499,325
121 - 365 days	134,625,123	118,499,326
> 365 days	1,169,956,429	1,013,827,564
	1,526,361,942	1,316,659,174
Industrial/ commercial		
Current (0 -30 days)	259,317	283,153
31 - 60 days	370,922	283,153
61 - 90 days	264,241	283,152
91 - 120 days	539,971	424,729
121 - 365 days	2,166,449	1,840,491
> 365 days	12,809,952	11,042,948
	16,410,852	14,157,626
National and provincial government		
Current (0 -30 days)	177,255	849,457
31 - 60 days	177,255	849,458
61 - 90 days	118,170	849,457
91 - 120 days	177,255	849,548
121 - 365 days	6,144,838	5,096,745
> 365 days	91,680,192	76,451,178
	98,474,965	84,945,843
Total		
Current (0 -30 days)	50,043,335	40,632,385
31 - 60 days	21,764,608	14,299,202
61 - 90 days	15,798,667	14,299,202
91 - 120 days	136,258,166	119,773,512
121 - 365 days	142,936,410	125,436,562
> 365 days	1,274,446,572	1,101,321,689
	1,641,247,758	1,415,762,552
Less: Allowance for impairment	(1,609,046,844)	(1,390,304,424)
	32,200,914	25,458,128

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THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,000	5,000
Bank balances	132,252,576	116,853,387
Short-term deposits	-	20,943,321
	<u>132,257,576</u>	<u>137,801,708</u>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
First National Bank - Current account: 620-262-96427	127,878,707	20,402,366	58,062,611	127,878,707	20,402,366	58,062,611
First National Bank - Call deposit: 621-470-52427	-	20,943,321	20,943,321	-	20,943,321	20,943,321
Nedbank - Current account 100-422-2378	4,423,325	96,451,021	20,401,078	4,373,869	96,451,021	20,397,552
Total	<u>132,302,032</u>	<u>137,796,708</u>	<u>99,407,010</u>	<u>132,252,576</u>	<u>137,796,708</u>	<u>99,403,484</u>

Nedbank current account reconciliation between the bank statement and cashbook balances:
 - Deposits in 2021-2022 not cleared from the bank to the amount of R49 454.02.

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

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 24 for reconciliation of grants from National/Provincial Government.



THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand 2022 2021

13. Provisions

Reconciliation of provisions - 30 June 2022

	Opening Balance	Additions	Provision for bonus paid out	Interest Charged/Unwinding of interest	Total
Environmental rehabilitation	24,312,724	17,607,983	-	2,416,684	44,337,390
Provision for Bonuses	8,086,338	8,508,302	(8,368,458)	-	8,226,182
	32,399,062	26,116,285	(8,368,458)	2,416,684	52,563,572

Reconciliation of provisions - 30 June 2021

	Opening Balance	Additions	Provision for bonus paid out	Interest Charged/Unwinding of interest	Total
Environmental rehabilitation	22,893,470	416,520	-	1,002,734	24,312,724
Provision for Bonuses	7,628,567	8,596,720	(8,138,949)	-	8,086,338
	30,522,037	9,013,240	(8,138,949)	1,002,734	32,399,062

Non-current liabilities	44,337,390	23,415,585
Current liabilities	8,226,182	8,983,477
	52,563,572	32,399,062

Environmental rehabilitation:

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 8 years and 0 years respectively. Each year the dumping sites remaining useful lives are assessed and the provision is adjusted accordingly.

KwaMhlanga landfill site:

Although the landfill site currently has a useful life of 0, THLM does not have a licence for the Kwa Mhlanga landfill site and the landfill will not be closed in the next 12 months, therefore the Kwa Mhlanga landfill site is recognised as a non-current liability.

Bonuses:

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

14. Payables from exchange transactions

Payables and Accruals	22,923,104	84,154,787
Accrued leave pay	15,450,240	14,753,197
Retention	2,245,988	129,523
Debtors with credit balances	7,726,118	9,718,024
Unallocated deposits	1,029,570	986,542
Over banking	437,881	437,881
	49,812,901	110,179,954



THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
Payables from exchange transactions: Non-current liabilities		
Advance payments: Land	6,387,385	6,057,757
Retention	35,702,006	35,572,463
Deposits received	425,914	405,176
	42,515,305	42,035,396
Leave provision for prior year correction made amounting to R14 753 197.		
Current liabilities: Payables from exchange transactions	49,812,901	110,179,954
Non-current liabilities: Payables from exchange transactions	42,515,305	42,035,396
	92,328,206	152,215,350
15. VAT payable		
VAT payable	34,966,665	-
16. Revenue		
Service charges	114,341,982	106,884,215
Rental of facilities and equipment	1,030,277	1,463,583
Agency services	11,315,061	11,350,797
Other income	1,176,893	1,926,580
Interest received	74,754,833	42,287,294
Property rates	55,144,559	53,977,351
Government grants & subsidies	652,245,000	698,992,216
Public contributions and donations	7,110,280	44,530,677
Fines, Penalties and Forfeits	3,913,007	8,220,600
	921,031,892	969,633,313
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	114,341,982	106,884,215
Rental of facilities and equipment	1,030,277	1,463,583
Agency services	11,315,061	11,350,797
Other income	1,176,893	1,926,580
Interest received	74,754,833	42,287,294
	202,619,046	163,912,469
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	55,144,559	53,977,351
Transfer revenue		
Government grants & subsidies	652,245,000	698,992,216
Public contributions and donations	7,110,280	44,530,677
Fines, Penalties and Forfeits	3,913,007	8,220,600
	718,412,846	805,720,844
17. Service charges		
Sale of water	76,414,661	70,373,920
Sewerage and sanitation charges	1,890,529	1,637,701
Refuse removal	36,036,792	34,872,594
	114,341,982	106,884,215



THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
18. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	1,030,277	1,463,583
19. Fines, Penalties and Forfeits		
Traffic Fines - Municipal and Court	3,913,007	8,220,600
20. Lease rentals on operating lease		
Motor vehicles		
Straight-lining	4,779,156	4,560,668
Equipment		
Straight-lining	-	784,792
Contingent amounts	1,522,466	607,311
	6,301,622	5,952,771

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

Payable within 1 year	1,212,576	4,840,392
21. Other income		
Library fees & fines	6,795	3,752
Handling fees	26,643	29,099
Application fees	75,218	199,364
Building plan approval	135,561	184,734
Clearance certificates	9,750	9,751
Maps publications	3,010	1,908
Occupation certificates	1,083	391
Insurance refunds	379,342	731,819
Tender documents	33,372	313,539
Staff recoveries	31,497	17,461
Valuation services	1,736	1,631
Statutory services	10,626	12,062
Trading licences	148,808	139,758
Sale of other goods & rendering of services	313,452	281,311
	1,176,893	1,926,580



22. Interest received

Interest revenue		
Current Bank	1,301,325	932,678
Interest charged on trade and other receivables	67,428,646	36,389,123
Interest on investments	6,024,862	4,965,493
	74,754,833	42,287,294

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
23. Property rates		
Rates received		
Property rates: Residential & other	<u>55,144,559</u>	<u>53,977,351</u>
Valuations		
Residential	981,712,000	907,232,000
Commercial	294,692,000	294,692,000
State	1,923,352,000	1,923,352,000
Municipal	7,667,389,800	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
	<u>11,808,787,800</u>	<u>11,808,787,800</u>

Valuations on land and buildings are performed every 5 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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THEMBISILE HANI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
24. Government grants and subsidies		
Operating grants		
Equitable share	458,200,000	447,741,519
FMG	1,720,000	1,700,000
EPWP	2,127,000	1,760,000
MIG	5,934,900	5,686,078
WSIG	-	5,000,000
	467,981,900	461,887,597
Capital grants		
Equitable share	-	71,501,471
MIG	124,763,100	115,384,922
EEDSMG	4,500,000	3,600,000
WSIG	55,000,000	46,618,226
	184,263,100	237,104,619
	652,245,000	698,992,216
Equitable Share		
Current-year receipts	458,200,000	519,242,990
Conditions met - Capital expenditure	-	(71,501,471)
Conditions met - Operational expenditure	(458,200,000)	(447,741,519)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
The capital portion in 2020-2021 was funded from the allocation of COVID 19 which was conditional based, but was included on the equitable share grant.		
MIG		
Current-year receipts	130,698,000	121,071,000
Conditions met - Capital expenditure	(124,763,100)	(115,384,922)
Conditions met - Operational expenditure	(5,934,900)	(5,686,078)
	-	-
FMG		
Current-year receipts	1,720,000	1,700,000
Conditions met - Operational expenditure	(1,720,000)	(1,700,000)
	-	-
EPWP Grant		
Current-year receipts	2,127,000	1,760,000
Conditions met - Operational expenditure	(2,127,000)	(1,760,000)
	-	-
WSIG		
Balance unspent at beginning of year	-	1,618,226
Current-year receipts	55,000,000	50,000,000

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Figures in Rand	2022	2021
Conditions met - Capital expenditure	(55,000,000)	(46,618,226)
Conditions met - Operational expenditure	-	(5,000,000)
	<u>-</u>	<u>-</u>
EEDM		
Current-year receipts	4,500,000	3,600,000
Conditions met - Capital expenditure	(4,500,000)	(3,600,000)
Conditions met - Operational expenditure	-	-
	<u>-</u>	<u>-</u>
MDRG		
Current-year receipts	-	252,990
Conditions met - transferred to revenue	-	(252,990)
	<u>-</u>	<u>-</u>
25. Agency services		
Agency fees - Drivers licence application	11,312,617	11,350,045
Vehicle licences	2,444	752
	<u>11,315,061</u>	<u>11,350,797</u>
26. Donations received		
Nkangala District Municipality	<u>7,110,280</u>	<u>44,530,677</u>

Donations by way of assets were received from Nkangala District Municipality R7 110 280; (2021:R44 530 677).

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Figures in Rand	2022	2021
27. Employee related costs		
Basic	105,707,574	102,288,705
Bonus	8,368,458	8,138,949
Medical aid - company contributions	8,836,474	8,083,365
UIF	771,321	951,377
SDL	1,448,273	1,144,159
Standby allowance	627,612	888,318
Leave pay provision charge	754,937	256,331
Travel, motor car, accommodation, subsistence and other allowances	4,631,258	4,305,547
Overtime and Shift allowance	3,477,545	2,630,489
Long-service awards	1,267,039	1,384,683
Acting allowances	819,070	618,547
Housing benefits and allowances	132,137	131,366
Cellphone allowances	641,450	631,230
Pension contributions	19,986,808	19,247,397
SALGBC	45,836	45,520
	157,515,792	150,745,983

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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 2022

Annual Remuneration	922,918	925,154
Car Allowance	180,000	180,000
Contributions to UIF, Medical and Pension Funds	294,981	93,559
	1,397,899	1,198,713

Remuneration of Chief Finance Officer: Ms JG Mahlagu 01 May 2019 to 30 June 2022

Annual Remuneration	706,241	708,103
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	180,019	168,163
	1,006,260	996,266

Remuneration of Corporate Service Manager: Ms SA Nxumalo 01 July 2017 to 28 February 2022

Annual Remuneration	659,106	855,066
Car Allowance	40,000	60,000
Contributions to UIF, Medical and Pension Funds	248,019	81,131
	947,125	996,197

Remuneration of Social Services Manager: Mr AK Chego 01 August 2018 to 30 June 2022

Annual Remuneration	857,824	928,095
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	77,327	68,211
	1,055,151	1,116,306

Remuneration of Development Planning Manager: Mr MS Tsebe 01 May 2019 to 30 June 2022

Annual Remuneration	807,824	808,095
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	84,555	70,966

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Figures in Rand	2022	2021
	1,012,379	999,061

Remuneration of Technical Service Manager: Mr VL Skosana 01 May 2019 to 30 June 2022

Annual Remuneration	782,503	782,704
Car Allowance	120,000	120,000
Contributions to UIF, Medical and Pension Funds	108,006	104,788
	1,010,509	1,007,492

28. Remuneration of councillors

Executive Mayor: Cllr Mtsweni NS	344,992	945,985
Executive Mayor: Cllr Dikgale LJ	634,677	-
Chief Whip: Cllr Tau Joyce Johanna (Deceased)	-	119,131
Chief Whip: Cllr Motanyane Thokozile Egnés	741,571	480,286
Speaker: Cllr Msiza MP	465,970	-
Speaker: Cllr Mabena TL	311,893	773,689
MPAC Chairpersons	694,778	-
Executive committee	3,686,435	-
Other councillors	18,460,843	22,673,753
	25,341,159	24,992,844

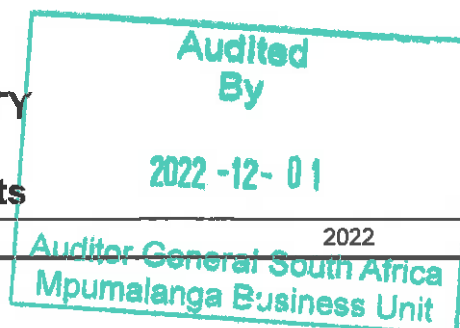
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In-kind benefits

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.

Remuneration of Executive Mayor: Cllr Dikgale LJ - 01 December 2021 to 30 June 2022

Annual Remuneration	462,754	-
Cellphone allowance, mobile data, contribution UIF, medical aid & pension	171,924	-
	634,678	-

Remuneration of Executive Mayor: Cllr Mtsweni NS - 01 July 2021 to 30 November 2021

Annual Remuneration	282,460	-
Cellphone allowance, mobile data, contribution UIF, medical aid & pension	62,531	-
	344,991	-

Remuneration of Chief Whip: Cllr Motanyane TE - 01 July 2021 to 30 June 2022

Annual Remuneration	380,696	-
Cellphone allowance, mobile data, contribution UIF, medical aid & pension	196,948	-
Travel allowance	163,927	-
	741,571	-

Remuneration of Speaker: Cllr Msiza MP - 01 December 2021 to 30 June 2022

Annual Remuneration	316,160	-
Cellphone allowance, mobile data, contribution UIF, medical aid & pension	120,015	-
Travel allowance	29,795	-
	465,970	-

Remuneration of Speaker: Cllr Mabena TL - 01 July 2021 to 30 November 2021

Annual Remuneration	141,920	-
Cellphone allowance, mobile data, contribution UIF, medical aid & pension	102,034	-
Travel allowance	67,939	-
	311,893	-

Remuneration of MPAC Chairperson

Annual Remuneration	409,997	-
Cellphone allowance, mobile data, contribution UIF, medical aid & pension	127,640	-
Travel allowances	154,911	-
	692,548	-

Remuneration of Executive committee

Annual Remuneration	2,079,421	-
Cellphone allowance, mobile data, contribution UIF, medical aid & pension	780,039	-
Travel allowances	826,975	-
	3,686,435	-

THEMBISILE HANI LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
Remuneration of other councillors		
Annual Remuneration	<u>18,460,843</u>	<u>22,673,753</u>
29. Depreciation and amortisation		
Property, plant and equipment	<u>79,596,249</u>	<u>71,045,243</u>
30. Finance costs		
Interest on overdue accounts	<u>8,036</u>	<u>39,413</u>
31. Debt impairment		
Consumer debtors contribution to debt impairment provision	218,742,421	175,961,188
Traffic fines bad debt contribution to debt impairment provision	<u>1,690,945</u>	<u>3,942,834</u>
	<u>220,433,366</u>	<u>179,904,022</u>
32. Amnesty and prescriptions written off - consumer debtors		
Amnesty written off	<u>2,083,321</u>	<u>3,719,781</u>
Prescription written off	<u>-</u>	<u>1,396,124</u>
33. Bulk purchases		
Water purchases and water inventory consumed	<u>130,555,769</u>	<u>150,773,812</u>

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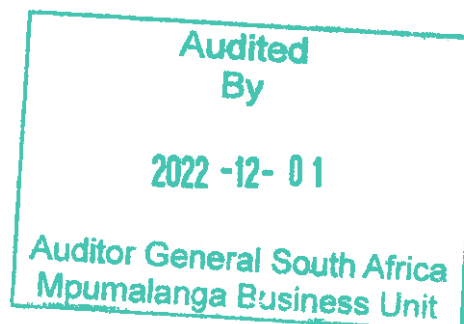
Notes to the Annual Financial Statements

Figures in Rand	2022	2021
34. General expenses		
Advertising	721,377	871,797
Auditors remuneration	6,133,544	5,705,227
Bank charges	411,550	664,675
Cleaning services	710	-
Consulting and professional fees	23,598,603	18,138,129
Debt collection	2,912,589	4,431,130
Entertainment	1,324,109	805,449
Flowers	184,800	-
Insurance	1,962,666	1,393,542
Conferences and seminars	1,679,778	1,151,302
Community development	3,733,852	3,262,225
Motor vehicle expenses	531,711	532,897
Pest control	811,351	448,550
Postage and courier	2,330	2,330
Printing and stationery	374,460	32,404
Repairs and maintenance	24,712,260	14,758,692
Security (Guarding of municipal property)	27,219,854	23,545,632
Software expenses	6,119,999	5,326,432
Staff welfare	580,115	198,020
Subscriptions and membership fees	1,952,796	1,894,413
Telephone and fax	1,616,355	1,783,501
Workman's compensation	541,555	-
Travel - local	2,623,176	1,378,057
Sewerage and waste disposal	20,423,834	8,760,550
Municipal services	21,237,689	15,880,417
Uniforms	535,977	818,841
Material and supplies	17,763,516	21,602,850
Motor vehicle licences	953,386	644,089
Town planning costs	-	2,005,313
Indigent relief	53,008	60,071
Water sample testing	843,630	1,048,197
Ward committee allowances	2,243,903	3,731,000
Water delivery services	17,466,480	39,312,977
Other expenses	10,070,849	9,471,051
	201,341,812	189,659,760

General expenditure increase 2021-2022 is mainly due to the landfill site liability increase of R20 024 667.

35. Auditors' remuneration

Expenses	6,133,544	5,705,227
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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand		2022	2021
36. Cash generated from operations			
Surplus		90,541,169	175,857,105
Adjustments for:			
Depreciation and amortisation	29	79,596,249	71,045,243
Gain/(Loss) on Property, plant and equipment derecognised		7,313,597	14,606,276
Consumer debtors Prescriptions written off		-	1,396,124
Debt impairment	31	220,433,366	179,904,022
Consumer debtors Amnesty written off	32	2,083,321	3,719,781
Donations received	26	(7,110,280)	(44,530,677)
Movements in retirement benefit assets and liabilities		2,069,708	2,158,201
Movements in provisions		24,586,508	6,134,539
Changes in working capital:			
Inventories		442,834	(42,037)
Receivables from exchange transactions		(6,469,349)	(3,034,764)
Consumer debtors		(63,798,435)	(154,596,212)
Statutory receivables		(2,500,014)	(525,371)
Payables from exchange transactions		58,589,382	10,668,901
VAT receivable		10,250,987	9,087,317
Unspent conditional grants and receipts		-	(1,871,216)
		416,029,043	269,977,232

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37. Commitments

Authorised capital expenditure

Already contracted for but not provided for Property, plant and equipment		162,024,857	253,831,181
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Total capital commitments

Already contracted for but not provided for		162,024,857	253,831,181
---	--	-------------	-------------

This committed expenditure relates to property, plant and equipment and will be financed by available grants, retained surpluses, existing cash resources and funds internally generated. The commitments disclosed amounts are VAT exclusive.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year			
> Bidvest		4,840,392	-
> Databox		586,916	-
- in second to fifth year inclusive			
> Bidvest		1,212,576	-
> Databox		978,193	-
		7,618,077	-

Operating lease payments represent rentals payable by the municipality for leased assets used in the day to day operations of the municipality. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. Contingent rent is payable.

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Figures in Rand	2022	2021
38. Contingencies		
Plaintiff	Detail	
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 wor	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 item	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

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THLM vs Phungo Incorporated Case no:4801/19 Kunene Ramapala Attorneys	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.	534 479	534 479
LPR	License Plate Recognition served a letter of demand to Thembisile Hani Local Municipality, Demanding that we allow their client to collect equipment's owned by their clients and also alleging that THLM is in breach of the terms of the contract. It demanded that THLM immediately remedy the breach or it will litigate.	Amount not available	Amount not available

39. Related parties

Relationships

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

Mr ON Nkosi
Ms SA Nxumalo
Mr AK Chego
Ms JG Mahlangu
Mr MS Tsebe
Mr VL Skosana
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), 27 (Employee related costs), 28 (Remuneration of councillors) and 45 (Councillor's in arrears) within the financial statements where relevant to the municipality.



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40. 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) Interest receivable overstated for 2020-2021 after withdrawal of investment in 2021-2022
- (ii) Merchandising, jobbing and contracts (MJC) clearing of ageing between the other services, Property rates, Water, Sewerage and Refuse.
- (iii) Reallocation of MJC/bad debt.

2. Property, Plant and Equipment (PPE):

- (i) Recapitalisation of 2021_Z_11
- (ii) Capitalization of Enkeldoormoog BWSI Pipelines Civil Engineer Ward 5
- (iii) Recognising omissions Building & Facility - Identified through verification

* (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.



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Statement of financial position

30 June 2021

	Note	As previously reported	Prior period error 2020-2021	Reallocation/Reclassification	Restated 30 June 2021	Correction 2019-2020 and older
Receivables from exchange transactions						
- Water (1iii)		19,383,484	10,529	(5,137,220)	14,256,793	-
- Refuse (1ii)		7,721,599		(1,357,068)	6,364,531	-
- Sewerage (1ii)		308,864		(54,282)	254,582	-
- Merchandising, jobbing & contracts (1ii)		2,966,395		7,480,315	-	(10,446,710)
- Electricity		482		(482)	-	-
- Deposits refunds		47,376		(47,376)	-	-
- Interest receivable (1i)		4,179,512	(339,171)	-	3,840,341	-
Receivables from non-exchange transactions:						
Statutory receivables						
- Property rates 1(ii)		5,524,496	(46,420)	(942,033)	4,536,043	-
VAT receivable (1ii)		20,706,153	(13,304,493)	-	7,401,660	-
Property, Plant and Equipment (PPE)						
- Roads infrastructure:		1,077,959,926	-	34,594	1,077,994,520	-
Cost (2i-iii)						
- Roads infrastructure:		(659,098,708)	(18,890)	-	(659,117,598)	-
Acc depr (2i-iii)						
- Community assets: Cost (2i-iii)		454,398,437	1,758,106	1,552,057	457,708,600	-
- Community assets: Acc depr (2i-iii)		(292,697,760)	(1,927,870)	-	(294,625,630)	-
- Sanitation infrastructure: Cost (2i-iii)		84,429,181	-	616,923	85,046,104	-
- Sanitation infrastructure: Acc depr (2i-iii)		(44,416,777)	(4,479)	-	(44,421,256)	-

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- Pump stations: Cost (2i-iii)	220,894,728	(712,503)	8,794,932	228,977,157	-
- Pump stations: Acc depr (2i-iii)	(17,170,297)	620,656	-	(16,549,641)	-
- Capital work in progress (2i-iii)	252,328,581	-	(9,446,449)	242,882,132	-
Payables from exchange transactions	-	-	-	-	-
- Accrued leave pay	(14,238,465)	(514,732)	-	(14,753,197)	-
- Deposits received	(452,552)	-	47,376	(405,176)	-
- Provisions	(3,664,340)	(4,421,998)	-	(8,086,338)	-
Accumulated surplus		(18,901,252)	1,552,057		(10,446,710)
Total			(17,359,718)		(10,446,710)

Statement of financial performance

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30 June 2021

	Note	As previously reported	Prior period error 2020-2021	Reallocation/Reclassification	Restated 30 June 2021	Correction 2019-2020 and older
Revenue from exchange transactions						
- Interest on Investment (1)		5,304,664	(339,171)	-	4,965,493	-
- Water		70,384,449	10,529	-	70,394,978	-
Other income						
- VAT Receivable		13,324,625	(13,304,493)	(20,132)	281,310	-
- Sale of other goods & rendering of services		261,178	-	20,132	-	-
Revenue from non-exchange transactions						
- Property rates		54,023,771	(46,420)	-	53,977,351	-
Expenditure						
- Depreciation (2i-iii)		(70,780,581)	(264,662)	-	(71,045,243)	-
- General expenses: i)		(16,310,749)	-	1,552,057	(14,758,692)	-
> Repairs & maintenance (2iii)		(4,534,321)	(4,936,730)	-	(9,471,051)	-
> Other expenses		-	-	-	-	(10,446,710)
- Bad debt: Consumer debtors (1i)		(14,755,710)	(20,305)	-	(14,776,015)	-
- Gain/loss on PPE derecognition (2ii)		-	-	-	-	-
		(18,901,252)		1,552,057		(10,446,710)
				(17,359,718)		(10,446,710)

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41. 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 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Current liabilities	94,987,748	-	-	-
- Payables and accruals	22,923,104	-	-	-
- Retention	2,245,988	-	-	-
- VAT payable	34,966,665	-	-	-
- Unallocated deposits	1,029,570	-	-	-
- Over banking	437,881	-	-	-
- Accrued leave pay	15,450,240	-	-	-
- Provisions	8,226,182	-	-	-
- Employee benefit obligation	1,982,000	-	-	-
- Debtors with credit balances	7,726,118	-	-	-
Non-current liabilities: Payables from exchange transactions	-	6,912,745	35,702,006	425,914
- Deposits received	-	-	-	425,914
- Retention	-	-	35,702,006	-
- Advance payments: Land & building	-	6,912,745	-	-
Non-current liabilities: Employee benefit obligations	-	-	-	11,199,000
Non-current liabilities: Landfill sites	-	-	-	44,337,390
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Current liabilities	120,065,560	-	-	-
- Payables and accruals	84,154,787	-	-	-
- Retention	129,523	-	-	-
- Unallocated deposits	986,542	-	-	-
- Over banking	437,991	-	-	-
- Accrued leave pay	14,753,197	-	-	-
- Provisions	8,983,477	-	-	-
- Employee benefit obligation	902,019	-	-	-
- Debtors with credit balance	9,718,024	-	-	-
Non-current liabilities: Payables from exchange transactions	-	41,666,712	-	405,176
- Deposits received	-	-	-	405,176
- Retention	-	35,572,463	-	-
- Advance payments: Land & building	-	6,094,249	-	-
Non-current liabilities: Employee benefit obligations	-	-	-	10,209,273
Non-current liabilities: Landfill sites	-	-	-	23,415,585

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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 2022	30 June 2021
Cash and cash equivalents	132,257,576	137,801,708
Receivables from exchange transactions	31,702,439	25,233,200

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.

42. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of R 2,408,754,473.

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.

43. Fruitless and wasteful expenditure

Opening balance as previously reported	11,481,598	12,263,174
Opening balance as restated	11,481,598	12,263,174
Add: Fruitless and wasteful expenditure	8,036	39,413
Less: Amount written off - prior period	(6,900,293)	(820,989)
Closing balance	4,589,341	11,481,598

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The municipality has appointed a disciplinary board to investigate the fruitless and wasteful expenditure. The investigation is concluded and therefore Council has written off fruitless and wasteful expenditure for 2017-2018, 2019-2020 amounting to R6 900 293.



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Expenditure identified in the current year include those listed below:

	2022	2021
Description of expenditure		
Eskom and Rand Water Bulk	365	39,413
Eskom	7,671	-
	8,036	39,413

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

86,366,163	57,227,613
72,908,793	38,267,097
159,274,956	95,494,710
(47,966,070)	(9,128,547)
111,308,886	86,366,163

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The municipality has appointed a disciplinary board to investigate the fruitless and wasteful expenditure. The investigation is concluded and therefore Council has written off irregular expenditure for 2017-2018, 2019-2020 amounting to R47 966 070.

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

	2022	2021
Services		
Delivery of portable water	-	850,585
Debt collection	4,779,156	2,554,009
Rental of fleet	-	4,560,667
Maintenance & Updating of GRAP compliance Fixed Asset Register	-	2,342,476
Access Control system	-	221,457
Moloto Water Infrastructure	24,714,373	3,237,077
Construction of Mountain View (Simunye) Bus Route	5,157,896	5,458,173
Galvanised Skip Bins	-	1,242,025
Construction of Entokozniwater infrastructure-Phase 1	6,557,867	-
Upgrading Kwamhlanga Stadium	14,744,418	17,800,628
Construction of Sheldon Water Infra Pipelines	5,446,009	-
Upgrading Mabhoko Water Infrastructure	6,795,140	-
Construction of Entokozniwater infrastructure-Phase 1	4,178,908	-
Work suits orange, Hats, clothing masks	173,695	-
Safety boots, Water boots and Overalls	99,050	-
Safety boots, Water boots and Overalls	199,962	-
OHS Committee uniform	62,320	-
	72,908,794	38,267,097

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Legislation transgressed against

SCM Reg 29(1)
Constitution 117, SCM Reg 32,19
SCM Reg 32
SCM Reg 32

SCM Reg 32
PPR 9(1)
CIDB Reg 17

PPR 5(6)
SCM Reg 28(1)(c)

PPR 9(1)

PPR 9(1)

PPR 9(1)

PPR 9(1)

PPR 8(2)

PPR 8(2)

PPR 8(2)

PPR 8(2)

Mamolato Construction
Thobela Attorneys and LMK Consulting JV
Bidvest Bank
@Consulting

MWG
Kgotso Mokone Traders
Jasino General Services

Laizment General Trading
Stickson General Services

KJM Business Enterprise

Zembeleni Transport

DKPB Construction (Pty)Ltd

Namasango

Ndiyase Transport and Projects (Pty) Ltd

EM Skhosi Trading (Pty) Ltd

Lesedi Embellish Tours and Saf

Kabau Holdings (Pty) Ltd

Irregular Expenditure is calculated of VAT inclusive while the figure disclosed above have been presented exclusive of VAT, due to that the municipality has claim back the VAT amount from SARS during 2021-2022 financial period

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	2022	2021
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There had been a prior period error correction made on the upgrading of Kwamhlanga Stadium project to the amount of R17 800 628.

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.

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45. Additional disclosure in terms of Municipal Finance Management Act		
Audit fees		
Current year subscription / fee	6,133,544	5,705,227
Amount paid - current year	(6,133,544)	(5,705,227)
	<u>-</u>	<u>-</u>
PAYE		
Current year subscription / fee	24,933,323	23,304,060
Amount paid - current year	(24,933,323)	(23,304,060)
	<u>-</u>	<u>-</u>
UIF		
Current year subscription / fee	771,323	682,167
Amount paid - current year	(771,323)	(682,167)
	<u>-</u>	<u>-</u>
Pension and Medical Aid contributions		
Current year subscription / fee	31,668,080	30,628,600
Amount paid - current year	(31,668,080)	(30,628,600)
	<u>-</u>	<u>-</u>

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Councillors' arrear consumer accounts

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dhlamini Alicia Lebohang	13,697	19,466	33,163
Dube Tenboy Butitjie	3,466	59,457	62,923
Gulube Lindiwe Kate	10,860	-	10,860
Jiyane Class Menzelwa	506	21,782	22,288
Jiyane Laza Elsie	296	443	739
Kgomo Rose Martha	894	595	1,489
Khumalo Eliot Sunday	18,722	18,478	37,200
Mabelane Margaret	294	4	298
Mabelwane Oria Mpheto	29,390	33,696	63,086
Mabena Thomas Lebandla	973	34,806	35,779
Madyingu Alexcious Sphiwe	309	1,044	1,353
Mahlangu Gideon	300	497	797
Mahlangu Godrey Nkosinathi	502	20,560	21,062
Mahlangu Moses Michael	11,308	16,995	28,303
Mahlangu Steven Citha	164	1,150	1,314
Mahlangu Thabiso Klass	523	20,136	20,659
Makhwithini Theletjie James	310	1,159	1,469
Mampuru Dipolelo Sinah	334	2,678	3,012
Maphoso Lucky Matlhats	48	2,966	3,014
Mashaba Mqosh Paulus	408	8,111	8,519
Mashinini Thabisile Elsie	290	561	851
Masilela Toenkie Linah	308	995	1,303
Mathibela Emelinah Mavis	309	1,062	1,371
Mgayi Fikile Violet	526	24,537	25,063
Mhlanga Maggie Thandi	519	18,228	18,747
Mnguni Maria Qhubeni	290	435	725
Mnguni Nomvula Sister	164	491	655
Mnguni Zenaye Jantjie	499	19,457	19,956
Mnisi Sgaule Timothy	638	5,029	5,667
Mogoboya Samuel Bongani	309	1,062	1,371
Mokoena David Sello	1,614	-	1,614
Mokolo Motalanyane Lucas	164	173	337
Mokwena Augustine Renny	580	-	580
Motaung Ntombi Mit	314	1,097	1,411
Motaung Ntombi Mitta	314	597	911
Motena Mitopi Andries	420	9,581	10,001
Msibi Vusi Amos	309	1,062	1,371
Mtshaise Bernard Vusi	490	17,370	17,860
Mtsweni Samuel Mazungwe	24,074	41,514	65,588
Nduli Masotja Petros Nduli	18,507	18,388	36,895
Ngoma Norman	256	17,730	17,986
Nkosi Thabile Prunella	1,715	914	2,629
Ntuli Michael Vusi	840	684	1,524
Ntuli Mmelisizwe Terance	499	20,768	21,267
Nyalunga Xoloani Clement	502	21,188	21,690
Rampisa Mottalepule Sweetness	499	22,913	23,412
Sepogwana Moses Mmoisetsi	471	16,361	16,832
Shibuni Busisiwe Maria	31,247	40,463	71,710
Sibanyoni David Mabuzwa	506	19,692	20,198
Sikosana M Obed	1,021	1,403	2,424
Sithole Mkhululi Jacob	2,051	12,638	14,689
Skhosana Andries Mphatlalashan	499	19,783	20,282
Skosana Dini Samson	955	14,210	15,165

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Skosana Lindiwe Thembi	349	3,736	4,085
Skosana Vusimusi Vincent	311	1,189	1,500
Tshabangu Martha Lillian	315	1,407	1,722
	185,978	640,741	826,719

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 Ori 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 Christianah 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 Egnis	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 Siphon Koos	136	-	136
Sikosana Mzwandile Obed	1,462	21,036	22,498
Skosana Dini Samson	407	13,019	13,426
Skosana Lindiwe Thembi	450	1,615	2,065
Skosana Vusimusi Vincent	367	-	367
Tau Joyce Johannah (Deceased)	230	-	230
Tshabangu Martha Lillian	432	612	1,044
	20,126	339,983	360,109

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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.

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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	
60 Point check on vehicle reg. KFN 317 MP and HVV 223 MP	McCarthy Limited	Impractical to follow normal SCM process	141,743
Service on Mayoral vehicle JPF 558 MP	Hatfield Holdings (Pty) Ltd	Impractical to follow normal SCM process	130,875
Roadworthiness tests on municipal vehicles	Eyethu Roadworthy Centre	Impractical to follow normal SCM process	45,650
Registration fees for Ms Sinah Moripe (CIGFARO)	CIGFARO	Sole Provider of services.	4,279
Renewal of membership fees	Institute of Internal Auditors	Sole provider of services	7,718
Calibration of speed camera	Truvelo Africa Electronics		7,045
Registration fees for Mrs. J.G Mahlangu and Mr R. Makhubele for the attendance of Municipal Leaders Development Programme	CMAM South Africa	Impractical to follow normal SCM processes: Sole provider.	11,700
			<u>349,010</u>



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Unaudited MFMA Section 125 (2)(e)

The following non-compliances were identified

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

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