

Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021



Thaba Chweu Local Municipality
(Registration number MP321)
Annual Financial statements
for the year ended 30 June 2021



* See Note 2

Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity

MP321 - Local Municipality

The Municipality's operations are governed by the Municipal Finance Management Act 56 of 2003, Municipal Structures Act 117 of 1998, Municipal Systems Act 32 of 2000, and various other acts and regulations.

The following is included in the scope of operation

Thaba Chweu Local Municipality is a South African Category B Local Municipality as defined by the Municipal Structures Act.

The Municipality performs functions as set out in the Constitution. This means that the Municipality provides services such as electricity refuse removal and water and sanitation services.

Mayoral committee

Executive Mayor

MF. Nkadimeng

JM. Kock

SA. Manzini

KJ. Malepe

ET. Mabuza

Councillors

KJ. Malepe

SM. Phetla

SE. van Douwe

RG. Herbst

JJ. Mkhize

PM. Mohloloane

KA. Letsame

MB. Mokoena

SG. Shongwe

KK. Segodi

NM. Masimole

EK. Mabanne (Proportional)

Grading of local authority

Low Capacity

Accounting Officer

SS. Matsi

Chief Finance Officer (CFO)

MR. Mnisi

Registered office

Lydenburg
Mpumalanga
South Africa
1120

Business address

Corner Viljoen & Sentraal Street
Lydenburg
Mpumalanga
1120

Postal address

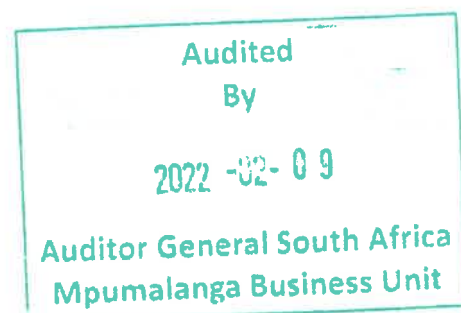
P.O Box 61
Lydenburg
1120

Bankers

Standard Bank of South Africa

Auditors

Auditor General South Africa



Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

General Information

Jurisdiction

Lydenburg / Mashishing

Graskop, Pilgrim's Rest, Sabie, Matibidi, Moremela and Leroro Township



Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

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

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ACRONYMS USED

INEP	Integrated National Electrification Programme
AFS	Annual financial statements
VAT	Value Added Tax
GRAP	Generally Recognised Accounting Practice
TR	Treasury Regulation
AP	Accounting Policy
PPE	Property, plant and equipment
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Local Government: Municipal Finance Management Act, Act no 56 of 2003
MEC	Member of the Executive Council
UIF	Unemployment Insurance Fund
PAYE	Pay As You Earn
WSIG	Water Services Infrastructure Grant

Audited
By
2022-02-09
Auditor General South Africa
Mpumalanga Business Unit

Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The accounting officer certify that salaries, allowances and benefits of councillors as disclosed in Note.32 of these annual financial statements are within the Upper Limits of government gazette as envisaged in section 219 of the constitution read with Remuneration of Public Office Bearers Act, Act No.20 of 1998 and section 124 of the Municipal Finance Management Act, Act No. 56 of 2003.

The external auditors are responsible for independently reviewing and reporting on the municipality's . The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

SS Matsi
Accounting Officer

Audited
By
2022 -02- 09
Auditor General South Africa
Mpumalanga Business Unit

Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	10	136,753,010	159,926,776
Receivables from exchange transactions	54	490,610	490,610
Statutory receivables	11	86,870,029	82,367,707
Overpayment to contractors	9	678,842	-
Consumer debtors	12	34,285,799	188,877,327
Cash and cash equivalents	13	2,435,067	6,036,773
		261,513,357	437,699,193
Non-Current Assets			
Investment property	4	128,012,046	122,308,365
Property, plant and equipment	5	976,664,114	953,543,802
Intangible assets	6	3,316,991	662,677
Heritage assets	7	360,338	360,338
		1,108,353,489	1,076,875,182
Total Assets		1,369,866,846	1,514,574,375
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	1,077,595,554	926,270,148
Consumer deposits	17	4,628,020	4,330,850
Employee benefit obligation	8	1,846,207	2,270,572
Unspent conditional grants and receipts	14	2,327,457	3,085,910
		1,086,397,238	935,957,480
Non-Current Liabilities			
Employee benefit obligation	8	46,959,428	38,981,437
Provisions	15	65,334,148	63,420,410
		112,293,576	102,401,847
Total Liabilities		1,198,690,814	1,038,359,327
Net Assets		171,176,032	476,215,048
Accumulated surplus		171,176,032	476,215,048
Total Net Assets		171,176,032	476,215,048

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Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	270,783,608	267,060,016
Rental of facilities and equipment	20	2,962,659	1,700,247
Operational revenue	25	7,272,729	3,974,346
Interest revenue	26	13,723,275	16,149,590
Fair value adjustment on investment property	39	5,703,681	8,618,981
Total revenue from exchange transactions		300,445,952	297,503,180
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	96,429,218	77,801,966
Property rates - penalties imposed	27	9,202,651	10,208,896
Licences and Permits (Non-exchange)	22	178,764	412,346
Transfer revenue			
Government grants & subsidies	29	255,491,430	217,772,910
Fines, Penalties and Forfeits	21	9,608,302	8,400,746
Total revenue from non-exchange transactions		370,910,365	314,596,864
Total revenue	18	671,356,317	612,100,044
Expenditure			
Employee related costs	30	(229,812,676)	(210,319,451)
Remuneration of councillors	31	(11,551,929)	(11,324,726)
Depreciation and amortisation	32	(55,014,143)	(53,804,473)
Impairments of PPE	33	(335,595)	57,833
Finance costs	34	(31,460,251)	(52,583,536)
Lease rentals on operating lease	23	(2,629,289)	(2,706,648)
Debt Impairment - (Increase) /Decrease	35	(252,408,227)	24,041,723
Bulk purchases	36	(138,838,741)	(133,851,500)
Contracted services	37	(95,784,923)	(80,644,731)
Transfers and Subsidies	28	(500,000)	(500,000)
Loss on disposal of assets and liabilities		(3,043,289)	(746,367)
Inventories losses/write-downs		(25,076,271)	-
Operating Expenses	38	(129,939,994)	(117,352,574)
Total expenditure		(976,395,328)	(639,734,450)
Deficit for the year		(305,039,011)	(27,634,406)

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* See Note 2 & 46

Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	537,691,476	537,691,476
Adjustments		
Prior year adjustments	(33,842,022)	(33,842,022)
Balance at 01 July 2019 as restated*	503,849,454	503,849,454
Changes in net assets		
Deficit for the year	(27,634,406)	(27,634,406)
Total changes	(27,634,406)	(27,634,406)
Restated* Balance at 01 July 2020	476,215,043	476,215,043
Changes in net assets		
Deficit for the year	(305,039,011)	(305,039,011)
Total changes	(305,039,011)	(305,039,011)
Balance at 30 June 2021	171,176,032	171,176,032
Note(s)		

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Mpumalanga Business Unit

* See Note 2 & 46

Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Taxation		123,640,037	94,568,669
Sale of goods and services		148,671,296	164,102,585
Grants		254,732,977	220,858,820
Interest income		13,723,275	16,149,590
Other receipts		10,684,629	(23,304,795)
		551,452,214	472,374,869
Payments			
Employee costs		(233,810,979)	(215,707,891)
Suppliers		(192,656,810)	(172,611,576)
Finance costs		(31,460,250)	(52,583,536)
Other payments		(18,127,610)	13,917,443
		(476,055,649)	(426,985,560)
Net cash flows from operating activities	42	75,396,565	45,389,309
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(83,068,591)	(83,146,034)
Proceeds from sale of property, plant and equipment	5	7,363,859	5,841,883
Purchase of other intangible assets	6	(3,590,709)	(872,252)
Net cash flows from investing activities		(79,295,441)	(78,176,403)
Cash flows from financing activities			
Movement in other liability		297,170	65,958
Net increase/(decrease) in cash and cash equivalents		(3,601,706)	(32,721,136)
Cash and cash equivalents at the beginning of the year		6,036,773	38,757,909
Cash and cash equivalents at the end of the year	13	2,435,067	6,036,773

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Mpumalanga Business Unit

* See Note 2 & 46

Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

Audited

By

2022 -02- 09

Auditor General South Africa

Mpumalanga Business Unit

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
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	261,538,920	16,464,000	278,002,920	270,783,608	(7,219,312)	53
Rental of facilities and equipment	438,672	3,000,000	3,438,672	2,962,659	(476,013)	54
Other income	6,030,000	10,000,000	16,030,000	7,272,729	(8,757,271)	54
Interest revenue	24,568,296	(5)	24,568,291	13,723,275	(10,845,016)	54
Total revenue from exchange transactions	292,575,888	29,463,995	322,039,883	294,742,271	(27,297,612)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	93,093,000	13,963,950	107,056,950	96,429,218	(10,627,732)	54
Property rates - penalties imposed	8,050,956	-	8,050,956	9,202,651	1,151,695	54
Licences and Permits (Non-exchange)	-	-	-	178,764	178,764	54

Transfer revenue

Government grants & subsidies	226,427,004	31,218,906	257,645,910	255,491,430	(2,154,480)	54
Fines, Penalties and Forfeits	5,291,148	-	5,291,148	9,608,302	4,317,154	54

Total revenue from non-exchange transactions	332,862,108	45,182,856	378,044,964	370,910,365	(7,134,599)	
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Total revenue	625,437,996	74,646,851	700,084,847	665,652,636	(34,432,211)	
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Expenditure

Employee related costs	(204,842,532)	(12,597,502)	(217,440,034)	(229,812,676)	(12,372,642)	54
Remuneration of councillors	(12,523,716)	-	(12,523,716)	(11,551,929)	971,787	54
Depreciation and amortisation	(28,500,024)	8,500,000	(20,000,024)	(55,014,143)	(35,014,119)	54
Impairment loss/ Reversal of impairments	-	-	-	(335,595)	(335,595)	54
Finance costs	(15,000,000)	-	(15,000,000)	(31,460,251)	(16,460,251)	54
Lease rentals on operating lease	-	-	-	(2,629,289)	(2,629,289)	54
Debt Impairment	(22,500,000)	4,999,715	(17,500,285)	(252,408,227)	(234,907,942)	54
Bulk purchases	(140,000,004)	-	(140,000,004)	(138,838,741)	1,161,263	54
Contracted Services	(55,971,660)	(35,706,926)	(91,678,586)	(95,784,923)	(4,106,337)	54
Transfers and Subsidies	(500,004)	-	(500,004)	(500,000)	4	54
General Expenses	(77,644,752)	(20,540,528)	(98,185,280)	(129,939,994)	(31,754,714)	54

Total expenditure	(557,482,692)	(55,345,241)	(612,827,933)	(948,275,768)	(335,447,835)	
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Operating deficit	67,955,304	19,301,610	87,256,914	(282,623,132)	(369,880,046)	
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Loss on disposal of assets and liabilities	-	-	-	(3,043,289)	(3,043,289)	54
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Fair value adjustments	-	-	-	5,703,681	5,703,681	
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Inventories losses/write-downs	-	-	-	(25,076,271)	(25,076,271)	54
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	-	-	-	(22,415,879)	(22,415,879)	
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Deficit before taxation	67,955,304	19,301,610	87,256,914	(305,039,011)	(392,295,925)	
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Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	67,955,304	19,301,610	87,256,914	(305,039,011)	(392,295,925)	

Audited
By
2022 -02- 09
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Mpumalanga Business Unit

Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Statement of Financial Position

Assets

Current Assets

Inventories	156,654,313	-	156,654,313	136,753,010	(19,901,303)	54
Receivables from exchange transactions	-	-	-	490,610	490,610	
Statutory receivables	-	-	-	16,870,731	16,870,731	54
VAT receivable	55,528,144	-	55,528,144	69,999,298	14,471,154	54
Overpayment to contractors	-	-	-	678,842	678,842	
Consumer debtors	69,032,839	-	69,032,839	34,285,799	(34,747,040)	54
Cash and cash equivalents	41,738,792	7,307,000	49,045,792	2,435,067	(46,610,725)	54
	322,954,088	7,307,000	330,261,088	261,513,357	(68,747,731)	

Non-Current Assets

Investment property	119,373,853	-	119,373,853	128,012,046	8,638,193	54
Property, plant and equipment	982,419,403	-	982,419,403	976,664,114	(5,755,289)	54
Intangible assets	1,551,201	-	1,551,201	3,316,991	1,765,790	54
Heritage assets	360,339	-	360,339	360,338	(1)	54
	1,103,704,796	-	1,103,704,796	1,108,353,489	4,648,693	
Total Assets	1,426,658,884	7,307,000	1,433,965,884	1,369,866,846	(64,099,038)	

Liabilities

Current Liabilities

Payables from exchange transactions	122,708,140	-	122,708,140	1,077,595,548	954,887,408	54
Consumer deposits	5,017,219	-	5,017,219	4,628,020	(389,199)	54
Employee benefit obligation	-	-	-	1,846,207	1,846,207	
Unspent conditional grants and receipts	-	-	-	2,327,457	2,327,457	54
Provisions	2,000,000	-	2,000,000	-	(2,000,000)	
	129,725,359	-	129,725,359	1,086,397,232	956,671,873	

Non-Current Liabilities

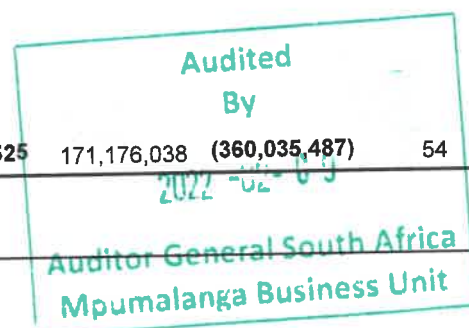
Employee benefit obligation	-	-	-	46,959,428	46,959,428	54
Provisions	773,029,000	-	773,029,000	65,334,148	(707,694,852)	54
	773,029,000	-	773,029,000	112,293,576	(660,735,424)	
Total Liabilities	902,754,359	-	902,754,359	1,198,690,808	295,936,449	
Net Assets	523,904,525	7,307,000	531,211,525	171,176,038	(360,035,487)	

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	523,904,525	7,307,000	531,211,525	171,176,038	(360,035,487)	54
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Thaba Chweu Local Municipality

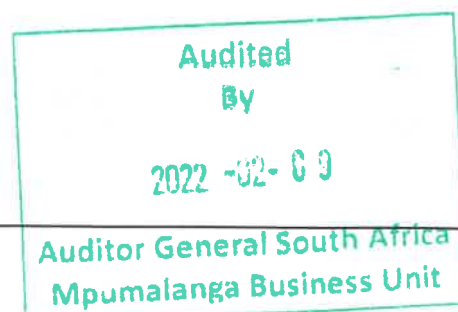
(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	111,070,476	(36,596,000)	74,474,476	123,640,037	49,165,561	
Service charges	227,876,985	(18,646,000)	209,230,985	148,671,296	(60,559,689)	
Grants	226,427,004	27,392,910	253,819,914	254,732,977	913,063	
Interest income	5,000,004	4,524,000	9,524,004	13,723,275	4,199,271	
Other revenue	11,759,780	-	11,759,780	10,684,629	(1,075,151)	
	582,134,249	(23,325,090)	558,809,159	551,452,214	(7,356,945)	
Payments						
Employee costs and suppliers	(490,982,528)	20,112,000	(470,870,528)	(444,595,399)	26,275,129	
Finance costs	(15,000,000)	7,500,000	(7,500,000)	(31,460,250)	(23,960,250)	
Transfers and grants	(500,000)	-	(500,000)	-	500,000	
	(506,482,528)	27,612,000	(478,870,528)	(476,055,649)	2,814,879	
Net cash flows from operating activities	75,651,721	4,286,910	79,938,631	75,396,565	(4,542,066)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(62,272,212)	(14,855,910)	(77,128,122)	(83,068,590)	(5,940,468)	
Proceeds from sale of property, plant and equipment	-	-	-	7,363,859	7,363,859	
Purchase of other intangible assets	-	-	-	(3,590,709)	(3,590,709)	
Net cash flows from investing activities	(62,272,212)	(14,855,910)	(77,128,122)	(79,295,440)	(2,167,318)	
Cash flows from financing activities						
Increase (decrease) in consumer deposits	752,327	-	752,327	297,170	(455,157)	
Net increase/(decrease) in cash and cash equivalents	14,131,836	(10,569,000)	3,562,836	(3,601,705)	(7,164,541)	
Cash and cash equivalents at the beginning of the year	5,600,319	-	5,600,319	6,036,773	436,454	
Cash and cash equivalents at the end of the year	19,732,155	(10,569,000)	9,163,155	2,435,068	(6,728,087)	
Reconciliation						



Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Figures in Rand	Note(s)	2021	2020
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1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board, and in accordance with Section 122(3) of the Municipal Finance Management Act (No. 56 of 2003).

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below. Details of any changes in accounting policies are explained in the relevant policy. Assets, liabilities, revenues and expenses have not been offset, except when offsetting is either required or permitted by a Standard of GRAP.



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GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
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GRAP 17 Property, Plant and Equipment
GRAP 18 Segment Reporting
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 20 Related Party Disclosures
GRAP 21 Impairment of non-cash generating Assets
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GRAP 31 Intangible Assets
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GRAP 34 Separate Financial Statements
GRAP 35 Consolidated Financial Statements
GRAP 36 Investments in Associates and Joint Ventures
GRAP 37 Joint Arrangements
GRAP 38 Disclosure of Interests in Other Entities
GRAP 100 Discontinued Operations
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GRAP 105 Transfer of Functions Between Entities Under Common Control
GRAP 106 Transfer of Functions Between Entities Not Under Common Control
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List of effective Interpretations of the Standards of GRAP

IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue
IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3 Determining whether an Arrangement Contains a Lease
IGRAP 4 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5 Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6 Loyalty Programmes
IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9 Distributions of Non-cash Assets to Owners
IGRAP 10 Assets Received from Customers
IGRAP 13 Operating Leases – Incentives
IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15 Revenue – Barter Transactions Involving Advertising Services
IGRAP 16 Intangible Assets – Website Costs
IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18 Recognition and Derecognition of Land
IGRAP 19 Liabilities to Pay Levies
IGRAP 20 Accounting for Adjustments to Revenue

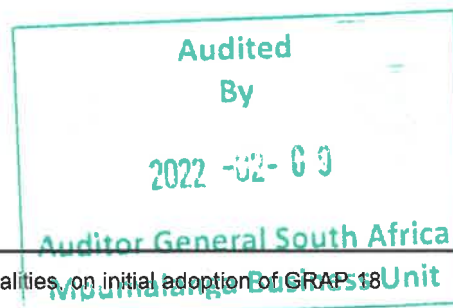
Transitional provisions

GRAP 18 Segment Reporting

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Accounting Policies

In accordance with directive 3, transitional provisions for high capacity municipalities, on initial adoption of GRAP, comparative segment information need not be presented.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy.

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 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. If a change in accounting policy results from initial application of a standard of GRAP that has specific transitional provisions, the municipality account for the change in accordance with the specific transitional provisions of that accounting standard.

Reclassifications of certain accounts were made in order to comply with the requirements of Municipal Standard Charts of Accounts (mSCOA). The reclassifications have no impact on the net assets value of the municipality.

1.4 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Allowance for slow moving, damaged and obsolete stock

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The value in use is based on the depreciated replacement cost of the asset. All assets of the municipality are deemed to be non-cash generating assets.

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 15 - Provisions.

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1.4 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of tangible assets

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

Change in estimates are accounted for prospectively using accumulative catch-up of past depreciation.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

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.

The provision for doubtful debt is determined by considering the payment rate by exchange receivables (consumer debtors), indigent status, and whether the consumer debtor has a credit balance at financial year end as well as whether the consumer debtor is government related or not.

Non-exchange receivables (Traffic fine debtors) have been impaired taking into account historical payment rates by these non exchange receivable.

Traffic fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Non exchange receivables arising from traffic fines are measured at the best estimate based on expected inflows of economic benefits to the municipality.

Budget information

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences (between budget and actual amounts) are explained in the notes to the annual financial statements.

1.5 Investment property

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

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

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1.5 Investment property (continued)

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

Initial recognition and measurement

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

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

Subsequent measurement

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

Investment property is subsequently measured using the cost model. Under the cost model, Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Transfers to, or from, investment property is made when, and only when, there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property

Depreciation

Depreciation is calculated on the depreciable amount, using the straight line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

The useful lives of items of investment property have been assessed as follows:

Item	Average useful life
Land and buildings	
• Property - Land	Indefinite
• Property - Buildings	15 - 100 years

Further details on the useful lives of the categories of assets is detailed on the assets management policy, available for inspection at our offices



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1.5 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Derecognition

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

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance.

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

1.6 Property, plant and equipment

Initial recognition and measurement.

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. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:

- (a) they are parts of a system or network;
- (b) they are specialised in nature and do not have alternative uses;
- (c) they are immovable; and
- (d) they may be subject to constraints on disposal.

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 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, its deemed cost is the carrying amount of the asset(s) given up.

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1.6 Property, plant and equipment (continued)

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

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is recognised in the carrying amount of the item in accordance with the Standard of GRAP on Borrowing Costs.

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. Costs incurred in using or redeploying an item are not included in the carrying amount of that item.

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

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses in accordance with the cost model. Land is not depreciated as it is deemed to have an indefinite useful life.

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

Where the Municipality has an obligation to dismantle, remove and restore items of property, plant and equipment and the initial estimate was initially included in the cost of an item of property, plant and equipment, any changes in the liability are added to or deducted from, the cost of the related asset in the current period. If there is a decrease in the liability and it exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of financial performance.

If there is a change in a provision for which the asset relates, and the change results in 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 an indication, the related 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 or non-cash generating assets. If the related asset has reached the end of its useful life, any subsequent changes in the liability will be recognised in the statement of financial performance.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation charge for each period shall be recognised in the statement of financial performance unless it is included in the carrying amount of another asset. The annual depreciation rates are based on the following estimated useful lives:

The useful lives of items of investment property have been assessed as follows:

Item	Depreciation method	Average useful life
Land and buildings		
• Land	Straight-line	Indefinite
• Landfill sites	Straight-line	4-17 years
• Buildings	Straight-line	5-50 years
Infrastructure assets		
• Roads, pavement, bridges, and storm water	Straight-line	3-100 years

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1.6 Property, plant and equipment (continued)

• Electricity	Straight-line	3-100 years
• Water	Straight-line	3-100 years
• Waste water	Straight-line	3-100 years
• Information and communications	Straight-line	3-100 years
• Waste management	Straight-line	3-100 years
Movable assets		
• Specialised vehicles	Straight-line	4-20 years
• Transport assets	Straight-line	4-20 years
• Office equipment	Straight-line	5-15 years
• Furniture and equipment	Straight-line	5-15 years
• Bins and containers	Straight-line	5-15 years
• Specialised plant and equipment	Straight-line	5-15 years
• Other items of plant and equipment	Straight-line	5-15 years
• Emergency equipment	Straight-line	5-15 years
• Computer equipment	Straight-line	5-15 years
Community assets		
• Sport and Recreational facilities	Straight-line	5-50 years
• Parks	Straight-line	5-50 years
• Halls	Straight-line	5-50 years
• Libraries	Straight-line	5-50 years

Further detail on the useful lives of the categories of assets is detailed on the assets management policy, available for inspection at our offices.

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 in accordance with Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

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 municipality assesses at each reporting date whether there is any indication that the municipality's 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 revise the expected useful life and/or residual value accordingly

The residual value of an intangible asset with a finite useful life is assumed to be zero unless:

- (a) there is a commitment by a third party to acquire the asset at the end of its useful life; or
- (b) there is an active market for the asset and:
- (c) residual value can be determined by reference to that market; and
- (d) it is probable that such a market will exist at the end of the asset's useful life

The change(s) are accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors

In assessing whether there is any indication that the expected useful life of an asset has changed, the municipality considers the following indications:

- (a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
- (b) The use of the asset has changed, because of the following:
 - The municipality has changed the manner in which the asset is used.
 - The municipality has changed the utilisation rate of the asset.
 - The municipality has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
 - Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
 - Legal or similar limits placed on the use of the asset have changed.

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1.6 Property, plant and equipment (continued)

- The asset was idle or retired from use during the reporting period.
- (c) The asset is approaching the end of its previously expected useful life.
- (d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.
- (e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- (g) The asset is assessed as being impaired in accordance with the Standards of GRAP on Impairment of Cash-generating Assets and Impairment of Non-cash-generating Assets.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Derecognition

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.

1.7 Intangible assets

Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance.

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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

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

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

Intangible assets are carried at cost 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.

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

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.

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1.7 Intangible assets (continued)

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

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test, and the useful life is reviewed at each reporting date, if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

Amortisation

The municipality assesses whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for, or provide service potential to the municipality.

The useful life of an intangible asset that arises from binding arrangements (including rights from contracts) shall not exceed the period of the binding arrangement, but may be shorter depending on the period over which the entity expects to use the asset. If the binding arrangements (including rights from contracts) are conveyed for a limited term that can be renewed, the useful life of the intangible asset shall include the renewal period(s) only if there is evidence to support renewal by the municipality without significant cost.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight line method. The amortisation rates are based on the following estimated average asset lives.

Item	Depreciation method	Average useful life
Computer software, and infrastructure systems	Straight-line	1-3 years

Further details on the useful lives of the categories of assets can be obtained from the assets management policy, available for inspection at our offices.

Each item of intangible asset is amortised separately. Rights consist mainly of servitudes. Rights are not amortised as they have an indefinite useful life. A servitude right is granted to the Municipality for an indefinite period. The life of the servitude will remain in force as the Municipality exercises its rights under such servitudes.

The depreciable amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the date that the asset is derecognised. The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is assumed to be zero unless:

- (a) there is a commitment by a third party to acquire the asset at the end of its useful life; or
- (b) there is an active market for the asset and:
 - i. residual value can be determined by reference to that market; and
 - ii. it is probable that such a market will exist at the end of the asset's useful life.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

An intangible asset with an indefinite useful life shall not be amortised. The useful life of an intangible asset that is not being amortised shall be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

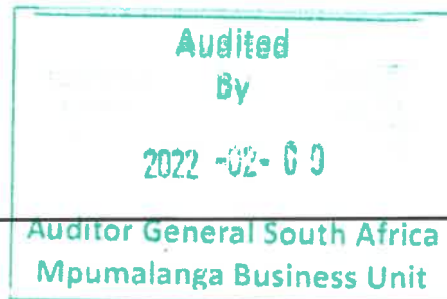
Derecognition

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1.7 Intangible assets (continued)

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial position.

1.8 Heritage assets

Initial recognition and measurement

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

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

The Municipality holds an asset that might be regarded as a heritage asset but on initial recognition, it does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about the asset should be disclosed in the notes to the financial statements.

The municipality uses judgment to assess the degree of certainty attached to the flow of future economic benefits or service potential that are attributable to the heritage asset on the basis of the evidence available at the time of initial recognition.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction. Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

The cost of the heritage asset is the cash price equivalent at the recognition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit, unless such interest is recognised in the carrying amount of the heritage asset in accordance with the standard of GRAP on borrowing costs.

Costs incurred to enhance or restore the heritage asset to preserve its indefinite useful life is capitalised as part of its cost. Such costs are recognised in the carrying amount of the heritage asset as incurred, when the recognition criteria are met.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses. Heritage assets are not depreciated due to its nature however the municipality assesses at each reporting date whether there are indications of impairment and, if any, impairment exists, the municipality estimates the recoverable amount or recoverable service amount of the heritage asset.

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

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1.8 Heritage assets (continued)

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

Compensation from third parties for heritage assets that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable

1.9 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.

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

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

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.

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1.9 Financial instruments (continued)

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.

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

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

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- 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;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- 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 municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument. Financial assets are recognised through the application of trade date accounting.

Upon initial recognition the Municipality classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

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1.9 Financial instruments (continued)

The Municipality measures financial instruments that are designated at fair value on recognition at its fair value at the date of recognition. Financial Instruments designated at amortised cost and those designated at cost are initially measured, at the date of recognition, at its fair value plus transaction costs directly attributable to the acquisition or issue of the instrument. The classification of financial assets depends on their nature and purpose, and is determined at the date of initial recognition.

Initial measurement of financial assets and financial liabilities

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

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

The municipality 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.

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

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.

Financial assets

Financial assets at fair value

These comprise of non-derivative financial assets with fixed or determinable payments. Subsequent to initial recognition such assets are measured at amortised cost using the effective interest method less any impairment and/or plus reversal of impairment.

Financial assets at amortised cost

These comprise of financial assets held for trading, derivative financial assets, non-derivative financial assets designated at fair value and investments in residual interest for which fair value can be measured reliably. Subsequent to initial recognition all changes to fair value are recognised through the statement of financial performance.

Financial assets at cost

These comprise of investments in residual interest that does not have a quoted market price in an active market and the fair value cannot be measured reliably. Subsequent to initial recognition such investments are measured at its carrying amount less any impairment

Impairment of financial assets

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1.9 Financial instruments (continued)

Financial assets other than those held at fair value are assessed for impairment at the end of each reporting period.

Impairment is considered when there is objective evidence that, as a result of events occurred after initial recognition of the asset, the expected value to be derived from the asset have been materially reduced. The Municipality recognise impairment losses or impairment reversals in the statement of financial performance during the financial year in which the loss or reversal occurred

Financial assets are derecognised when rights to receive cash flows from an asset have expired or have been transferred to another party or the Municipality loses control of contractual rights such that the Municipality no longer retain significant risks and rewards associated with ownership.

Accounts receivables

Receivables are initially recognised at its fair value. Bad debts are written off in the year in which they are identified as irrecoverable, subject to approval by appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current. A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the initial terms receivables. The amount of the provision is that difference between the asset's carrying amount and its present value of estimated future cash flows, discounted at the initial effective interest rate. An estimate of doubtful debts is made at the end of each reporting period taking in to consideration past default experiences. Interest is charged on overdue amounts

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost. Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Financial liabilities

After initial recognition, the Municipality measures all financial liabilities, including payables at amortised cost using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities and payables and exclude provisions. Finance charges, including premiums payable, are accounted for on an accrual basis.

Gains and losses

The municipality recognise 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.

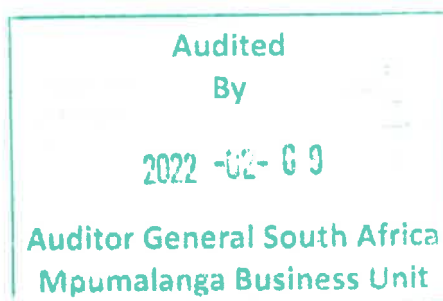
Derecognition

Financial assets

Financial assets are derecognised when rights to receive cash flows from an asset have expired or have been transferred to another party or the Municipality loses control of contractual rights such that the Municipality no longer retain significant risks and rewards associated with ownership.

Financial liabilities

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

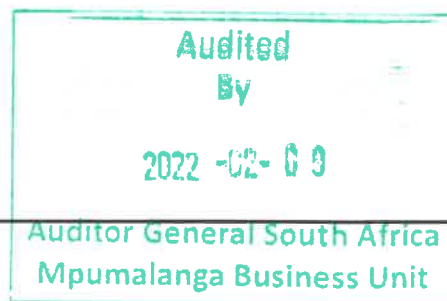


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1.9 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange	Financial asset measured at amortised cost
Receivables from non-exchange	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

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1.10 Statutory receivables (continued)

- amounts derecognised.

Accrued interest

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

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

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 is recognised in surplus or deficit.

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

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

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

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.

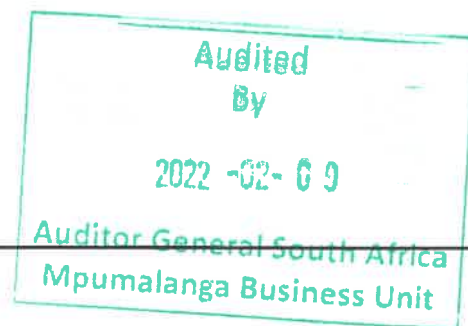
The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the 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.

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1.11 Leases

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

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

Lease classification is made at the inception of the lease.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

The Municipality recognise assets acquired under finance leases as assets and the associated lease obligations as liabilities in the statement of financial position. The assets and liabilities are recognised at amounts equal to the fair value of the leased property or if lower the present value of the minimum lease payments as determined at inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if it is practicable to determine however if not, the incremental borrowing rate shall be used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance expenses and the capital repayment using the effective interest rate method. Lease finance expenses are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases - lessor

Assets subject to operating leases are presented in the statement of financial position according to the nature of the asset.

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

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

Operating leases - lessee

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

1.12 Inventories

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process.
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services
- (c) held for sale or distribution in the ordinary course of operations.
- (d) in the process of production for sale or distribution

Initial recognition and measurement

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality and the cost of the inventories can be measured reliably.

Inventories that qualify for recognition as assets are initially recognised at cost. The cost of inventories comprises of all costs purchase cost of conversion and other costs incurred in bringing the inventories to its present location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process

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1.12 Inventories (continued)

When inventories are acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are measured at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge or to be consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost..

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.

Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs

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

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

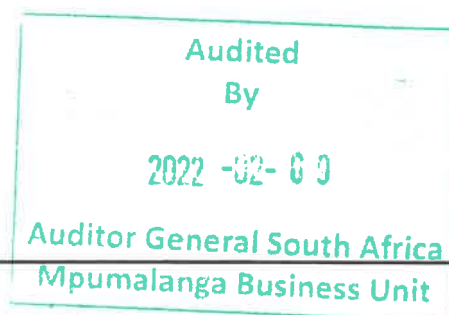
Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

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1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

1.14 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.

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.

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

- The current profitability of the asset, as well as management's assessment of the profitability of the asset becoming profitable

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

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.

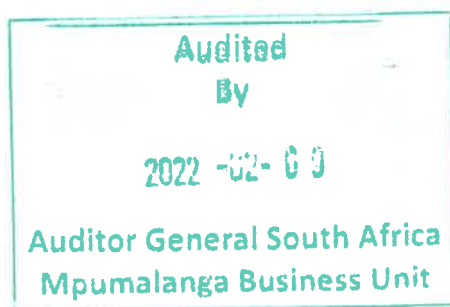
An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective 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

All tangible assets of the municipality are deemed to be non-cash generating assets. 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.



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

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.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

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

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.

1.15 Employee benefits

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

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

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

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

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

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

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.



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1.15 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

The cost of short-term employee benefits are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

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

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

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

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

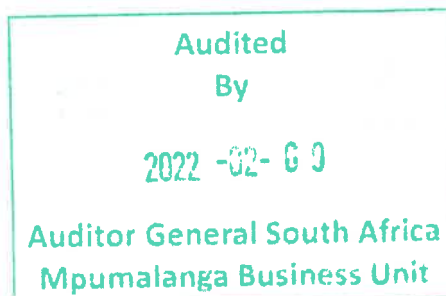
Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the Municipality is expected to pay in exchange for that service that had accumulated at the reporting date.

Post-employment benefits

The Municipality provides post employment benefits for its employees and councillors. These benefits are provided as either defined contribution plans or defined benefit plans.

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

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



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1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

The Municipality provide post employment medical care benefits to retired employees and their legitimate spouses. The entitlement to post employment medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

Pursuant to the Municipality's obligation to fund the post-employment benefits provided through a defined benefit plan, the Municipality recognises a defined benefit obligation or asset with reference to the fund's financial position. To the extent that the future benefits payable under the fund exceeds the value assets held to finance those benefits, the Municipality recognises as defined benefit obligation. To the extent that the value of plan assets exceeds the future benefits payable by the fund the Municipality recognises as defined benefit asset

The defined benefit asset or obligation recognised is recognised as the net difference between the value of the plan assets and plan liabilities and also taking past service cost into consideration.

Actuarial valuations are conducted on an annual basis by independent actuaries for each plan.

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

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

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

Where the Municipality reduces benefits payable under an existing defined benefit plan, the resulting reduction in the defined benefit liability is recognised as (negative) past service cost in the reporting period in which the plan is amended

Where the Municipality reduces certain benefits payable under an existing defined benefit plan and, at the same time, increases other benefits payable under the plan for the same employees, the Municipality treats the change as a single net change.

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

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

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

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

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

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

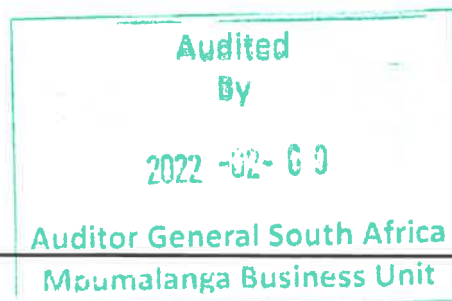
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;

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1.15 Employee benefits (continued)

- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

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

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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1.16 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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 44.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

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

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

1.17 Capital commitments

Capital commitments disclosed in the notes to the unaudited annual financial statements represents the balance committed to capital projects as at the reporting date which will be incurred in the period subsequent to the reporting period.

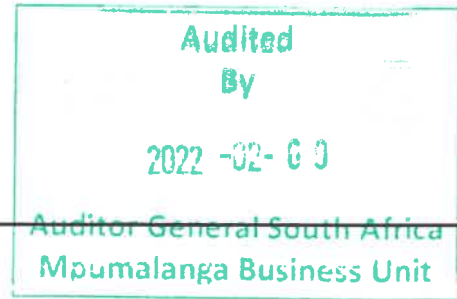
The municipality discloses commitments inclusive of VAT per the commitments register.

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1.18 Revenue from exchange transactions

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

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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

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.

Revenue from the sale of services is recognised when all conditions associated with the deed of sale have been met.

Service charges

Service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- 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.

Meters are read on a monthly basis and the revenue is recognised when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale. An adjustment for an unutilised portion is made at year-end, based on average consumption history.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwellings on each property and connection, using the tariffs approved by Council and are levied monthly.

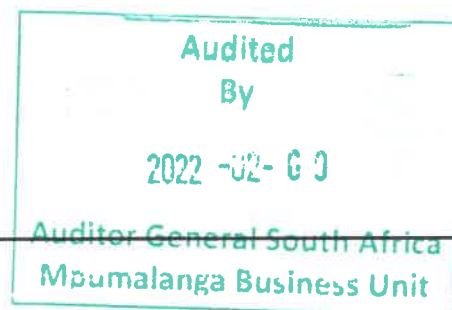
Revenue from rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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1.18 Revenue from exchange transactions (continued)

Interest

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

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

Interest is recognised using the effective interest rate method.

Agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The revenue recognised by the Municipality is in terms of the agency agreement and is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

1.19 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions between one or more parties where the Municipality received revenue from another Municipality without directly giving approximately equal value in exchange. Revenue from non-exchange transaction is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and satisfy the recognition criteria.

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.

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.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on statutory receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

Interest is recognised using the effective interest rate method

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1.19 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

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

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income. The rebates granted are deducted from revenue

Property rates revenue is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Transfers

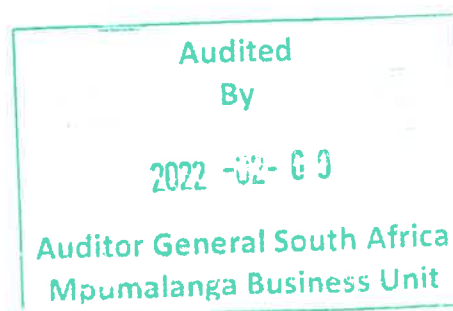
Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. Transfers are inflows of future economic benefits or service potential from non-exchange transactions other than taxes.

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

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

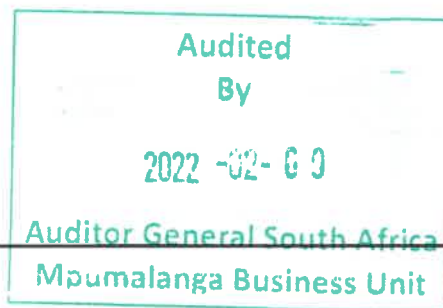


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1.19 Revenue from non-exchange transactions (continued)

Fines

Fines are economic benefits or service potential received or receivable to the Municipality from an individual or another Municipality, as determined by a court or other law enforcement body, as a consequence of the individual or another Municipality breaching the requirements of laws and regulations. Control of the traffic fine is demonstrated through the existence of an enforceable claim.

Fines constitute notices of intended prosecution- section 341 spot fines and written notices (summonses- section 56 of the Criminal Procedures Act, 51 of 1977).

Initial recognition and measurement

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

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

Subsequent measurement

Subsequently assets arising from the receivables from traffic fines are impaired based on the collection trends of the previous financial years.

Bequests

Bequests that satisfy the definition of an asset 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.

Government grants and donations

Government Grants can be in the form of subsidy to acquire or construct fixed assets (capital), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related 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.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Concessionary loans

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(Registration number MP321)

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1.19 Revenue from non-exchange transactions (continued)

Concessionary loans are loans received by entities at below market terms. The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction and is accounted for in accordance with this Standard.

The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest. The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.20 Key sources of estimation uncertainty and judgements

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts and/ recoverable service amounts of property, plant and equipment
- Provision for rehabilitation of landfill sites (discount rate used)
- Present value of defined benefit obligation
- Impairment allowance/ Debt impairment
- Impairment of cash-generating and non cash-generating assets
- Provision for long service awards

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the Municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of cash-generating and non cash-generating assets
- Provisions

1.21 Statutory receivables

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all surplus (deficit) of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

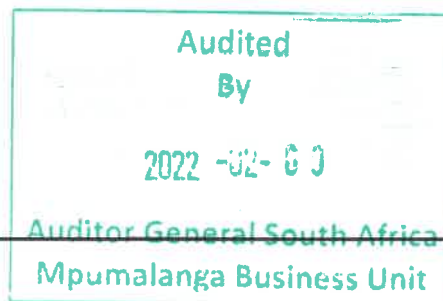


Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

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1.21 Statutory receivables (continued)

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.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
- the definition of an asset is met; and
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method

Under the cost method the amount recognised initially is only changed subsequently to reflect any

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

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

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is

measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - 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.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an

event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable 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.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in

surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:

- the rights to the cash flows from the statutory 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
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of 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 municipality:
- derecognises the receivable;
- recognises separately any rights and obligations created or retained in the transfer.

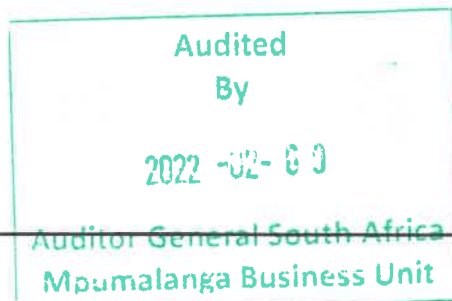
The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer

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1.22 Investment income

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

1.23 Borrowing costs

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

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

1.24 Changes in accounting policy, accounting estimates and correction of error

Changes in accounting policies are applied retrospectively in accordance with the requirements of Generally Recognised Accounting Practice (GRAP 3), except to the extent that it is impractical to determine the period specific effects or the cumulative effect of the change in accounting policy. In such instances the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the retrospective restatement is practical.

Changes in accounting estimates are applied prospectively in accordance with the requirements of Generally Recognised Accounting Practice (GRAP 3). The detailed information of the change in accounting estimates is disclosed in the notes to the annual financial statements

Correction of errors is applied retrospectively in the period to which the error has occurred in accordance with the requirements of Generally Recognised Accounting Practice (GRAP 3), except to the extent that it is impractical to determine the period specific effects or the cumulative effect of the error. In such instances the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the retrospective restatement is practical.

1.25 Comparative figures

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

1.26 Unauthorised expenditure

Unauthorised expenditure means overspending of a vote, expenditure that has not been budgeted for and expenditure not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Unauthorised expenditure has been incurred during the reporting period.

1.27 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Fruitless and wasteful expenditure has been incurred during the period.

1.28 Irregular expenditure

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

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008)

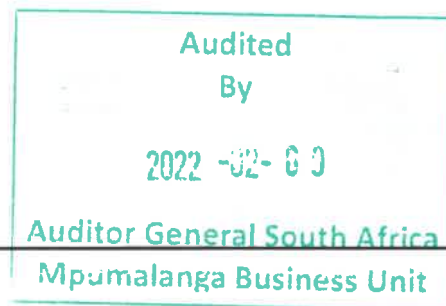
Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required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

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1.28 Irregular expenditure (continued)

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.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29 Segment information

The mandate of the municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective and also considered separately for each of the towns within the municipal jurisdiction. The components described below have been identified as individually significant segments for purposes of reporting in terms of GRAP 18

- Community and Social Services, Public Safety, and Road Transport;
- Energy, Waste, Waste Water and Water
- Executive and Council, Finance and Administration and Internal Audit
- Community and Social Services
- Health;
- Housing
- Planning and Development
- Road Transport

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

Measurement

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

GRAP 18 Segment Reporting became effective on 1 April 2020 and, in accordance with the transitional provisions for the Standard provided in Directive 3, entities are not required to present comparative segment information on initial adoption of GRAP 18.

The municipality is taking advantage of the transitional provisions by not presenting comparative segment information.

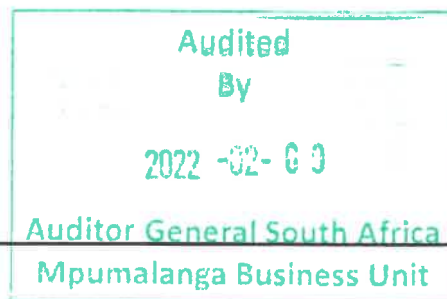
The municipality intends to fully apply the requirements of GRAP 18 by 30 June 2022.

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Accounting Policies



1.30 Budget information

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same Municipality and period as for the approved budget. The budget is prepared on the accrual basis. The budget of the Municipality is taken for a stakeholder consultative process and upon approval, the approved budget is made publicly available.

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

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

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

1.31 Related parties

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

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

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

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

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

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

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

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

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

1.32 Events after reporting date

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

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

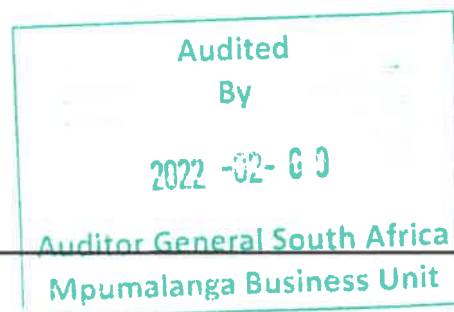
The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies



1.32 Events after reporting date (continued)

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

1.33 Transitional provisions

Transitional provision for Living and Non-living Resources

The municipality changed its relating accounting policy in 2021. The change in accounting policy is made in accordance with its transitional provision as per Directive 3 of the GRAP Reporting Framework.

Until such time as the measurement period expires and relating items are recognised and measured in accordance with the requirements of the associated Standard of GRAP, the municipality need not comply with the Standards of GRAP on:

- Living and Non-living Resources (GRAP 110)

The exemption from applying the measurement requirements of the associated Standard of GRAP implies that any associated presentation and disclosure requirements need not be complied with.

Refer to note 10 for additional disclosure in this regard.

Transitional provision for Segment Reporting

The municipality changed its relating accounting policy in 2021. The change in accounting policy is made in accordance with its transitional provision as per Directive 3 of the GRAP Reporting Framework.

Until such time as the measurement period expires and relating items are recognised and measured in accordance with the requirements of the associated Standard of GRAP, the municipality need not comply with the Standards of GRAP on:

- Segment Reporting (GRAP 18)

The exemption from applying the measurement requirements of the associated Standard of GRAP implies that any associated presentation and disclosure requirements need not be complied with.

Additional text

Additional text

Additional text

Refer to note 52 for additional disclosure in this regard.

1.34 Living and non-living resources

Recognition

Non-living resources, other than land, are not recognised as assets. Required information are disclosed in the notes to the annual financial statements.

The municipality is taking advantage of the transitional provisions by not recognising or measuring its Living Resources in accordance with GRAP 110, and, therefore, no disclosures required by GRAP 110 has been made in respect of Living Resources. The municipality has however disclosed information about Non-living Resources in the note on inventories.

No Living Resources are recognised and no preliminary amounts are presented at reporting date.

The municipality intends to fully apply the requirements of GRAP 110 by 30 June 2023.

1.35 Value Added Tax

The municipality accounts for VAT on the the payment basis.

Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

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2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 18 (Segment reporting)
- GRAP 108 (Statutory receivables)
- GRAP 110 (Living and Non-Living Resources)

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2020 is as follows:

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

[If retrospective application is impracticable for a particular prior period, or for periods before those presented, disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.]

The municipality has not applied the new [name the standard or interpretation] issued, and effective for periods commencing [Describe the new required treatment and the current treatment.] The estimated impact of the implementation of the new standard on the 2021 annual financial statements is as follows:

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	Not yet determined	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	Not yet determined	Unlikely there will be a material impact



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4. Investment property

	2021		2020	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Investment property	128,012,046	-	122,308,365	-
				122,308,365

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	122,308,365	5,703,681	128,012,046

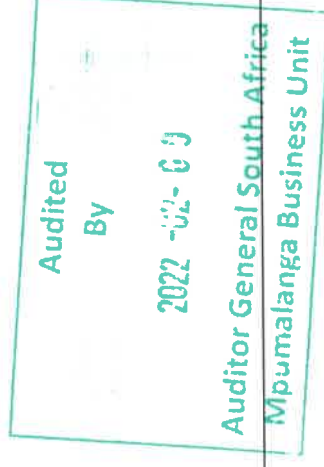
Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	113,689,384	8,618,981	122,308,365

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. Thaba Chweu local municipality has fair valued its investment properties using Comparable Sales method and Gross Replacement method to establish market values of each property as at 30 June 2021.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:



Thaba Chweu Local Municipality

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4. Investment property (continued)

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

Audited
By

2022-02-09

Auditor General South Africa
Mpumalanga Business Unit

Thaba Chweu Local Municipality

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Notes to the Annual Financial Statements

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5. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Buildings	75,788,203	(34,689,299)	41,098,904	71,539,005	(32,192,553)	39,346,452
Land	17,926,709	-	17,926,709	17,926,709	-	17,926,709
Plant and machinery	5,056,722	(2,546,315)	2,510,407	5,877,558	(3,038,932)	2,838,626
Furniture and fixtures	4,673,753	(2,801,436)	1,872,317	5,824,495	(3,549,722)	2,274,773
Motor vehicles	26,084,715	(5,489,377)	20,595,338	21,501,466	(4,921,693)	16,579,773
Office equipment	1,607,623	(935,389)	672,234	2,258,824	(1,241,886)	1,016,938
IT equipment	6,784,087	(1,743,045)	5,041,042	5,924,856	(1,927,625)	3,997,231
Infrastructure	1,073,440,869	(362,209,077)	711,231,792	1,033,040,674	(322,166,488)	710,874,186
Community	161,072,939	(73,960,629)	87,112,310	161,072,939	(67,309,552)	93,763,387
Other PPE WIP	82,815,457	-	82,815,457	53,953,025	-	53,953,025
Landfill site	38,377,957	(32,590,353)	5,787,604	42,637,240	(31,664,538)	10,972,702
Total	1,493,629,034	(516,964,920)	976,664,114	1,421,556,791	(468,012,989)	953,543,802

Audited
By

2022-02-03

Auditor General South Africa
Mpumalanga Business Unit

Thaba Chweu Local Municipality

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Buildings	39,346,452	4,249,199	-	-	-	(2,496,747)	41,098,904
Land	17,926,709	-	-	-	-	-	17,926,709
Plant and machinery	2,838,626	222,588	(335,595)	-	-	(215,212)	2,510,407
Furniture and fixtures	2,274,773	202,820	(427,321)	-	-	(177,955)	1,872,317
Motor vehicles	16,579,773	7,101,313	(1,852,771)	-	-	(1,232,977)	20,595,338
Office equipment	1,016,938	8,781	(249,030)	-	-	(104,455)	672,234
IT equipment	3,997,231	2,021,252	(531,557)	-	-	(445,884)	5,041,042
Infrastructure	710,874,186	3,930,998	-	36,469,208	-	(40,042,600)	711,231,792
Community	93,763,387	-	-	-	-	(6,651,077)	87,112,310
Other property, plant and equipment WIP	53,953,025	65,331,640	-	(36,469,208)	-	-	82,815,457
Landfill site	10,972,702	-	-	-	(2,474,257)	(2,710,841)	5,787,604
	953,543,802	83,068,591	(3,396,274)	-	(2,474,257)	(54,077,748)	976,664,114

Audited
By

2022-02-03

Auditor General South Africa
Mpumalanga Business Unit

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Buildings	41,731,086	-	-	-	-	(2,384,634)	39,346,452
Land	17,926,709	-	-	-	-	-	17,926,709
Plant and machinery	1,657,303	1,377,495	(38,250)	-	-	(157,922)	2,838,626
Furniture and fixtures	2,388,610	69,899	(21,346)	-	-	(162,390)	2,274,773
Motor vehicles	18,353,845	-	(577,069)	-	-	(1,197,003)	16,579,773
Office equipment	1,068,798	63,150	(13,189)	-	-	(101,821)	1,016,938
IT equipment	2,959,718	1,423,845	(38,679)	-	-	(347,653)	3,997,231
Infrastructure	682,216,523	2,870,247	-	64,303,254	-	(38,515,838)	710,874,186
Community	92,590,365	-	-	7,713,816	-	(6,540,794)	93,763,387
Other property, plant and equipment (WIP)	52,397,504	77,341,398	-	(75,785,877)	-	-	53,953,025
Landfill site	13,270,345	-	-	3,768,809	(2,913,713)	(3,152,739)	10,972,702
	926,560,806	83,146,034	(688,533)	2	(2,913,713)	(52,560,794)	953,543,802

Assets subject to finance lease (Net carrying amount)

Leasehold property	17,926,709	17,926,709
--------------------	------------	------------

Reconciliation of Work-in-Progress - 2021

	Included within infrastructure	Included within community	Total
Opening balance	38,010,475	14,387,029	52,397,504
Additions/capital expenditure	66,816,427	11,346,660	78,163,087
Transferred to completed items	(64,208,932)	(13,100,229)	(77,309,161)
	40,617,970	12,633,460	53,251,430

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5. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress - 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	42,290,611	-	2,640,232	44,930,843
Additions/capital expenditure	43,269,340	13,676,752	6,762,792	63,708,884
Transferred to completed items	(56,242,222)	-	-	(56,242,222)
	29,317,729	13,676,752	9,403,024	52,397,505

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.

The total balance of infrastructural assets disclosed with the carrying value of R711 231 792 as at 30 June 2021, is inclusive of Lydenburg Waste Water Treatment Plant (Lydenburg WWTP) to the value of R11 115 535, which was subjected to vandalism and theft during the month of May 2021. Although certain components of this infrastructure were removed and damaged, the infrastructure continued to be in use. The external processes of investigations, possible recovery of stolen components, assessment of damages and required replacement were not finalised at the date of reporting by both law enforcement and insurance assessors. This limited management in assessing the financial impact the event had on the balance of infrastructure.

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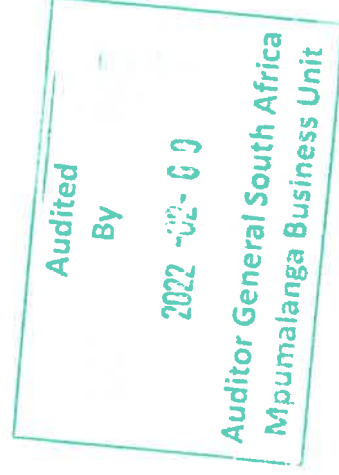
5. Property, plant and equipment (continued)

Land appointed in terms of legislation which entity controls without legal ownership or custodianship

Thaba Chweu municipality has lost control of certain vacant land parcels registered in the name of the municipality. Although the municipality currently hold title deeds, permanent structures were erected on the vacant lands.

The properties affected are as follows:

Agricultural Farms	7	-
Business Informal	33	-
Creches	5	-
Informal housing	2	-
Occupied	983	-
Unregistered Township	937	-
Schools	10	-
Churches	12	-
	1,989	-



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6. Intangible assets

	2021		2020	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment
Computer software	6,400,563	(3,083,572)	3,316,991	2,809,854
				(2,147,177)
				662,677

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	662,677	3,590,709	(936,395)	3,316,991

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,034,104	872,252	(1,243,679)	662,677

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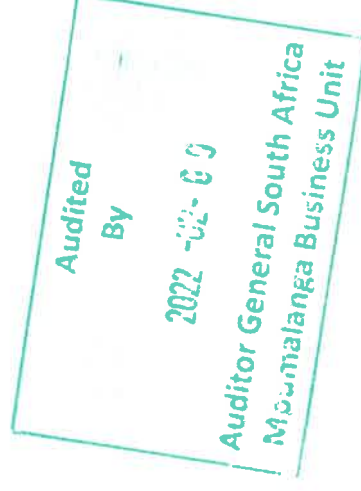
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7. Heritage assets

	2021		2020	
	Cost / Valuation	Accumulated impairment losses	Cost / Valuation	Accumulated impairment losses
Art Collections, antiquities and exhibits	360,338	-	360,338	-
				360,338
Reconciliation of heritage assets - 2021				
Art Collections, antiquities and exhibits				360,338
Reconciliation of heritage assets - 2020				
Art Collections, antiquities and exhibits				360,338
			Opening balance	360,338
			Total	360,338



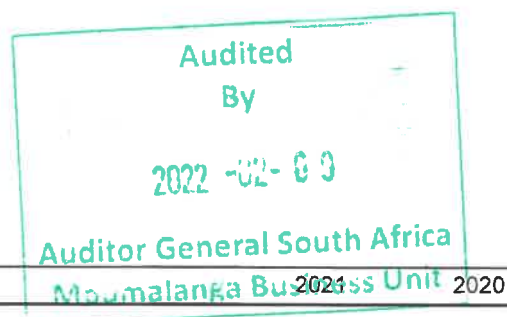
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8. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method. The projected liability is based on actuarial assumptions about the future. The liability for inservice members is accrued over their expected working lifetimes.

At the valuation date of 30 June 2021, membership of health care arrangements entitled to a post-employment medical aid subsidy was 259 in-service members (employees) and 19 continuation members (retirees and widows).

Post retirement gratuity plan

The municipality has an obligation in respect of the entitlement of employees to long service awards (LSA). The LSA is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

There are 457 employees that are currently entitled to Long Service Awards. The average age of employees eligible for long service bonus awards as at 30 June 2021 is 44.10 years and the average past service years as at 30 June 2020 is 43.6 years.

The Municipality offers employees bonuses for every 5 years of completed service from 5 to 45 years.

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in the future based on service accrued to the valuation date and awards projected to the retirement date.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(11,126,000)	(9,752,009)
Present value of the long service award obligation-wholly funded	(37,679,635)	(31,500,000)
	(48,805,635)	(41,252,009)
Non-current liabilities	(46,959,428)	(38,981,437)
Current liabilities	(1,846,207)	(2,270,572)
	(48,805,635)	(41,252,009)

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

Opening balance	(49,396,482)	(35,315,718)
Current service cost	(2,405,000)	(1,942,223)
Current interest cost	(4,097,000)	(3,447,427)
Medical contribution subsidies for continuation pensioners	2,297,000	2,208,200
Actuarial gain/(loss)for the year	(3,401,000)	(2,754,832)
Net expense recognised in the statement of financial performance	(9,903,000)	(8,144,482)
	(66,905,482)	(49,396,482)

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8. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Current service cost - defined benefit plan	(1,390,000)	(1,166,223)
Current service cost - long service awards	(1,015,000)	(776,000)
Interest cost - defined benefit plan	(3,248,000)	(2,736,427)
Interest cost - long service awards	(849,000)	(711,000)
Actuarial (gains) losses - defined benefit plan	(2,759,000)	(1,992,832)
Actuarial (gains) losses - long service awards	(642,000)	(762,000)
	(9,903,000)	(8,144,482)

Calculation of actuarial gains and losses

Actuarial (gains) losses – defined benefit plan	(2,759,000)	(1,992,832)
Actuarial (gains) losses – long service awards	(642,000)	(762,000)
	(3,401,000)	(2,754,832)

Changes in the present value of the long service award obligation are as follows:

Opening balance	(9,752,000)	(8,448,000)
Current service cost	(1,015,000)	(776,000)
Current interest cost	(849,000)	(711,000)
Actuarial gains for the financial year	(642,000)	(762,000)
Benefits paid	1,132,000	945,000
	(11,126,000)	(9,752,000)

The municipality expects to contribute 1,345,823 to its defined benefit plans in the following financial year.

Key assumptions used

Assumptions used at the reporting date:

Discount rate [D] - Defined Benefit Plan	10.15 %	10.50 %
Discount rate (D) - Long Service Awards	9.20 %	9.23 %
General salary inflation rate - Long term	5.78 %	4.95 %
Health care cost inflation [H]	6.85 %	6.55 %
Defined benefit plan - Net discount rate - $[(1+D)/(1+H)-1]$	3.09 %	3.71 %
Long service awards - Net discount rate	3.23 %	4.08 %



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8. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	6,502,000	5,503,785
Effect on defined benefit obligation	33,094,000	34,314,308

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

	2021	2020	2019	2018	2017
Defined benefit obligation	26,606,000	28,769,654	26,867,718	27,983,799	29,929,309
Long term service award obligation	11,126,000	9,752,000	8,448,000	10,122,000	8,485,000

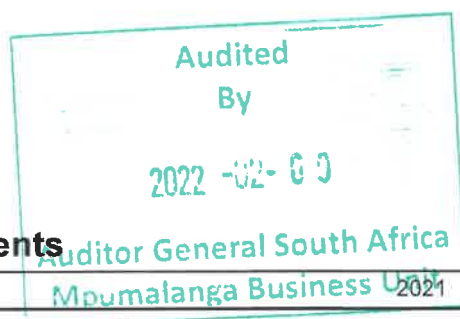


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9. Overpayment to contractors

Overpayment of contractors 678 842

10. Inventories

Consumable stores	7,112,965	5,136,859
Water for distribution	98,847	278,241
Unsold Properties Held for Resale	129,541,198	154,511,676
	136,753,010	159,926,776

Non-Living resources (Water) 98,847 278,241

The municipality controls water as Non-Living resources.

11. Statutory receivables

Fines	1,762,035	734,548
Consumer debtors - Rates	15,108,696	23,682,919
VAT	69,999,298	57,950,240
	86,870,029	82,367,707

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines are issued in terms of the regulations stipulated in the National Road Traffic Act 1996.

Gross balances

Fines	1,762,035	734,548
Consumer debtors - Rates	181,410,463	160,703,930
VAT	69,999,298	57,950,240
	253,171,796	219,388,718

Less: Allowance for impairment

Consumer debtors - Rates (166,301,767) (137,021,011)

Net balance

Fines	1,762,035	734,548
Consumer debtors - Rates	15,108,696	23,682,919
VAT	69,999,298	57,950,240
	86,870,029	82,367,707

Statutory receivables pledged as security

None of the other receivables from non-exchange transactions were pledged as security for overdraft facilities.

Credit quality of statutory receivables

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

None of the financial assets that are fully performing have been renegotiated in the last year.

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12. Consumer debtors

Gross balances

Electricity	94,020,550	79,788,626
Water	140,311,276	121,094,751
Sewerage	47,474,135	38,956,680
Refuse	49,762,043	41,331,398
Housing rental	11,547,008	8,758,528
Other (Sundry services)	7,816,763	3,315,402
	350,931,775	293,245,385

Less: Allowance for impairment

Electricity	(77,907,543)	(11,784,766)
Water	(129,661,426)	(27,184,610)
Sewerage	(44,405,191)	(10,823,547)
Refuse	(46,071,860)	(39,644,558)
Housing rental	(11,036,526)	(8,686,821)
Other (Sundry services)	(7,563,430)	(6,243,756)
	(316,645,976)	(104,368,058)

Net balance

Electricity	16,113,007	68,003,860
Water	10,649,850	93,910,141
Sewerage	3,068,944	28,133,133
Refuse	3,690,183	1,686,840
Housing rental	510,482	71,707
Other (Sundry services)	253,333	(2,928,354)
	34,285,799	188,877,327

Statutory receivables included in consumer debtors above are as follows:

Rates	45,049,486	23,682,919
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Financial asset receivables included in consumer debtors above	(10,763,687)	165,194,408
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Total consumer debtors	34,285,799	188,877,327
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Included in above is receivables from exchange transactions

Electricity	16,140,150	69,723,703
Water	10,637,297	93,910,141
Sewerage	3,068,944	5,724,438
Refuse	3,690,183	5,991,744
Other (Sundry services)	100,133	275,774
Housing rental	510,482	531,369
	34,147,189	176,157,169

Included in above is receivables from non-exchange transactions (taxes and transfers)

Rates	15,108,696	34,103,391
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Net balance	49,255,885	210,260,560
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12. Consumer debtors (continued)		
Rates		
Current (0 -30 days)	7,886,025	12,026,790
31 - 60 days	4,627,151	4,866,295
61 - 90 days	6,231,879	4,109,336
91 - 120 days	3,464,431	3,636,371
> 121 days	159,951,053	136,396,888
Less Impairment	(166,301,767)	(137,021,010)
	15,858,772	24,014,670
Electricity		
Current (0 -30 days)	9,367,002	11,270,405
31 - 60 days	3,587,400	4,888,205
61 - 90 days	3,152,148	3,475,059
91 - 120 days	2,502,368	2,743,780
> 121 days	75,411,632	58,698,388
Less Impairment	(77,907,543)	(11,784,767)
	16,113,007	69,291,070
Water		
Current (0 -30 days)	5,659,964	9,565,241
31 - 60 days	3,532,312	3,402,205
61 - 90 days	2,831,514	4,074,015
91 - 120 days	2,776,580	2,437,034
> 121 days	127,511,711	103,835,638
Less Impairment	(129,661,426)	(27,184,611)
	12,650,655	96,129,522
Sewerage		
Current (0 -30 days)	1,654,754	2,777,317
31 - 60 days	1,152,994	1,132,878
61 - 90 days	1,087,104	1,072,019
91 - 120 days	1,051,979	977,285
> 121 days	42,527,304	34,402,887
Less Impairment	(44,405,191)	(10,823,547)
	3,068,944	29,538,839
Refuse		
Current (0 -30 days)	1,992,261	3,310,359
31 - 60 days	1,337,746	1,335,007
61 - 90 days	1,260,623	1,252,143
91 - 120 days	1,208,427	1,133,006
> 121 days	43,962,986	34,436,876
Less Impairment	(46,071,860)	(39,644,560)
	3,690,183	1,822,831

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12. Consumer debtors (continued)		
Housing rental		
Current (0 -30 days)	273,663	387,468
31 - 60 days	262,549	188,120
61 - 90 days	260,869	189,774
91 - 120 days	255,134	173,996
> 121 days	10,494,793	7,817,363
Less Impairment	(11,036,526)	(8,686,820)
	510,482	69,901
Other (sundries)		
Current (0 -30 days)	94,885	141,218
31 - 60 days	38,587	25,809
61 - 90 days	36,798	34,066
91 - 120 days	35,779	36,828
> 121 days	7,610,714	3,077,481
Less Impairment	(7,563,430)	(6,243,756)
	253,333	(2,928,354)

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12. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	12,838,653	20,906,372
31 - 60 days	7,578,430	7,777,515
61 - 90 days	7,097,734	7,975,062
91 - 120 days	6,714,739	6,146,352
> 121 days	240,651,120	185,084,088
	274,880,676	227,889,389
Less: Allowance for impairment	(253,603,736)	(185,975,202)
	21,276,940	41,914,187

Industrial/ commercial

Current (0 -30 days)	12,865,724	17,498,705
31 - 60 days	6,226,384	7,728,803
61 - 90 days	7,432,151	6,035,009
91 - 120 days	4,323,500	4,849,264
>121 days	216,811,948	187,593,712
	247,659,707	223,705,493
Less: Allowance for impairment	(227,262,649)	(182,560,823)
	20,397,058	41,144,670

National and provincial government

Current (0 -30 days)	1,224,178	1,312,635
31 - 60 days	733,925	332,199
61 - 90 days	331,051	196,341
91 - 120 days	256,458	142,683
> 121 days	7,117,634	5,762,273
	9,663,246	7,746,131
Less: Allowance for impairment	(2,081,364)	(6,321,437)
	7,581,882	1,424,694

Total

Current (0 -30 days)	26,928,555	39,770,451
31 - 60 days	14,538,739	15,838,517
61 - 90 days	14,860,935	14,206,412
91 - 120 days	11,294,698	11,138,300
> 121 days	464,571,619	378,387,335
	532,194,546	459,341,015
Less: Allowance for impairment	(482,947,749)	(241,389,069)
	49,246,797	217,951,946

Less: Allowance for impairment

Current (0 -30 days)	(24,436,295)	(27,792,751)
31 - 60 days	(13,193,167)	(8,202,866)
61 - 90 days	(13,485,543)	(9,844,687)
91 - 120 days	(10,249,364)	(8,202,866)
121 - 365 days	(421,583,374)	(187,345,899)
	(482,947,743)	(241,389,069)

Total debtor past due but not impaired

Current (0 -30 days)	2,492,260	10,040,919
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12. Consumer debtors (continued)

31 - 60 days	1,345,572	7,635,872
61 - 90 days	1,375,392	4,367,370
91 - 120 days	1,045,333	2,941,111
121 - 365 days	42,997,327	58,089,137
	49,255,884	83,074,409

Reconciliation of allowance for impairment

Balance at beginning of the year	(241,389,069)	(274,049,892)
(Contributions)/reduction to allowance	(241,558,674)	32,660,823
	(482,947,743)	(241,389,069)

Statutory receivables general information

Transaction(s) arising from statute

Included in consumer debtors above, are amounts receivable by the municipality as a result of Rates levied and billed in accordance to the Municipal Property Rates Act No. 6 of 2004.

Determination of transaction amount

Rates are levied based on approved tariff based on the implemented general and interim valuations.

Interest or other charges levied/charged

Interest is on overdue receivables is charged at the prime interest rate plus one percentage point.

Reconciliation of provision for impairment

Relating specifically to Statutory Receivables

Opening balance	137,021,010	100,940,585
Provision for impairment	29,280,757	36,080,425
	166,301,767	137,021,010

Receivables past due but not impaired

Relating specifically to Statutory Receivables

Statutory receivables which are less than 1 month past due are not considered to be impaired. At 30 June 2021, 7,886,025 (2020: 12,026,790) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	7,886,025	12,026,790
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Receivables impaired

Relating specifically to Statutory Receivables

As of 30 June 2021, statutory receivables of 173,524,439 (2020: 153,790,984) were impaired and provided for.

The amount of the provision was - 30 June 2021 (2020: 137,021,010).

2 to 6 months	20,863,482	24,306,007
Over 6 months	152,660,957	129,484,977

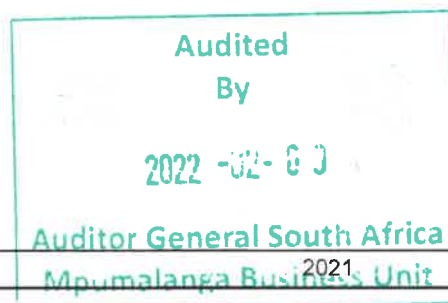
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12. Consumer debtors (continued)

Consumer debtors pledged as security

None of the receivables were pledged as security for overdraft facilities.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

None of the financial assets that are fully performing have been renegotiated in the last year.

Consumer debtors past due but not impaired

Consumer debtors which are less than 1 month past due are not considered to be impaired. At 30 June 2021, 26,928,555 (2020: 39,770,451) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	26,928,555	39,770,451
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Consumer debtors impaired

As of 30 June 2021, consumer debtors of 505,275,074 (2020: 437,407,051) were impaired and provided for.

The amount of the provision was - as of 30 June 2021 (2020: 246,684,021).

The ageing of these loans is as follows:

2 to 6 months	61,780,275	82,960,419
Over 6 months	443,494,799	354,446,632

Reconciliation of allowance for impairment of consumer debtors

Opening balance	241,389,069	274,049,892
Contribution/(Reduction) for allowance	241,558,676	(32,660,823)
	482,947,745	241,389,069

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 35). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	749,893	3,272,941
Short-term deposits	1,685,174	2,763,832
	2,435,067	6,036,773

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

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13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Absa Lydenburg - Primary (10-1000-0218)	10,226	1,864,045	3,214,270	10,226	1,864,045	3,214,270
Absa Thaba Chweu Projects - Call (40-8177-4894)	-	2,898	5,571	-	2,898	5,571
Absa Sabie - Primary (40-5826-4705)	-	567,251	339,690	-	567,251	339,690
Standard Bank-Ringfence Electricity - Call (488-610-621-004)	5,518	8,873	1,180,717	5,518	8,873	1,180,717
Standard Bank - Primary Account (24-320-336-5)	739,896	837,274	1,094,820	739,896	837,274	1,072,820
Standard Bank - Traffic - Call (250-970-627-000)	267	4,267	95,209	267	4,267	95,209
Standard bank Call - Post Office - Guarantee (488-610-621-001)	115,345	111,706	105,423	115,345	111,706	105,423
Standard Bank MIG - Call (488-610-621-002)	1,553,895	261,627	16,295,962	1,553,895	261,627	16,295,962
Standard Bank MWIG - Call (488-610-621-003)	8,407	73,251	840,419	8,407	73,251	840,419
Standard Bank - Call (7 488610621 - 007)	1,633	2,305,579	15,607,851	1,633	2,305,579	15,607,851
Total	2,435,187	6,036,771	38,779,932	2,435,187	6,036,771	38,757,932

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

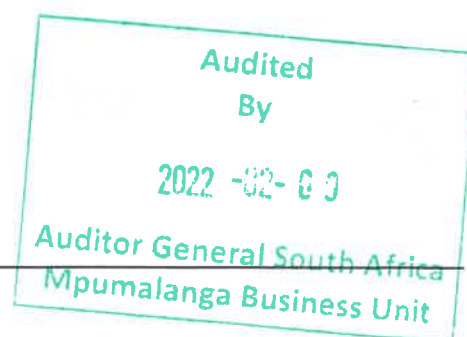
INEP	77,440	-
MIG	2,249,572	-
Water Services Infrastructure Grant (WSIG)	446	3,085,910
EPWP	(1)	-
	2,327,457	3,085,910

Movement during the year

Balance at the beginning of the year	3,085,910	-
Additions during the year	254,560,000	15,000,000
Income recognition during the year	(255,318,453)	(11,914,090)
	2,327,457	3,085,910

See note 29 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.



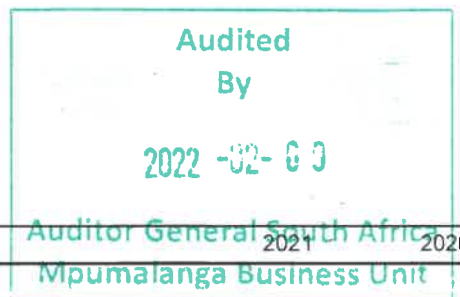
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15. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	63,420,410	(2,474,257)	4,387,995	65,334,148

Reconciliation of provisions - 2020

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	61,565,358	(2,913,703)	4,768,755	63,420,410

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate its landfill site in terms of its license stipulations. The net present value of the rehabilitation cost of landfill sites has been determined as at 30 June 2021 by technical specialists.

The environmental rehabilitation provision relates to three landfill sites namely Lydenburg, Graskop and Sabie. The number of years till closure for these respective landfill sites have been listed below.

The prior year amount for environmental rehabilitation provision has been restated due to the recalculation of the of the provision for rehabilitation. Refer to note for detail of the restatement.

Number of years till closure of landfill sites

Lydenburg	7	8
Graskop	5	6
Sabie	3	4
	-	-

Financial assumptions used

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used is based on the three-month average CPI for the quarter that includes the financial year-end date.

The average of the CPI for the last quarter amounted to 4.8235%. GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used. The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used. The table below summarises the key financial assumptions used:

Heading	Lydenburg	Graskop	Sabie
CPI	4.8235 %	4.8235 %	4.8235 %
Discount rate	7.0735 %	7.5735 %	8.8235 %
Nett effective discount rate	2.2500 %	2.7500 %	4.0000 %
	- %	- %	- %

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16. Payables from exchange transactions

Trade payables	997,162,886	842,487,291
Payments received in advanced - Trade Receivables	25,454,139	27,585,445
Accrued leave pay	20,793,378	18,525,547
Accrued bonus	5,432,402	5,726,173
Retentions	10,090,427	10,578,882
Other Payables	8,084,834	10,013,231
Unallocated deposits	10,577,488	11,353,579
	1,077,595,554	926,270,148

17. Consumer deposits

Electricity	2,225,791	2,196,380
Water	2,402,229	2,134,470
	4,628,020	4,330,850

18. Revenue

Service charges	270,783,608	267,060,016
Rental of facilities and equipment	2,962,659	1,700,247
Other income	7,272,729	3,974,346
Interest received - investment	13,723,275	16,149,590
Property rates	96,429,218	77,801,966
Property rates - penalties imposed	9,202,651	10,208,896
Government grants & subsidies	255,491,430	217,772,910
Fines, Penalties and Forfeits	9,608,302	8,400,746
	665,473,872	603,068,717

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

Service charges	270,783,608	267,060,016
Rental of facilities and equipment	2,962,659	1,700,247
Other income	7,272,729	3,974,346
Interest received - investment	13,723,275	16,149,590
	294,742,271	288,884,199

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

Taxation revenue		
Property rates	96,429,218	77,801,966
Property rates - penalties imposed	9,202,651	10,208,896
Licences or permits	178,764	412,346
Transfer revenue		
Government grants & subsidies	255,491,430	217,772,910
Fines, Penalties and Forfeits	9,608,302	8,400,746
	370,910,365	314,596,864

19. Service charges

Sale of electricity	185,042,578	166,628,123
Sale of water	47,875,539	66,671,392
Sewerage and sanitation charges	17,119,047	15,103,922
Refuse removal	20,746,444	18,656,579
	270,783,608	267,060,016

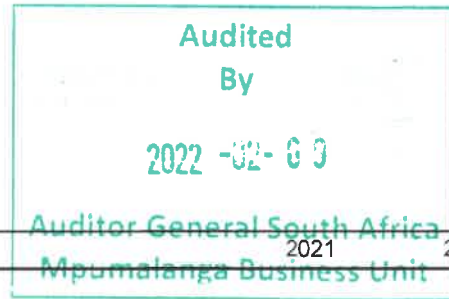
Thaba Chweu Local Municipality

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20. Rental of facilities and equipment

Premises		
Premises	2,962,659	1,700,247

21. Fines, Penalties and Forfeits

Building Fines	-	28,000
Illegal Connections Fines	3,283,146	6,721,617
Law Enforcement Fines	6,319,876	1,635,082
Overdue Books Fines	1,063	1,829
Municipal Traffic Fines	4,217	14,218
	9,608,302	8,400,746

22. Licences and permits (non-exchange)

Hiking Trails	-	1,024
Trading	178,764	411,322
	178,764	412,346

23. Lease rentals on operating lease

Equipment		
Contractual amounts	2,629,289	2,706,648

24. Other revenue

Other income	7,272,729	3,974,346
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25. Operational income

Building plan fees	1,305,040	589,325
Unallocated deposits released to income	2,303,061	215,874
Reconnections	1,172,576	118,962
Clearance certificates	20,302	155,642
Advertisement boards	67,901	57,560
Grave fees	111,870	65,612
Rezoning and consent use applications	38,513	7,089
Information supplied	345,419	186,008
Tender documents	430,088	680,024
Sundry income	1,477,959	1,898,250
	7,272,729	3,974,346

26. Interest revenue

Interest revenue		
Bank	432,539	1,897,984
Interest charged on trade and other receivables	13,290,736	14,251,606
	13,723,275	16,149,590

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27. Property rates

Rates received

Residential	43,459,678	65,923,891
Commercial	28,618,039	20,220,602
State	899,154	2,692,035
Agricultural	10,423,262	8,297,009
Institutional	189,923	174,778
Industrial	3,190,457	2,830,135
Undeveloped land	9,648,705	9,172,633
Less: Income forgone	-	(31,509,117)
Property rates - penalties imposed	96,429,218	77,801,966
	9,202,651	10,208,896
	105,631,869	88,010,862

Valuations

Residential	6,623,439,100	6,848,666,600
Commercial	1,689,358,800	1,606,971,700
Agricultural	6,601,045,500	6,891,695,500
Public service Purposes	720,257,640	1,417,306,950
Undeveloped	411,215,600	650,014,700
Industrial Property	239,053,500	227,901,600
Public Benefit Organisation	208,720,700	226,605,700
	16,493,090,840	17,869,162,750

Every five years the municipality compiles a valuation roll based on the value of land and buildings. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R.01325 (2020: R .01227) is applied to property valuations to determine assessment rates. Rebates of 50% (2020: 50%) are granted to residential property owners. Farm properties used for agricultural purposes (AGR) as well as Public Benefit Organisations (PBO) receive rebates of 75% (Ratio 1:0.25). Public Service Infrastructure organisations (PSI) receive rebates of 100% whilst indigents receive property tax rebates of 100%.

Rates are levied on an annual basis with the final date for payment being 30 June 2021 (30 June 2020). Interest at prime plus 1% per annum (2020: 1%).

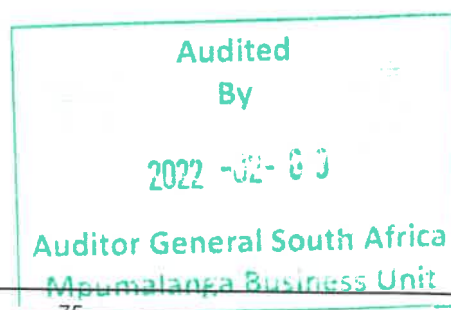
The new general valuation will be implemented on 01 July 2024.

28. Grants and subsidies paid

Grants paid to Thaleda (Pty) Ltd Municipal Entity

500,000

500,000



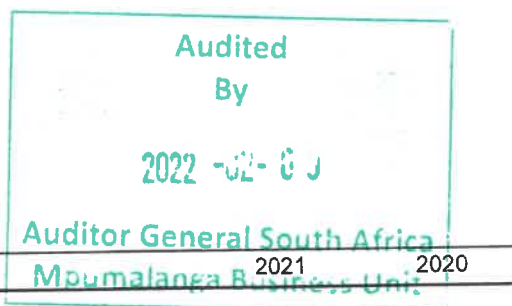
Thaba Chweu Local Municipality

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29. Government grants and subsidies

Operating grants		
Equitable share	181,355,000	143,286,000
Revenue in kind	172,977	476,820
National EPWP grant	1,707,001	1,818,000
Financial Management Grant	3,000,000	2,680,000
INEP grant	1,922,560	9,620,000
Municipal Disaster Relief Grant	-	596,000
	188,157,538	158,476,820
Capital grants		
Municipal Infrastructure Grants	49,248,428	47,382,000
Municipal Water Infrastructure Grant	18,085,464	11,914,090
	67,333,892	59,296,090
	255,491,430	217,772,910

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	74,136,430	74,486,910
Unconditional grants received	181,355,000	143,286,000
	255,491,430	217,772,910

Equitable Share

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

All registered indigents receive 100% subsidy on rates, refuse and sanitation. Indigents receive up to 10KL of free water every month as well as 50KWH free electricity. Indigents can also purchase the first 350KWH monthly electricity at a subsidised rate.

Integrated National Electrification Programme Grant (INEP)

Current-year receipts	2,000,000	9,620,000
Conditions met - transferred to revenue	(1,922,560)	(9,620,000)
	77,440	-

Conditions still to be met - remain liabilities (see note 14).

This grant is used to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

Municipal Infrastructural Grant (MIG)

Current-year receipts	51,498,000	47,382,000
Conditions met - transferred to revenue	(49,248,428)	(47,382,000)
	2,249,572	-

Conditions still to be met - remain liabilities (see note 14).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions, in order to provide for new, rehabilitation and upgrading of municipal infrastructure.

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29. Government grants and subsidies (continued)

Financial Management Grant (FMG)

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

This grant is used to assist in support and implementation of financial management reforms, attendance at accredited training and capacity building programmes on financial management.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	3,085,910	-
Current-year receipts	15,000,000	15,000,000
Conditions met - transferred to revenue	(18,085,464)	(11,914,090)
	446	3,085,910

Conditions still to be met - remain liabilities (see note 14).

The grant has been provided by department of Water Affairs to try to get water to areas where it was recognised that full services would not become available.

Expanded Public Works Programme (EPWP)

Current-year receipts	1,707,000	1,818,000
Conditions met - transferred to revenue	(1,707,001)	(1,818,000)
	(1)	-

The grant relates to the labour component within water infrastructure t



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29. Government grants and subsidies (continued)		
Municipal Disaster Relief Grant		
Current-year receipts	-	596,000
Conditions met - transferred to revenue	-	(596,000)
	-	-

Conditions still to be met - remain liabilities (see note 14).



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30. Employee related costs

Acting allowances	2,912,200	3,662,428
Actural loses	3,401,000	2,754,841
Basic	124,906,543	116,788,880
Bonus	9,721,150	9,963,469
Car allowance	19,379,002	17,849,494
Cellphone allowances	2,775,600	4,801,405
Danger Allowance	1,210,500	-
Defined contribution plans	24,167,937	23,283,582
Housing benefits and allowances	1,100,380	1,039,526
Insurance Group Life	565,883	459,297
Leave pay provision charge	2,903,716	3,020,139
Long-service awards	4,827,253	(115,807)
Medical aid - company contributions	9,107,429	8,306,577
Other payroll levies	53,176	50,859
Overtime payments	11,264,521	9,458,539
Post Employment Medical Aid	4,882,818	3,219,616
Shift allowances	1,532,325	1,343,076
Standby allowances	4,288,860	3,615,176
UIF	812,383	818,354
	229,812,676	210,319,451

Remuneration of - Municipal Manager

Annual Remuneration	1,152,202	505,553
Car Allowance	384,700	168,781
Contributions to UIF, Medical and Pension Funds	1,904	790
Acting allowance	-	159,399
Cellphone Allowance	14,400	12,338
Remote Allowance	61,552	61,551
	1,614,758	908,412

Remuneration of - Chief Financial Officer

Annual Remuneration	941,523	941,525
Travel allowance	317,356	344,084
Cellphone allowance	14,400	-
Contributions to UIF, Medical and Pension Funds	1,903	1,896
Remote allowance	50,316	50,315
	1,325,498	1,337,820

Remuneration of director - Corporate Services

Basic salary back pay	313,839	-
Acting allowance	185,860	341,894
Travel allowance	104,825	-
Contributions to UIF, Medical and Pension Funds	634	-
Cellphone allowance	4,800	-
Remote Allowance	16,773	-
	626,731	341,894

Remuneration of director - Technical Services

Annual Remuneration	941,523	941,525
Travel allowance	314,474	314,473

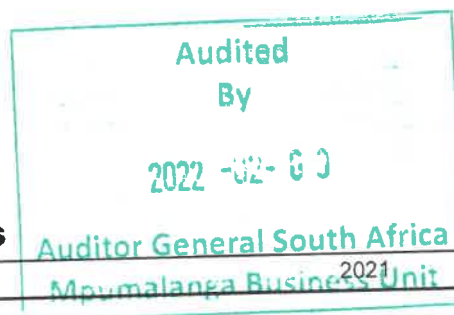
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30. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	1,903	1,896
Cellphone allowance	14,400	29,611
Remote Allowance	50,316	50,315
	1,322,616	1,337,820

Remuneration of director - Community Services

Annual Remuneration	-	534,233
Car Allowance	-	178,446
Contributions to UIF, Medical and Pension Funds	-	1,106
Acting allowance	363,997	399,424
Cellphone Allowance	-	17,273
	363,997	1,130,482

Remuneration of director - Local Economic Development

Annual Remuneration	706,144	941,525
Car Allowance	236,491	314,473
Acting Allowance	89,101	-
Contributions to UIF, Medical and Pension Funds	1,427	1,896
Remote Allowance	37,737	50,316
Cellphone allowance	10,800	29,610
	1,081,700	1,337,820

31. Remuneration of councillors

Executive Mayor	569,829	1,034,166
Mayoral Committee Members	429,964	2,838,293
Speaker	458,454	755,878
Councillors	10,093,682	6,696,389
	11,551,929	11,324,726

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 Council owned vehicle for official duties with two full-time bodyguards.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

32. Depreciation and amortisation

Property, plant and equipment	54,077,748	52,560,794
Intangible assets	936,395	1,243,679
	55,014,143	53,804,473

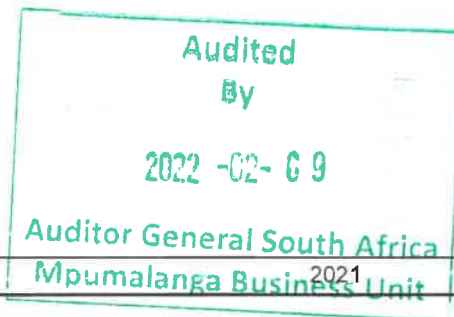
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33. Impairment of assets

Impairments

Property, plant and equipment	335,595	(57,833)
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		

34. Finance costs

Trade and other payables	26,223,256	47,103,881
Landfill site: unwinding of discount	4,387,995	4,768,655
Interest cost: long service awards	849,000	711,000
	31,460,251	52,583,536

35. Debt impairment

Contributions to debt impairment provision - Traffic fines	3,939,894	1,612,270
Contributions to debt impairment provision - Consumer debtors	241,558,676	(32,660,824)
Bad debts written off - Consumer debtors	6,909,657	7,006,831
	252,408,227	(24,041,723)

36. Bulk purchases

Electricity - Eskom	138,838,741	133,851,500
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Electricity losses

Units purchased	(152,575,945)	(146,146,154)
Units sold	98,827,265	92,905,883
Total loss	(53,748,680)	(53,240,271)

Percentage Loss:

Electricity (Losses expressed as a %)	35 %	36 %
---------------------------------------	------	------

Water losses

Units purchased	(8,789,374)	(9,802,388)
Units sold	3,189,842	3,367,664
Total	(5,599,532)	(6,434,724)

Percentage Loss:

Water (Losses expressed as a %)	64 %	66 %
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37. Contracted services

Outsourced Services

Burial Services	6,957	-
Business and Advisory	1,005,988	8,401,919
Catering Services	16,503	-
Call Centre	424,747	178,194
Clearing and Grass Cutting Services	394,300	-
Connection/Dis-connection	-	174,967
Refuse Removal	5,890,188	6,371,785
Security Services	10,408,560	8,713,724

Consultants and Professional Services

Business and Advisory	11,936,927	23,291,966
Infrastructure and Planning	1,904,509	4,760,980
Legal Cost	16,497,860	13,948,473

Contractors

Bore Waterhole Drilling	905,841	843,720
Catering Services	140,954	-
Electrical	11,847,987	3,592,844
Employee Wellness	12,087	-
Event Promoters	314,869	132,480
Maintenance of Buildings and Facilities	1,635,271	493,499
Maintenance of Equipment	57,780	-
Maintenance of roads	18,531,908	9,482,700
Traffic and Street Lights	12,577,239	-
Sewerage Services	1,274,448	257,480

95,784,923 80,644,731

38. Operating expenses

Auditors remuneration	7,666,615	7,996,106
Bank charges	679,882	586,904
Commission paid	12,267,524	6,676,068
Consumables	9,762,576	14,041,537
Gifts	-	57,070
Hire	1,587,850	786,955
Insurance	6,860,157	4,952,225
Conferences and seminars	3,720,223	2,428,601
IT expenses	7,185,147	10,068,730
Skills Development Levies	1,779,697	1,317,566
Motor vehicle expenses	373,995	105,774
Fuel and oil	1,991,019	2,258,247
Postage and courier	-	447,593
Printing and stationery	323,050	81,927
Protective clothing	854,749	510,226
Subscriptions and membership fees	107,025	196,809
Telephone and fax	77,315	260,025
Travel - local	423,592	2,299,236
Electricity	59,294,334	56,333,958
Other expenses	14,985,244	5,947,017

129,939,994 117,352,574

39. Fair value adjustments

Investment property (Fair value model)	5,703,681	8,618,981
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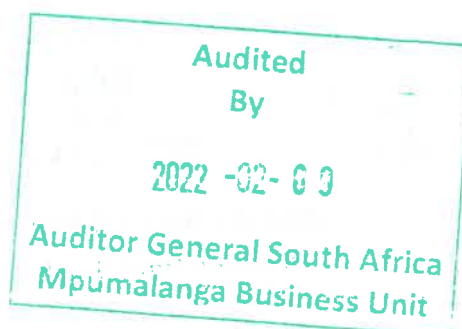
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40. Auditors' remuneration		
Fees	7,666,615	7,996,106
41. Operating (deficit) surplus		
Operating (deficit) surplus for the year is stated after accounting for the following:		
Operating lease charges		
Equipment		
• Contractual amounts	2,629,289	2,706,648
Loss on sale of property, plant and equipment	(3,043,289)	(746,367)
Impairment on property, plant and equipment	335,595	(57,833)
Amortisation on intangible assets	936,395	1,243,679
Depreciation on property, plant and equipment	54,077,748	52,560,794
Employee costs	241,364,605	221,644,177
42. Cash generated from operations		
Deficit	(305,039,011)	(27,634,406)
Adjustments for:		
Depreciation and amortisation	55,014,143	53,804,473
Loss on disposal of assets	3,043,289	746,367
Finance costs	-	-
Impairment loss (reversal)	335,595	(57,833)
Debt impairment	252,408,227	(24,041,723)
Movements in retirement benefit assets and liabilities	7,553,626	5,936,291
Changes in working capital:		
Inventories	23,173,766	(3,272,463)
Consumer debtors	(103,225,254)	(79,420,321)
Statutory receivables	(4,502,322)	(766,202)
Payables from exchange transactions	151,325,400	176,885,572
Unspent conditional grants and receipts	(758,453)	3,085,910
Other non-cash items	5,534,923	(18,201,772)
Movement in provision	(9,467,364)	(41,674,584)
	75,396,565	45,389,309



Thaba Chweu Local Municipality

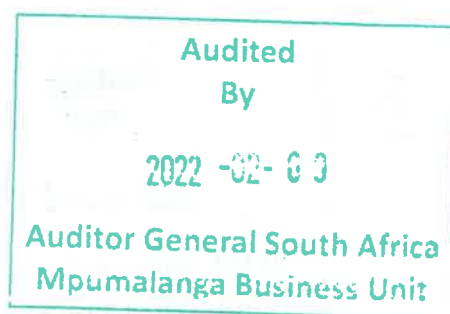
(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
43. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	41,203,966	40,512,202
Total capital commitments		
Already contracted for but not provided for	41,203,966	40,512,202
Authorised operational expenditure		
Total commitments		
Total commitments		
Authorised capital expenditure	41,203,966	40,512,202
This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, and funds internally generated.		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	2,629,337	1,095,557
- in second to fifth year inclusive	5,258,674	-
	7,888,011	1,095,557

Operating lease payments represent rentals payable by the municipality for certain of its office printers. Rentals are fixed for an average of three years. No contingent rent is payable.



Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

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Mpumalanga Business Unit

2021

2020

44. Contingencies

CLAIMANT

Blom & others/ TCLM Applicant is claiming an amount suffered for building collapse based on submitted plans to TCLM.	5,076,609	5,076,609
Johannes Buti Nkosi/ TCLM Applicant is suing TCLM for a motor vehicle damaged during strike at his residence	200,000	200,000
Matabane Civils Construction/ TCLM On 29 May 2014 the Plaintiff instituted an action for breach of contract against the Municipality for non-payment of outstanding invoices.	3,543,064	3,543,064
Ntsumi Telecommunication/TCLM Applicant is claiming monies for professional service rendered	6,156,000	6,156,000
Jako de Klerk & Marietjie Malan/ TCLM & Surprise Maebela The plaintiff is suing the Municipality for damages amounting to R750 000 for five horses allegedly electrocuted as a result of the Municipality's negligence in not maintaining such electrical poles on the plaintiff's farm	1,500,000	1,500,000
Hendrik J Samuels/ TCLM Plaintiff sued for loss of support and damages for his deceased wife that passed at Big Swing (Graskop)	750,000	750,000
Department of labour/ TCLM Department of labour has fined the Municipality in terms of section 21(4B) in accordance with schedule 1 of Employment Equity Act 55 of 1998 for failing to submit an equity plan on time.	1,500,000	1,500,000
South African securitisation programme & Fintech receivables/ TCLM The Applicant is suing the municipality for services rendered in terms of the service level agreement.	229,562	229,562
MBB Consulting services/ TCLM The applicant sued the municipality for monies owed for services rendered on contractual basis.	14,140,981	14,140,981
The Thaba Chweu Rural Forum/ TCLM The applicant made an application in court on behalf of farmers within Thaba chweu to be excluded from the normal rates levied by the municipality.	-	-
Apostolie Geloof / TCLM The applicant claims monies for services paid on religious property that they dispute to pay based on legislation not applicable to them	-	-
Axel Kazadi Kayembe / TCLM Applicant is claiming for a collision of motor vehicle with a pot hole within TCLM	54,944	-
Preston Tomato farms Applicant is claiming for monies paid to obtain a clearance certificate on transfer of property	-	-
Selina Clementine sibiya/ TCLM Applicant is claiming for a collision of motor vehicle with a pot hole within TCLM	56,830	56,830
JJ Jordan / TCLM The plaintiff is suing the Municipality for damages amounting to approximately R3 000 000.00, for motorbike accident damage caused by the pothole on the road within TCLM	-	-
TCLM/ SAMWU-TCLM EMPLOYEES Municipal employees embarked on illegal strike without following proper process, employers had obtained an interdict to protect municipal assets and restore order.	-	-
Raul Machado Salvatori/ TCLM Applicant is claiming for a collision of motor vehicle with a pot hole within TCLM jurisdiction	17,037	17,037
Thoka Makorwane Patrick Kgoale/ TCLM The accounting officer who is suspended has challenged the suspension in labour court urgently	-	-
Thoka Makorwane Patrick Kgoale/ TCLM The accounting officer is challenging the authority and status of the presiding officer	-	-
Lesibana Christian Rale/ TCLM In this matter, the plaintiff, Mr Ralebipi claims contractual damages arising out of the termination of his contract of employment. The matter commenced at the Limpopo High court	-	446,638
Mihandzu Consulting Engineers/ TCLM Municipality is being sued by applicant for services rendered in terms of SLA	445,341	445,341
Mashego Kemmy/ TCLM An employee of the municipality who is a unit manager claims to have short paid his travelling allowance since 2010	-	-
Magoveni Business Trust/ TCLM A service provider has obtained a default judgement without serving the municipality with necessary court documents and attached the municipal bank account through sheriff of court.	9,100,000	18,200,000
Eben Blignaut Applicant is suing the municipality for damages suffered that were caused by a pothole on the road.	2,000,000	2,000,000

Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
44. Contingencies (continued)		
Zim electrical/ tclm Municipality is being sued by the applicant for service rendered in terms of SLA	435,401	435,401
Landsberg/Tclm Landsberg is suing the municipality for the death of their minor child who died of electric shock	3,000,000	3,000,000
VR Cargo and eight others/ TCLM Applicant urgently interdicted the municipality in enforcing its Traffic By-laws to prohibit their heavy load trucks to drive through the town	-	-
TCLM/Mmboniseni Kenny Mulaudzi Former employee is suing the municipality for an award granted in his favour during the dispute of corporate director post.	461,686	-
Mariana Van Rooyen T/A A1 Dry Cleaners TCLM Plaintiff is suing the municipality for damages or property caused by deteriorating of roads surface on lange street where their business is situated. Alleges that the dust from main road caused damages to the dry clean machines	612,898	-
	49,280,353	57,697,463



Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand	2021	2020
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45. Related parties

Relationships

Accounting Officer
District Municipality

Refer to accounting officer's report
Ehlazeni District Municipality assist with AFS
preparation

Relationship with CoGTA

CoGTA appointed GIZ to assist the Municipality with
Financial Recovery Plan

Mpumalanga Provincial Treasury

PT offers advisory support to the Municipality to
obtain an improved Audit outcome

Controlled entities

Thaleda (Pty) Ltd

Members of key management

Ms. SS Matsi (Municipal Manager)
Mr. MR Mnisi (Chief Financial Officer)
Mr. SL Manqele (Director: Technical Services)
Mr. MC Mashego (Acting Director: Local Economic
Development)
Mr. CB Nkuna (Acting Director: Community Services)
Mr. PM Mankga (Director: Corporate Services)

The remuneration of key management is disclosed in note 30 of the annual financial statements.

Related party balances

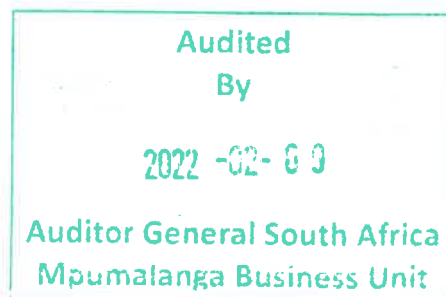
Amounts included in Trade receivable (Trade Payable) regarding related parties

Councillors

ET Mabuza(MMC)	114,498	163,444
JJ Mkhize	2,823	16,550
PA Segoane	13,638	8,199
SM Phetla	-	847
DR Nkabinde	-	709
SE Van Douwe	-	108,151
JH Ligthelm	-	1,606
RG Herbst	-	1,595
SG Shongwe	-	6,816

Key Employees (Management)

Ms. SS Matsi	594	1,224
Mr. RM Mnisi	1,328	-
Mr. MC Mashego	41,996	-
Mr. CB Nkuna	(983)	-
Ms. SP Mathebula	-	(7,780)



Related party transactions

Subsidy paid to related parties

Thaleda (Proprietary) Limited	500,000	500,000
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Service charges

Thaleda (Proprietary) Limited	418,152	357,386
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Salaries

Salary Mr. MF Nkademeng Members of immediate family Executive Mayor	463,092	525,524
Salary Ms. PT Nkademeng Members of immediate family Executive Mayor	666,444	582,764
Mr. M. Sedibe Management and/or employees of parent company	-	734,174
Ms. FJ Makwakwa Management and/or employees of parent company	810,192	-
Ms. L Moukangwe Management and/or employees of parent company	541,588	-
Ms. LV Shabangu Lubisi Management and/or employees of parent company	718,538	-
Mrs. C. Sechabe Management and/or employees of parent company	287,076	-
Mrs. BD Molapo Management and/or employees of parent company	298,632	-
Ms. QN Seboka Management and/or employees of parent company	-	483,761
Ms. L Moukangwe Management and/or employees of parent company	-	435,879

Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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45. Related parties (continued)

Ms. LV Lubisi Shabangu Management and/or employees of parent company	-	696,619
Mrs. C. Sechabe Management and/or employees of parent company	-	279,613
Mrs. BD Molapo Management and/or employees of parent company	-	284,935

Thaleda (Pty) Ltd enjoys the benefits of using facilities of Thaba Chweu Local Municipality as their operational office in the form of Sabie Caravan Park. The audit fees of Thaleda (Pty) Ltd is also paid by the parent being Thaba Chweu Local Municipality.

Remuneration of management

Management class: Councillors

Refer to note 31 remuneration of councillors

46. Prior-year adjustments

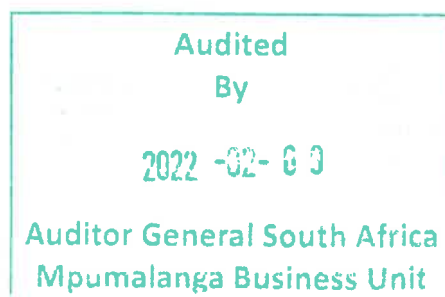
Statement of financial position

2019

	Note	As previously reported	Correction of error	Restated
Property Plant and Equipment		926,871,739	(478,160)	926,393,579
Intangible assets		897,745	(235,068)	662,677
Accumulated Surplus		537,691,471	(22,172,795)	515,518,676
Consumer debtors		213,830,089	4,121,857	217,951,946
		1,679,291,044	(18,764,166)	1,660,526,878

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Property Plant and Equipment		961,123,609	(7,579,807)	-	953,543,802
Other receivables from non-exchange transaction		5,512,724	(4,287,566)	(734,548)	490,610
Consumer Debtors		217,951,946	(5,391,700)	(23,682,919)	188,877,327
Payables from exchange transactions		943,994,653	(17,724,500)	-	926,270,153
Cash and cash equivalents		6,036,773	-	-	6,036,773
Statutory receivables		-	-	82,367,687	82,367,687
VAT receivable		61,722,288	(3,772,068)	(57,950,220)	-
Employee benefit obligation		38,521,654	2,730,355	-	41,252,009
Intangible asset		897,745	(235,068)	-	662,677
Landfill site asset		14,104,639	(3,131,902)	-	10,972,737
Provisions		32,555,620	30,864,790	-	63,420,410
		2,282,421,651	(8,527,466)	-	2,273,894,185



Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020		
46. Prior-year adjustments (continued)				
Statement of financial performance				
2020				
	Note	As previously reported	Correction of error	Restated
Revenue from exchange transactions		(269,502,955)	2,442,939	(267,060,016)
Fines, penalties and forfeits		(1,812,496)	(6,588,250)	(8,400,746)
Depreciation		51,235,402	2,569,071	53,804,473
Contracted services		82,112,645	(1,467,914)	80,644,731
Employee related cost		210,299,459	(2,734,838)	207,564,621
Finance cost		48,994,567	3,588,969	52,583,536
Operating expenses		119,336,090	(1,983,516)	117,352,574
Loss on disposal of assets		64,173	682,194	746,367
Impairment of property plant and equipment		-	(57,883)	(57,883)
Acturial losses		(24,486)	(2,730,355)	(2,754,841)
Surplus for the year		240,702,399	(6,279,583)	234,422,816

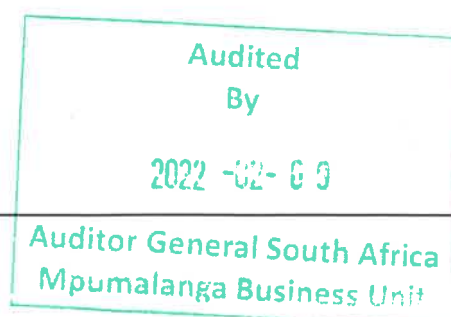
2020

	Note	As previously reported	Correction of error	Restated
Commitments		18,575,417	21,936,785	40,512,202
Fruitless and wasteful		212,128,125	(104,823,756)	107,304,369
Irregular expenditure		506,218,659	32,692,715	538,911,374
Unauthorised expenditure		196,260,226	(68,056,953)	128,203,273
Closing balance		933,182,427	(118,251,209)	814,931,218

47. Unauthorised expenditure

Opening balance as previously reported	128,203,273	188,739,675
Prior period write off (correction)	-	(60,536,402)
Opening balance as restated	128,203,273	128,203,273
Operational:		
Community services	6,702,837	-
Finance	86,975,609	-
Local Economic Development	1,029,193	-
Office of the MM	20,571,572	-
Capital:		
Finance	13,173,423	-
MIG expenditure not in terms of the set conditions	2,249,572	-
Closing balance	258,905,479	128,203,273

The disclosed unauthorised expenditure balance of R 258 905 479 is inclusive of recoverable balance of R 5 615 768. This recoverable amount is informed by Forensic investigation report concluded in June 2017, to which cases have been opened for the implicated officials with the law enforcement agencies.



Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

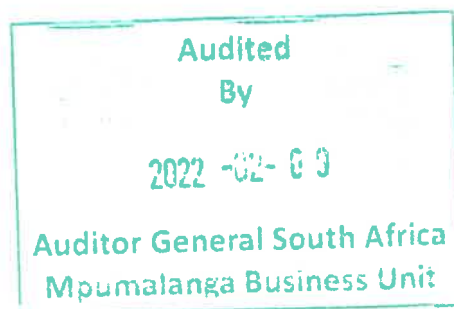
Figures in Rand	2021	2020
48. Fruitless and wasteful expenditure		
Opening balance as previously reported	107,304,369	165,024,237
Less: Amount written off	-	(104,823,756)
Opening balance as restated	107,304,369	60,200,481
Add: Expenditure identified - current	-	47,103,888
Less: Amount written off - prior period	(47,103,888)	-
Closing balance	60,200,481	107,304,369

Subsequent event

On the Council sitting of the 21st of October 2021, through Council Resolution C4/2021, the Council of Thaba Chweu resolved to write off fruitless and Wasteful expenditure incurred in the prior financial period (2019/20) amounting to R47 103 888, after considering the MPAC recommendation.

49. Irregular expenditure

Opening balance as previously reported	426,324,015	448,425,668
Correction of prior period error	-	31,015,135
Less: Amount written off	-	(175,040,143)
Opening balance as restated	426,324,015	304,400,660
Add: Irregular Expenditure - current	110,219,362	121,923,355
Closing balance	536,543,377	426,324,015



Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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49. Irregular expenditure (continued)

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

Contracts extended without following proper process	2,610,913	11,059,124
Contracts awarded with bid adjudication committee not composed in terms of SCM regulation 29(2)	-	220,796
Irregular expenditure identified in the prior year and payment made in the current year	31,144,322	-
Deviations not compliant with SCM regulation 36(1)	627,341	-
Municipal rates over 90 days	295,311	8,865,242
Declaration for Local Production and Content not included in the tender document	-	5,400,581
Awards were made to suppliers who did not comply with the stipulated qualifying criteria stipulated	521,179	593,944
Tax Status of the supplier not confirmed before the award	-	176,965
Tender document not submitted for Audit Purposes to confirm if SCM processes were followed	4,142,876	1,505,360
Company director is in the employ of the state however the procurement was concluded prior to employment	-	30,000
Inconsistency in the bid evaluation and adjudication	3,558,100	-
No systems for appointing from panels	55,400,612	64,130,364
Irregular expenditure identified by Audit process	11,918,708	29,940,979
	110,219,362	121,923,355

Audited
By

2022-02-09

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Thaba Chweu Local Municipality

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Annual Financial Statements for the year ended 30 June 2021

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49. Irregular expenditure (continued)

Cases under investigation

30 June 2021 (prior period: 30 June 2017) cases related to non-compliance with procurement process requirements.

The disclosed Irregular expenditure balance of R376 455 300 is inclusive of recoverable balance of R63 854 884. This recoverable amount is informed by Forensic investigation report concluded in June 2017, to which cases have been opened for the implicated officials with the law enforcement agencies.

Disciplinary steps taken/criminal proceedings

50. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	2,971,033	869,776
Current year expense	8,872,204	8,879,934
Amount paid - current year	(6,730,089)	(6,778,677)
Amount paid - previous years	(861,831)	-
	4,251,317	2,971,033

PAYE and UIF

Opening balance	2,731,024	2,601,807
Current year expense	37,476,909	33,782,360
Amount paid - current year	(34,547,621)	(33,653,143)
Amount paid - previous years	(2,731,024)	-
	2,929,288	2,731,024

Pension and Medical Aid Deductions

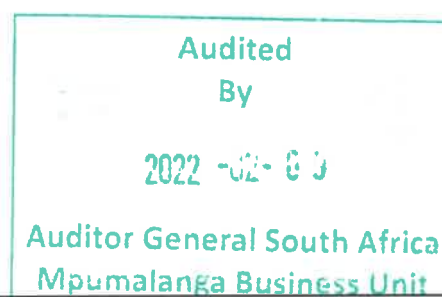
Opening balance	4,176,413	3,808,606
Current year expense	52,591,233	49,656,079
Amount paid - current year	(48,867,694)	(49,192,924)
Amount paid - previous years	(4,176,413)	-
	3,723,539	4,271,761

VAT

VAT receivable	69,999,298	57,950,240
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VAT output pay/VAT input receivables are shown in note 11.

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



Thaba Chweu Local Municipality

(Registration number MP321)

Annual Financial Statements for the year ended 30 June 2021

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

Councillors' arrear consumer accounts

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

30 June 2021

	Outstanding less than 90 days	Outstanding more than 90 days	Total
JOHANNES BUTI & ESTHER TINY MABUZA	8,141	117,838	125,979
JUBA JUDITH MKHIZE	1,636	1,187	2,823
SLAMBIE JACOB SEGOANE	2,416	11,222	13,638
	12,193	130,247	142,440

30 June 2020

	Outstanding less than 90 days	Outstanding more than 90 days	Total
ESTHER TINNY MABUZA	4,242	7,102	11,344
JOHANNES BUTI & ESTHER TINY MABUZA	13,739	138,361	152,100
S M PHETLA	775	72	847
POFANA ELMON MALEPE	2,107	102	2,209
DAVID LETSANE	2,267	123	2,390
PETRUS MABANNA	5,897	2,958	8,855
MEISIE JOHANNA HLATSHWAYO	165	543	708
BEN SIBIYA	1,523	66	1,589
SANDILE GODFREY & MOMSA KINDNESS SHONGWE & MDHULI	2,898	3,919	6,817
JUBA JUDITH MKHIZE	1,654	14,895	16,549
REINIER GRAVETT HERBST	1,283	312	1,595
MNISI PETER	3,722	97,921	101,643
SANDERSON E S	1,794	4,714	6,508
SLAMBIE JACOB SEGOANE	2,016	6,183	8,199
	44,082	277,271	321,353

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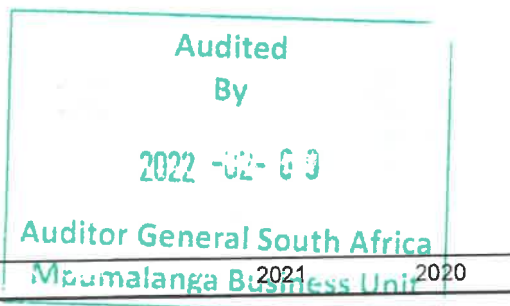
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51. Deviation from supply chain management regulations

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

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

The disclosure below relates to the instances whereby the Accounting Officer complied with the requirements of regulation 36 of the Supply Chain Management Regulations of 2005 in dispensing the below procurements which were due to emergency and impracticality situations.

Using a sole supplier

Advert notice of council meeting CTP t/a Lowveld	-	9,394
Erratum Advert of Tariffs CTP t/a Lowveld	-	4,442
Public Notice SDBIP CTP t/a Lowveld	-	5,872
Notice of general rates for 2019/2020 CTP t/a Lowveld	-	57,936
Tender advert on national newspaper Tiso black group	-	25,070
Advert of Vacancies MIT Group	-	49,500
MP321_Opex_Advertising - IMPLEMENTATION PROGRESS REVIEW - (1.0000) CTP	-	9,265
t/a Lowveld Media	-	
MP321_Opex_Radio slots - RADIO ADVERT OF MAYORAL BURSARY - (1.0000)	-	75,870
MASHISHING COMMUNICATIONS MASH FM	-	
MP321_Opex_Advertising - ADVERTISE THE PROCESS PLAN - (1.0000) CTP t/a	-	2,688
Lowveld Media	-	
MP321_Opex_Advertising - ADVERT OF SPECIAL IPROGRAMME FOR INDIGENT	-	8,475
CONSUMERS - (1.0000) CTP t/a Lowveld Media	-	
MP321_Opex_Advertising - advert of mayoral imbizo - (1.0000) CTP t/a Lowveld	-	9,394
Media	-	
MP321_Opex_Advertising - erratum advert for indigent consumers - (1.0000) CTP t/a	-	4,003
Lowveld Media	-	
MP321_Opex_Radio slots - MAYORAL IMBIZO ADVERT - (1.0000) MASHISHING	-	57,600
COMMUNICATIONS MASH FM	-	
MP321_Opex_Advertising - PUBLIC NOTICE ADVERT:LATE BILLING - (1.0000) CTP	-	2,688
t/a Lowveld Media	-	
MP321_Opex_Professional Bodies Membership Fees and Subscriptions	-	24,150
REGISTRATION FEES FOR N SEBOKA AND S MKHONTO (2.0000) THE	-	
INSTITUTE OF INTERNAL AUDITORS SOUTH AFRICA	-	
MP321_Opex_Radio slots ADVERT OF IMSSA GAMES (1.0000) MASHISHING	-	21,350
COMMUNICATIONS MASH FM	-	
MP321_Opex_Advertising NOTICE OF GENERAL RATES FOR 2019/20 (1.0000)	-	57,936
CTP t/a Lowveld Media	-	
MP321_Opex_Appointment of Service Providers CONNECTION	-	197,800
DISCONNECTION,RECONNECTION INSPECTION (1.0000)	-	
MP321_Opex_Appointment of Service Providers	-	
CONNECTIONDISCONNECTION,RECONNECTION INSPECTION (1.0000)	-	
MP321_Opex_Advertising ADVERT NOTICE OF COUNCIL MEETING (1.0000) CTP	-	9,394
t/a Lowveld Media	-	
Advertisement of Vacant posts Regional CTP t/a Lowveld Media	-	20,950
Advertisement of Vacant posts National Tiso black group	-	53,461
Advertisement of Tenders Tcm/T09 T11/2019 2020 Tiso black group	-	20,741
MP321_Opex_Advertising ANIMAL IMPOUND (1.0000) CTP t/a Lowveld Media	-	10,209
Registration for MPAC training MS E Mkhonto ITC INTELLIGENCE TRANSFER	-	6,999
CENTER	-	
Advertisement of Tenders Tcm/T15/2019 2020 Tiso black group	-	18,803
Advertisement of Tenders Property Development Expression of Interest Tiso black	-	16,045
group	-	
Advert of Message to learners writing Matric Examination Lowveld Media	-	6,749
Message to learners writing Matric Examination Mashishing Communication	-	12,800

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51. Deviation from supply chain management regulations (continued)	
Tender advert (Tcm/T16 2019 20) Media 24	- 20,447
Advert for electricity disruption Mashishing Communication	- 10,050
Advertisement of Council Sitting Mashishing Communication	- 13,350
Advertisement of Water saving tips Lowveld Media	- 8,464
Advertisement of Council Sitting Lowveld Media	- 4,297
Advert of Festive season Mashishing Communications	- 48,000
Advert for Tender Arena Holdings	- 18,630
Advert of Festive season Lowveld Media(Steelburger)	- 9,958
Procurement of NT reporting template additional caseware for buget unit Adapt IT (pty) ltd	- 154,987
Announcement of council meeting Mashishing Communications	- 13,350
Renewal of caseware system for budget unit Adapt IT (pty) ltd	- 84,568
Advertiement/notice of Electricity Interruptions Mashishing Communications	- 10,500
Massege for learners writing exams Mashishing Communications	- 12,800
Public Notice for ordinary Council meeting Lowveld Media(Steelburger)	- 4,297
Publication of Tender Advert in national Newspaper on :20/02/2020 Arena Holdings	- 32,344
Live read notice for Council Meeting 2days 25/02/2020 Mashishing Communications	- 3,000
Publication of Tender Advert Whoodoo media and Advertising	- 24,581
Advertisement of Vacancy National newspaper Arena Holdings	- 47,182
Calibration prolaser; Admin fee; Battery Lead Acid Sealed Recha; TRUVELO MANUFACTURERS	- 11,748
Publication of Non Executive director THALEDA Whoodoo media and Advertising	- 23,969
ADVERT OF DEBT INCENTIVE PLAN Lowveld Media(Steelburger)	- 10,989
Advert for debt Incentive Scheme Mashishing Communications	- 80,820
Supply and delivery of Digicert Secure Site Widcard Licenses Prima Secure (Pty) Ltd	- 193,000
APPROVED ROLL OUT PROGRAMS AND PROJECTS TO CURB THE SPREAD OF COVID 19 PANDEMIC THROUGH THE DISTRICT FUNDING SUPPORT. Intervention as part of combating the spread of COVID 19 Virus Cleaning of illegal dumping sites and installation of signs. OXIOR CIVIL ENTERPRISE	- 747,385
APPROVED ROLL OUT PROGRAMS AND PROJECTS TO CURB THE SPREAD OF COVID. Intervention as part of combating the spread of COVID 19 Virus	- 391,272
Procurement of PPE and various materials. (400 x disinfectants; 30 x thermometers)	
JAMASE CONSULTING DEVELOPMENT	
APPROVED ROLL OUT PROGRAMS AND PROJECTS TO CURB THE SPREAD OF COVID. Intervention as part of combating the spread of COVID 19 Virus	- 1,488,300
Procurement of PPE and various materials. (115 x wipes containers; 100 gloves (boxes); 600 face shields; 350 sanitisers; 60 x thermometers; 1000 x hand wash sanitisers 70 %; 500 x disposable body suits; 100x disinfectants; 150 x boot covers)	
JMLNT HOLDINGS	
APPROVED ROLL OUT PROGRAMS AND PROJECTS TO CURB THE SPREAD OF COVID. Intervention as part of combating the spread of COVID 19 Virus	- 493,552
Procurement of PPE and various materials. (115 x wipes containers; 100 gloves (boxes); 600 face shields; 350 sanitisers; 60 x thermometers; 1000 x hand wash sanitisers 70 %; 500 x disposable body suits; 100x disinfectants; 150 x boot covers)	
JMLNT HOLDINGS	
Fumigation and disinfection of Municipal public spaces to mitigate the spread of the COVID-19 N3 Rapid response	- 250,000
Repairs of Municipal Fences at Lydenburg Museum as part of Insurance claim	- 117,000
SINOVILLE FENCING ROSSLYN	
Refurbishment of de clerq, vootrekker and de lange streets in lydenburg	- 673,325
CORNERSTONE OUTSOURCING	
APPROVED ROLL OUT PROGRAMS AND PROJECTS TO CURB THE SPREAD OF COVID. Intervention as part of combating the spread of COVID 19 Virus	- 428,400
Procurement of PPE and various materials. VUSAKUTHULA TRADING AND PROJEC	
Advert of notice of extension of closing date of tenders WHODOO MEDIA	- 14,594
Outstanding invoice for notice for council sitting in third quarter MASHISHING COMMUNICATIONS	- 3,000

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51. Deviation from supply chain management regulations (continued)

Verification of mSCOA AFS e solution(dynamic mscoa viewer module; AFS module (2019/20 Grap template) DUCHARME CONSULTING	-	80,500
Advert of notice of closing date of tenders WHOODOO MEDIA	-	10,675
Review and identification of audit root causes and remedial action; development of budget and treasury internal controls and identification of revenue enhancement activities EPM AUDIT AND CONSULTING	-	521,094
Advertisement of expanded public works participants LOWVELD MEDIA	-	14,084
Advertisement of approval of oversight report and adoption of 2017/2018 annual report LOWVELD MEDIA	-	5,413
Advertisement of tariffs 2020/2021 FY LOWVELD MEDIA	-	15,172
Advertisement of tender (Augmentation of Mashishing water Supply scheme) WHOODOO MEDIA	-	12,782
Gazetting of Municipal By laws/tariffs GOVERNMENT PRINTING WORKS	-	136,188
Advertisement of Budget for 2020/2021 FY LOWVELD MEDIA	-	89,723
Calibration of speed machine TRUVELO MANUFACTURERS	-	14,355
Gazetting of Municipal By laws/tariffs GOVERNMENT PRINTING WORKS	-	14,123
Interval Maintenance of TLB LAEVELD TREKKERS ROCKY	-	31,068
Interval Maintenance of TLB ELB EQUIPMENT HOLDINGS	-	14,036
Interval Maintenance of TLB ELB EQUIPMENT HOLDINGS	-	8,003
REGISTRATION OF MPUMALANGA REGIONAL INDABA THE INSTITUTE OF INTERNAL AUDITORS SOUTH AFRICA	-	14,300
AUGMENTATION OF MASHISHING WATER SUPPLY SCHEME (REFURBISHMENT OF BOREHOLES) IN THABA CHWEU MUNICIPALITY AS PART OF COVID-19 INTERVENTION MPHIRATI TRADING	-	7,773,648
CONSTRUCTION WORKS: REFURBISHMENT OF 31 BOREHOLES AT THABA CHWEU LOCAL MUNICIPALITY ACMERT TRADING ENTERPRISE (PTY) LTD	-	4,142,015
CONSTRUCTION WORKS: REFURBISHMENT OF SANITATION INFRASTRUCTURE IN THABA CHWEU MUNICIPALITY: MASHISHING X 2 SEWER PUMP STATION. BARUTENG TRADING ENTERPRISE	-	5,696,778
National Treasury Returns & Budget Format Adapt IT	154,987	-
Hiring of a waste truck Africa Youth Consortium	51,052	-
Hiring of Compactor Truck in Lydenburg for 30days Africa Youth Consortium	238,709	-
Water tanker for Moremela for 16 days Batlosiye J Trading	85,000	-
Supply & delivery of water Batlosiye J Trading	70,000	-
Excess (HNB951MP) C&C Autobody	12,500	-
Emergency Services G4S Cash Services	12,272	-
Data Analyst Training UCT GETSMARTER	146,740	-
Procurement of Competency Assessment Gijima AST Holdings (PTY) LTD	46,749	-
Gazetting of the valuation roll Government Printing Works	1,261	-
Insurance Excess (Dell Vostro 5501 laptop) IT Sure Procurement	2,500	-
Insurance Excess (Lenovo V530 SFF 11 BM00JSA) IT Sure Procurement	2,500	-
Repairs of valve at Water treatment Plant KM Engineering and Construction	17,440	-
REPAIRS OF AERATOR AND ANAE-ROBIC MIXER AT GRASKOP WWTW KM Engineering and Construction	97,000	-
PUMP ASSEMBLY ETANORM 065-050-315/2P STANDARD HIGH SPEED CAST IRON PUMP WITH OIL LUBRICATED BEARING BRACKET;CAST IRON IMPELLER;CHROME STEEL SHAFT;316 S/STEEL SHAFT PROTECTING SLEEVE & PACKED GLAND KSB Pump and Valves	52,457	-
Repairs and maintenance of Pump KSB Pump and Valves	42,675	-
Servicing of a TLB Laeveld Trekker Rocky Drift	13,409	-
Interval Maintenance of TLB Laeveld Trekker Rocky Drift	31,068	-
Repairs and Maintenance of TLB's Laeveld Trekkers Rocky	71,363	-
Replacing Hydro clamp Laeveld Trekkers Rocky	14,884	-
Water Tanker for 5 days Lekgawutsane Trading cc	123,900	-
Water Tanker for 28 days Lekgawutsane Trading cc	165,000	-
Supply & Installation of Harvey THACH Roofing at Museum. L F K INVESTMENTS	360,000	-
Notice of SDBIP & Performance agreement for senior Agreement for 2020/2021. LOWVELD MEDIA	4,297	-

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51. Deviation from supply chain management regulations (continued)		
Advertisement for notice of publication of 2018/19 draft annual report and invitation to community for comments. LOWVELD MEDIA	4,576	-
Advertising LOWVELD MEDIA	5,134	-
ADVERT OF ERRATUM ON 2020-2021 TARIFFS (SEWER & ELECTRICITY) LOWVELD MEDIA	5,692	-
ADVERT OF DEBT INCENTIVE PLAN LOWVELD MEDIA	10,989	-
PUBLIC NOTICE FOR DEBT RELIEF PLAN LOWVELD MEDIA	12,662	-
Supply & delivery of water Mahlake Farming & Transport	70,000	-
Water tanker for Matibidi for 12 days Mahleke Farming & Trans	60,000	-
Supply & delivery of water Nare and Gonego business	152,452	-
Studies fees for HOS Nosa	39,610	-
Fumigation of Municipal Building (main) Nyikosithole Enterprise	110,000	-
Insurance Excess Platinum Repairs	4,999	-
Evaluation System Salga	8,250	-
Hiring of a Refuse removal Selema Plant Hire	193,548	-
Rental of Waste Compactor Truck Selema Plant Hire cc	90,323	-
Repairs of Municipal Fences at Lydenburg Museum as part of Insurance claim SINOVILLE FENCING ROSSLYN	11,700	-
Water tanker for Leroro for 12 days Reagetwe Trading	60,000	-
Calibration of speed machine TRUVELO MANUFACTURERS	48,929	-
Procurement of Internal Audit Software & Licence for 3 users Wolters kluwer tax account	455,847	-
Financial statement for consolidation ADAPT IT (PTY) LTD	57,775	-
Repair and maintenance of the water treatment works. De mos Mining Engineering	344,486	-
Supply delivery and service of fire extinguisher. H R FIRE FREE SERVICES & SAFETY	296,135	-
Provision of fire extinguisher N3 Rapid Response	96,760	-
Supply and delivery of COVID material. REAMMOKA INVESTMENT	334,763	-
	4,292,393	24,841,700

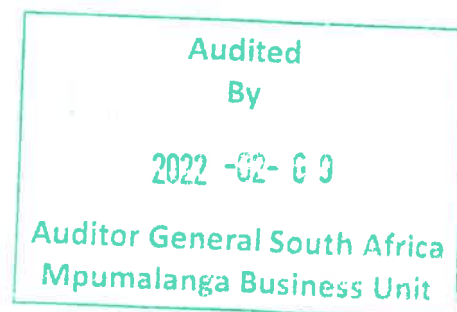
52. Segment information

General information

Identification of segments

The mandate of the municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective. The components below have been identified as individually significant segments for purposes of reporting according to these service objectives:

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



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52. Segment information (continued)

Types of goods and/or services by segment

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

Reportable segment

Energy Sources
Finance and administration (Including Executive and Council and Internal Audit)
Waste management
Road Transport
Planning and development
Water
Waste water
Other

Goods and/or services

Electricity and distribution
Administration and accounting services

Solid waste management (Refuse)
Road infrastructure and maintenance
Town planning and development
Water provision and treatment
Sanitation (Sewerage)
Community and Social Services, public safety, health, housing, and sport and recreation

Segment surplus or deficit, assets and liabilities



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52. Segment information (continued)

Segment surplus or deficit

2020

Revenue	Revenue from non-exchange transactions	Revenue from exchange transactions	Total Segment revenue	Salaries and wages	Depreciation and amortisation	Other expenses	Total Segment expenditure	Total segment (deficit) surplus
Energy Sources	184,309,320	1,922,560	186,231,880	19,659,439	-	156,344,703	176,004,142	10,227,738
Finance and administration (Including Executive and Council and Internal Audit)	401,302	306,653,942	307,055,244	101,811,330	48,363,065	432,246,566	582,420,961	(275,365,717)
Waste	-	20,073,743	20,073,743	13,324,867	-	6,706,533	20,031,400	42,343
Road Transport	5,699,993	-	5,699,993	8,525,020	-	14,784,043	23,309,063	(17,609,070)
Planning and Development	49,248,428	1,861,268	51,109,696	13,047,796	-	11,762,609	24,810,405	26,299,291
Water	18,085,464	44,835,083	62,920,547	29,376,615	-	6,649,213	36,025,828	26,894,719
Waste Water	-	16,574,050	16,574,050	294,558	-	1,273,407	1,567,965	15,006,085
Other	-	2,850,837	2,850,837	36,153,917	-	10,833,970	46,987,887	(44,137,050)
Community and social services	-	141,132	141,132	19,171,062	6,651,077	1,398,830	27,220,969	(27,079,837)
Total	257,744,507	394,912,615	652,657,122	241,364,604	55,014,142	641,999,874	938,378,620	(285,721,498)

Revenue related reconciling items

Interest revenue	21,929,196
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Entity's revenue

21,929,196

Entity's Surplus (deficit) for the period

674,586,318

(263,792,302)

Information about geographical areas

The municipality only operates in a single geographical location and accordingly does not report separately on each location within its jurisdiction.

The following towns are considered significant based on their geographical location by the municipality and is accordingly managed separately:

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52. Segment information (continued)

- Lydenburg
- Graskop
- Sabie

53. Budget differences

Material differences between budget and actual amounts

Statement of Financial Performance

- Service charges and rates - Variance due to anticipated revenue expected from sale of land which was accounted during adjustment budget.
- Other Income - There was material under performance due to COVID impact.
- Interest revenue - Under performance due to limited investments made in the current year and improved collection on debtors
- Employee costs - Overspending due to provision movement due to GRAP 25 accounting
- Depreciation and finance costs - Under budgeted due to cash flow constraints
- General expenditure - Overspending was mainly due to corrective maintenance on infrastructure
- Gains and losses and impairment - Accounting adjustments.

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements are consolidated statements that include all controlled entities, including government business enterprises for the fiscal period from to . The annual financial statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

The amounts in the annual financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the annual financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

Changes from the approved budget to the final budget

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

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

54. Receivables from exchange transactions

Other debtors	490,610	490,610
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55. Comparative figures

Certain comparative figures have been reclassified.

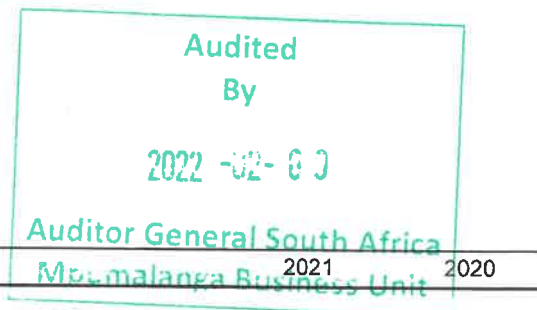
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56. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks which predominantly includes credit risk and liquidity risk.

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

The municipality's credit risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. All the municipality's deposits are of a short term nature to ensure that the municipality's cash flow is not affected.

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

57. Going concern

During the financial year ended 30 June 2021 the Municipality has experienced operating losses of R305 039 011 (2020: loss (R27 634 406) including R151 325 401 (16%) increase in current liabilities compared to R75 396 565 increase in Cashflow generated from operations. Furthermore, the municipality has failed to settle its current obligations as and when they became due, the main problem being the Eskom account with the closing balance of R930 672 839 as at 30 June 2021.

As a result, there are significant uncertainties concerning the Municipality continuing as a going concern and being able to realise assets and settle liabilities in the normal course of business and at the amounts stated in the statements of financial position.

However, the directors believe that the Municipality will be successful in the above matters and, accordingly, have prepared the financial statements on a going concern basis. The budget outlook for 2021/2022 projects own revenue at R 488 542 000 which directors believe the municipality will be able to collect and Operational Grants amounting to R.170 401 000. Our capital budget is wholly funded by conditional allocation from National treasury which are ringfenced for the implementation council approved community. For 2020/2021 financial year the municipality will receive conditional grants amounting to R 74 982 000.

The continuing financial viability of the Municipality and its ability to continue as a going concern is dependent upon successful implementation of the Financial Recovery Plan imposed on the municipality under section 139 (1) of Municipal Finance Management Act of 2003. Also internal driven efforts in growing the revenue base and/or accessing additional sources of capital, and/or selling non-strategic assets through the implementation of the reviewed revenue enhancement strategy.

Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that might be necessary should the Municipality not continue as a going concern. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements as at 30 June 2021

58. COVID 19 Expenditure

Thaba Chweu municipality was exposed financially in addressing the COVID-19 pandemic. Budget to the tune of R 22.8 million was made available through Reprioritisation of MIG grant and Operational Expenditure Budget during special adjustment budget to reprioritise funds for the purpose of addressing the pandemic. As at 30 June 2021 spending on COVID-19 was R 22.3 million.

The budget of R22.8 million was funded as follows:

Internally Funded	R 800 thousand
MIG Funded	R 22 million

The COVID-19 Expenditure of R22.3 million is made up of the following procurement:

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58. COVID 19 Expenditure (continued)

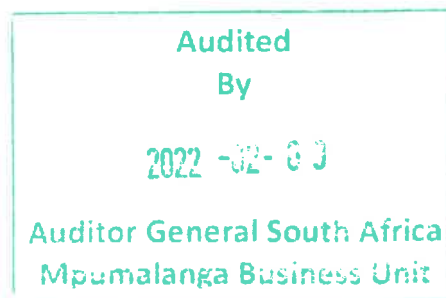
MIG capital projects	R 21.5 million.
Operational Expenditure-Own funded	R 800 thousand



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* See Note 2

