



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

**Audited
By**

2022 -12- 0 1

**Auditor General South Africa
Mpumalanga Business Unit**

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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

Cllr. MF Nkadameng

Cllr. QPB Lawrence | MMC -Finance and Technical Services

Cllr. MD Sibanyoni | MMC - Community, LED, and Planning Services

Cllr GP Raphiri | MMC- Corporate Services

Cllr. H Trower | Speaker

Cllr. SA Manzini | Chief Whip

Cllr. GM Sangxu

Cllr. ST Mokwena

Cllr. PT Mkhondo

Cllr. A Rankwe

Cllr. PB Mokgosinyane

Cllr. CM Mohlala

Cllr. GM Mashile

Cllr. NM Masimola

Cllr. S Couvaras

Cllr. DT Maphanga

Cllr. M Opperman

Cllr. ML Netshirembe | Proportional

Cllr. CJ Sibiya | Proportional

Cllr. PD Marobela | Proportional

Cllr. BG Makhubedu | Proportional

Cllr. M. Pillay | Proportional

Cllr. JL Mosotho | Proportional

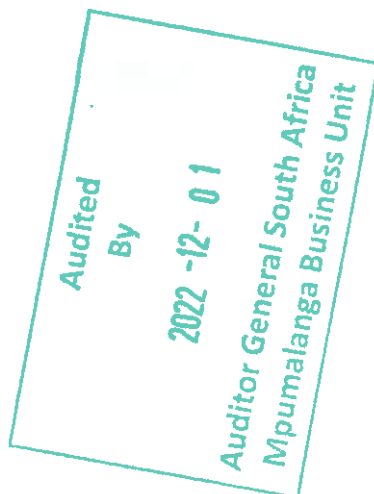
Cllr. WS Sekgobela | Proportional

Cllr. BT Mabuza | Proportional

Cllr. PS Makhubela | Proportional

Cllr. GDS Venter | Proportional

Councillors



Grading of local authority

Low Capacity

Accounting Officer

Ms. SS. Matsi

Chief Finance Officer (CFO)

Mr. RM Mnisi

Registered office

Lydenburg
Mpumalanga
South Africa
1120

Business address

Corner Viljoen & Sentraal Street
Lydenburg

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

	Mpumalanga 1120
Postal address	P.O Box 61 Lydenburg 1120
Bankers	Standard Bank of South Africa
Auditors	Auditor General South Africa
Jurisdiction	Lydenburg / Mashishing Graskop, Pilgrim's Rest, Sabie, Matibidi, Moremela and Leroro Township



Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Index

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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Abbreviations used:

INEP	Integrated National Electrification Programme
AFS	Annual financial statements
VAT	Value Added Tax
SCM	Supply Chain Management
CPI	Consumer Price Index
GRAP	Generally Recognised Accounting Practice
PPE	Property, plant and equipment
mSCOA	Municipal Standard Chart of Accounts
COGTA	Cooperative Governance and Traditional Affairs
MFMA	Local Government: Municipal Finance Management Act, Act no 56 of 2003
MIG	Municipal Infrastructure Grant

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Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that 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 2023 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.

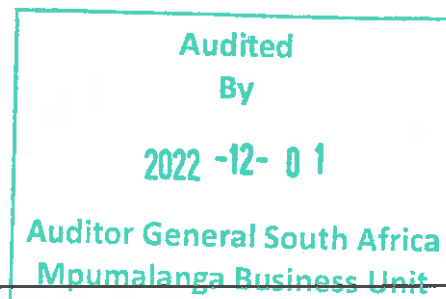
Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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 2022 and were signed on its behalf by:

SS Matsi
Accounting Officer



Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	9	136,065,663	136,753,010
Receivables from exchange transactions	51	490,610	490,610
Statutory receivables	10	122,474,677	86,870,029
Overpayment to contractors	8	678,842	678,842
Consumer debtors	11	18,958,079	34,285,798
Cash and cash equivalents	12	1,478,507	2,435,067
		280,146,378	261,513,356
Non-Current Assets			
Investment property	3	140,522,453	128,012,046
Property, plant and equipment	4	1,045,803,613	1,001,234,867
Intangible assets	5	4,731,669	3,316,991
Heritage assets	6	360,338	360,338
		1,191,418,073	1,132,924,242
Non-Current Assets		1,191,418,073	1,132,924,242
Current Assets		280,146,378	261,513,356
Total Assets		1,471,564,451	1,394,437,598
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	1,322,540,377	1,077,784,217
Consumer deposits	16	5,358,407	4,628,020
Employee benefit obligation	7	2,111,207	1,846,207
Unspent conditional grants and receipts	13	96,958	2,327,457
		1,330,106,949	1,086,585,901
Non-Current Liabilities			
Employee benefit obligation	7	49,716,428	46,959,428
Provisions	14	59,593,616	65,334,148
		109,310,044	112,293,576
Non-Current Liabilities		109,310,044	112,293,576
Current Liabilities		1,330,106,949	1,086,585,901
Total Liabilities		1,439,416,993	1,198,879,477
Assets		1,471,564,451	1,394,437,598
Liabilities		(1,439,416,993)	(1,198,879,477)
Net Assets		32,147,458	195,558,121
Accumulated surplus		31,222,635	195,558,121
Total Net Assets		31,222,635	195,558,121

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Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	284,939,582	270,783,608
Rental of facilities and equipment	18	2,933,506	2,962,658
Operational revenue	22	5,167,776	7,272,729
Interest revenue	23	16,391,656	13,723,275
Fair value adjustment on investment property	36	12,510,407	5,703,681
Inventories reversal		1,012,880	-
Total revenue from exchange transactions		322,955,807	300,445,951
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	101,371,409	96,429,218
Property rates - penalties imposed	24	9,673,872	9,202,651
Licences and Permits (Non-exchange)	20	128,700	178,764
Transfer revenue			
Government grants & subsidies	26	259,921,499	255,318,453
Public contributions and donations	54	17,483,646	172,977
Fines, Penalties and Forfeits	19	3,715,423	9,608,302
Total revenue from non-exchange transactions		392,294,549	370,910,365
		322,955,807	300,445,951
		392,294,549	370,910,365
Total revenue		715,250,356	671,356,316
Expenditure			
Employee related costs	27	(223,508,178)	(229,812,674)
Remuneration of councillors	28	(11,181,972)	(11,551,928)
Depreciation and amortisation	29	(64,779,524)	(61,207,665)
Impairments of PPE	30	(11,115,535)	-
Finance costs	31	(47,294,478)	(31,460,251)
Lease rentals on operating lease	21	(2,629,289)	(2,629,289)
Debt Impairment - (Increase) /Decrease	32	(98,448,917)	(252,408,227)
Bulk purchases	33	(165,100,991)	(138,838,741)
Contracted services	34	(120,825,150)	(95,784,923)
Transfers and Subsidies	25	(500,000)	(500,000)
Loss on disposal of assets and liabilities	4	(1,480,002)	(3,378,884)
Inventories losses/write-downs	9	-	(25,076,271)
Operating Expenses	35	(132,721,800)	(129,939,994)
Total expenditure		(879,585,836)	(982,588,847)
Total revenue		715,250,356	671,356,316
Total expenditure		(879,585,836)	(982,588,847)
Operating surplus/deficit		-	-
Deficit before taxation		(164,335,480)	(311,232,531)
Taxation		-	-
Deficit for the year		(164,335,480)	(311,232,531)

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* See Note 2 & 43

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	476,215,043	476,215,043
Adjustments		
Prior year adjustments 43	30,575,609	30,575,609
Balance at 01 July 2020 as restated*	506,790,652	506,790,652
Changes in net assets		
Deficit for the year	(311,232,531)	(311,232,531)
Total changes	(311,232,531)	(311,232,531)
Restated* Balance at 01 July 2021	195,558,115	195,558,115
Changes in net assets		
Deficit for the year	(164,335,480)	(164,335,480)
Total changes	(164,335,480)	(164,335,480)
Balance at 30 June 2022	31,222,635	31,222,635
Note(s)		



* See Note 2 & 43

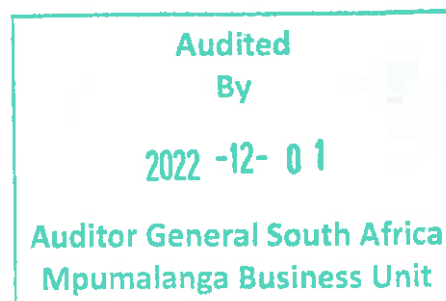
Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Taxation		66,649,572	123,640,037
Sale of goods and services		240,235,785	148,671,296
Grants		257,691,000	254,732,977
Interest income		16,391,656	13,723,275
Other receipts		-	10,684,629
		580,968,013	551,452,214
Payments			
Employee costs		(231,668,147)	(233,810,979)
Suppliers		(180,384,388)	(192,656,810)
Finance costs		(47,294,478)	(31,460,251)
Other payments		-	(18,127,610)
		(459,347,013)	(476,055,650)
Total receipts		580,968,013	551,452,214
Total payments		(459,347,013)	(476,055,650)
Net cash flows from operating activities	39	121,621,000	75,396,564
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(113,554,993)	(83,068,606)
Proceeds from sale of property, plant and equipment	4	-	7,363,859
Purchase of other intangible assets	5	(3,312,488)	(3,590,709)
Net cash flows from investing activities		(116,867,481)	(79,295,456)
Cash flows from financing activities			
Movement in other liability		(5,710,079)	297,186
Net increase/(decrease) in cash and cash equivalents		(956,560)	(3,601,706)
Cash and cash equivalents at the beginning of the year		2,435,067	6,036,773
Cash and cash equivalents at the end of the year	12	1,478,507	2,435,067

The accounting policies on pages 15 to 49 and the notes on pages 49 to 91 form an integral part of the annual financial statements.



* See Note 2 & 43

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	303,542,000	-	303,542,000	284,939,582	(18,602,418)	50
Rental of facilities and equipment	5,000,000	(100,000)	4,900,000	2,933,506	(1,966,494)	54
Other income	10,000,000	100,000	10,100,000	5,167,776	(4,932,224)	54
Interest revenue	32,500,000	-	32,500,000	16,391,656	(16,108,344)	54
Total revenue from exchange transactions	351,042,000	-	351,042,000	309,432,520	(41,609,480)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	125,000,000	-	125,000,000	101,371,409	(23,628,591)	54
Property rates - penalties imposed	-	-	-	9,673,872	9,673,872	54
Licences and Permits (Non-exchange)	-	-	-	128,700	128,700	54

Transfer revenue

Government grants & subsidies	245,383,000	14,635,000	260,018,000	259,921,499	(96,501)	54
Public contributions and donations	-	-	-	17,483,646	17,483,646	
Fines, Penalties and Forfeits	2,491,168	-	2,491,168	3,715,423	1,224,255	54
Total revenue from non-exchange transactions	372,874,168	14,635,000	387,509,168	392,294,549	4,785,381	

'Total revenue from exchange transactions'	351,042,000	-	351,042,000	309,432,520	(41,609,480)	
'Total revenue from non-exchange transactions'	372,874,168	14,635,000	387,509,168	392,294,549	4,785,381	
Total revenue	723,916,168	14,635,000	738,551,168	701,727,069	(36,824,099)	

Expenditure

Employee related costs	(230,475,000)	-	(230,475,000)	(223,508,178)	6,966,822	54
Remuneration of councillors	(13,463,000)	-	(13,463,000)	(11,181,972)	2,281,028	54
Depreciation and amortisation	(55,000,000)	(15,000,000)	(70,000,000)	(64,779,524)	5,220,476	54
Impairment loss/ Reversal of impairments	(75,000,000)	34,000,000	(41,000,000)	(11,115,535)	29,884,465	54
Finance costs	(10,000,000)	(31,000,000)	(41,000,000)	(47,294,478)	(6,294,478)	54
Lease rentals on operating lease	-	-	-	(2,629,289)	(2,629,289)	54
Debt Impairment	-	-	-	(98,448,917)	(98,448,917)	54
Bulk purchases	(154,000,000)	-	(154,000,000)	(165,100,991)	(11,100,991)	54
Contracted Services	(109,510,000)	(47,405,000)	(156,915,000)	(120,825,150)	36,089,850	54
Transfers and Subsidies	(500,000)	-	(500,000)	(500,000)	-	54
Sale of goods/Inventory	(8,654,000)	(1,280,000)	(9,934,000)	-	9,934,000	
General Expenses	(91,784,000)	(4,950,000)	(96,734,000)	(132,721,800)	(35,987,800)	54
Total expenditure	(748,386,000)	(65,635,000)	(814,021,000)	(878,105,834)	(64,084,834)	
	723,916,168	14,635,000	738,551,168	701,727,069	(36,824,099)	

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	(748,386,000)	(65,635,000)	(814,021,000)	(878,105,834)	(64,084,834)	
Operating deficit	(24,469,832)	(51,000,000)	(75,469,832)	(176,378,765)	(100,908,933)	
Loss on disposal of assets and liabilities	-	-	-	(1,480,002)	(1,480,002)	
Fair value adjustments	-	-	-	12,510,407	12,510,407	
Inventories losses/write-downs	-	-	-	1,012,880	1,012,880	
	-	-	-	12,043,285	12,043,285	
	(24,469,832)	(51,000,000)	(75,469,832)	(176,378,765)	(100,908,933)	
	-	-	-	12,043,285	12,043,285	
Deficit before taxation	(24,469,832)	(51,000,000)	(75,469,832)	(164,335,480)	(88,865,648)	
Surplus before taxation	(24,469,832)	(51,000,000)	(75,469,832)	(164,335,480)	(88,865,648)	
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(24,469,832)	(51,000,000)	(75,469,832)	(164,335,480)	(88,865,648)	

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Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<div style="border: 1px solid black; padding: 5px; text-align: center;"> Audited By 2022-12-01 Auditor General South Africa Mpumalanga Business Unit </div>						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	156,892,000	(21,419,000)	135,473,000	136,065,663	592,663	54
Receivables from exchange transactions				490,610	490,610	
Statutory receivables				122,474,677	122,474,677	54
Overpayment to contractors	-	-	-	678,842	678,842	
Consumer debtors	208,909,000	(34,515,000)	174,394,000	18,958,079	(155,435,921)	54
Other Debtors	76,699,000	11,441,000	88,140,000		(88,140,000)	
Cash and cash equivalents	6,983,000	(2,789,000)	4,194,000	1,478,507	(2,715,493)	54
	449,483,000	(47,282,000)	402,201,000	280,146,378	(122,054,622)	
Non-Current Assets						
Investment property	113,689,000	14,323,000	128,012,000	140,522,453	12,510,453	54
Property, plant and equipment	956,221,000	45,016,000	1,001,237,000	1,045,803,613	44,566,613	54
Intangible assets	1,034,000	2,283,000	3,317,000	4,731,669	1,414,669	54
Heritage assets	360,000		360,000	360,338	338	54
	1,071,304,000	61,622,000	1,132,926,000	1,191,418,073	58,492,073	
Non-Current Assets	449,483,000	(47,282,000)	402,201,000	280,146,378	(122,054,622)	
Current Assets	1,071,304,000	61,622,000	1,132,926,000	1,191,418,073	58,492,073	
Total Assets	1,520,787,000	14,340,000	1,535,127,000	1,471,564,451	(63,562,549)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	229,124,000	55,193,000	284,317,000	1,322,540,377	1,038,223,377	54
Consumer deposits	4,718,000	(90,000)	4,628,000	5,358,407	730,407	54
Employee benefit obligation	-	-	-	2,111,207	2,111,207	
Unspent conditional grants and receipts	-	-	-	96,958	96,958	54
Provisions	1,222,000	-	1,222,000		(1,222,000)	
	235,064,000	55,103,000	290,167,000	1,330,106,949	1,039,939,949	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	49,716,428	49,716,428	54
Provisions	59,868,000	982,426,000	1,042,294,000	59,593,616	(982,700,384)	54
Other liability 1	786,500,000	(786,500,000)				
	846,368,000	195,926,000	1,042,294,000	109,310,044	(932,983,956)	
	235,064,000	55,103,000	290,167,000	1,330,106,949	1,039,939,949	
	846,368,000	195,926,000	1,042,294,000	109,310,044	(932,983,956)	
Total Liabilities	1,081,432,000	251,029,000	1,332,461,000	1,439,416,993	106,955,993	
Assets	1,520,787,000	14,340,000	1,535,127,000	1,471,564,451	(63,562,549)	
Liabilities	(1,081,432,000)	(251,029,000)	(1,332,461,000)	(1,439,416,993)	(106,955,993)	
Net Assets	439,355,000	(236,689,000)	202,666,000	32,147,458	(170,518,542)	

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	(24,461,000)	(50,800,000)	(75,261,000)	31,222,635	106,483,635	54

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Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	106,250,000	(6,250,000)	100,000,000	66,649,572	(33,350,428)	
Service charges	250,972,000	12,362,000	263,334,000	240,235,785	(23,098,215)	
Grants	245,383,000	14,635,000	260,018,000	257,691,000	(2,327,000)	
Interest income	2,500,000	-	2,500,000	16,391,656	13,891,656	
Other revenue	17,500,000	-	17,500,000	-	(17,500,000)	
	622,605,000	20,747,000	643,352,000	580,968,013	(62,383,987)	

Payments

Employee costs and suppliers	(527,576,000)	-	(527,576,000)	(412,052,535)	115,523,465	
Finance costs	(10,000,000)	(8,944,000)	(18,944,000)	(47,294,478)	(28,350,478)	
Transfers and grants	(500,000)	-	(500,000)	-	500,000	
	(538,076,000)	(8,944,000)	(547,020,000)	(459,347,013)	87,672,987	

Total receipts	622,605,000	20,747,000	643,352,000	580,968,013	(62,383,987)	
Total payments	(538,076,000)	(8,944,000)	(547,020,000)	(459,347,013)	87,672,987	
Net cash flows from operating activities	84,529,000	11,803,000	96,332,000	121,621,000	25,289,000	

Cash flows from investing activities

Purchase of property, plant and equipment	(83,583,000)	(10,990,000)	(94,573,000)	(113,554,993)	(18,981,993)	
Purchase of other intangible assets	-	-	-	(3,312,488)	(3,312,488)	
Net cash flows from investing activities	(83,583,000)	(10,990,000)	(94,573,000)	(116,867,481)	(22,294,481)	

Cash flows from financing activities

Movement in other liability	-	-	-	(5,710,074)	(5,710,074)	
Net increase/(decrease) in cash and cash equivalents	946,000	813,000	1,759,000	(956,555)	(2,715,555)	
Cash and cash equivalents at the beginning of the year	19,732,155	(10,569,000)	9,163,155	2,435,067	(6,728,088)	
Cash and cash equivalents at the end of the year	20,678,155	(9,756,000)	10,922,155	1,478,512	(9,443,643)	

Reconciliation



Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

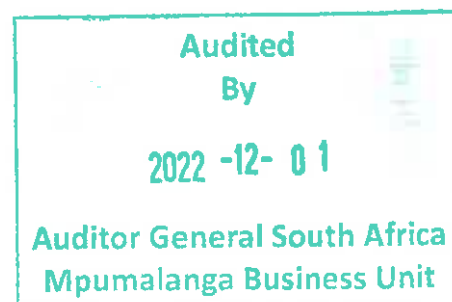
The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board, and in accordance with Section 122(3) of the Municipal Finance Management Act (No. 56 of 2003).

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 4.

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.



Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

STANDARDS APPROVED AND EFFECTIVE FOR 2021/22 FINANCIAL YEAR

The following GRAP standards have been approved and effective to the municipality for the 2020/21 financial year:

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

GRAP 14 Events After Reporting Date

GRAP 16 Investment Properties

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

GRAP 23 Revenue from non-exchange Transactions (Taxes and Transfers)

GRAP 24 Presentation of Budget Information in Financial Statements

GRAP 25 Employee Benefits

GRAP 26 Impairment of Cash generating Assets

GRAP 31 Intangible Assets

GRAP 32 Service Concession Arrangements: Grantor

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

GRAP 103 Heritage Assets

GRAP 104 Financial Instruments



Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

GRAP 105 Transfer of Functions Between Entities Under Common Control

GRAP 106 Transfer of Functions Between Entities Not Under Common Control

GRAP 107 Mergers

GRAP 108 Statutory Receivables

GRAP 109 Accounting by Principals and Agents

GRAP 110 Living and Non-living Resources

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

In accordance with directive 4, transitional provisions for high capacity municipalities, on initial adoption of GRAP 18 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.

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Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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Mpumalanga Business Unit

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The level of rounding used in these annual financial statements is to the nearest Rand.

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 14 - Provisions.

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.

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 7.

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

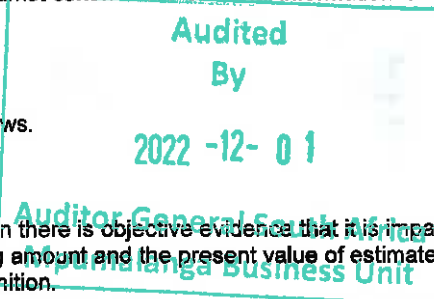
Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

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

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.



Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Investment property (continued)

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 fair value model.

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

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

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.

1.6 Property, plant and equipment

Initial recognition and measurement.

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Property, plant and equipment (continued)

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.

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.

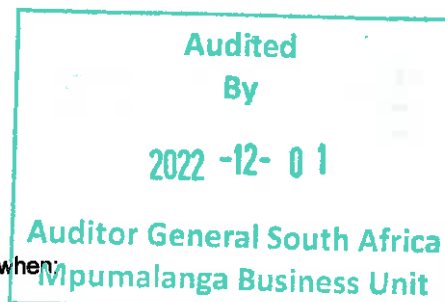
Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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.



Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Property, plant and equipment (continued)

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
• 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.

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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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.
 - 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.

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

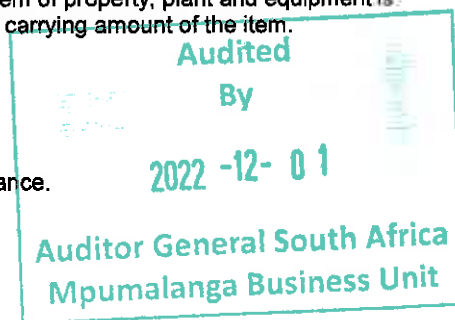
1.6 Property, plant and equipment (continued)

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.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

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.

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..

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Intangible assets (continued)

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. Amortisation is provided to write down the intangible assets, on a straight-line basis.

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.

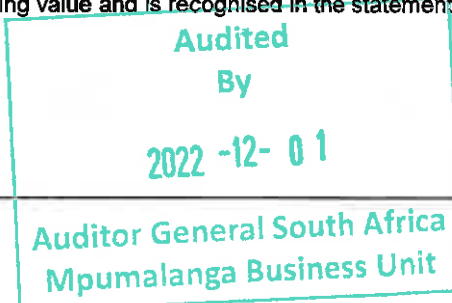
The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

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).

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

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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 is recognised in the carrying amount of the heritage asset as incurred, when the recognition criteria is 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 assess 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.

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.

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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.

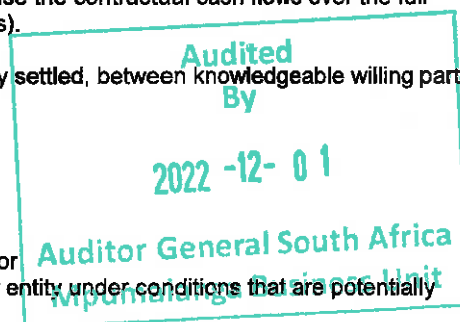
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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.



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1.9 Financial instruments (continued)

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.

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].

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1.9 Financial Instruments (continued)

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.

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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

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

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Accounting Policies

1.9 Financial instruments (continued)

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.

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

Cash and cash equivalents

Receivables from exchange

Receivables from non-exchange

Other financial assets

Category

Financial asset measured at amortised cost

Financial asset measured at amortised cost

Financial asset measured at amortised cost

Financial asset measured at amortised cost

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

Payables from exchange transactions

Consumer deposits

Category

Financial liability measured at amortised cost

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.

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1.10 Statutory receivables (continued)

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

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.

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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1.10 Statutory receivables (continued)

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.

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.



Thaba Chweu Local Municipality

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Accounting Policies

1.11 Leases (continued)

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

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

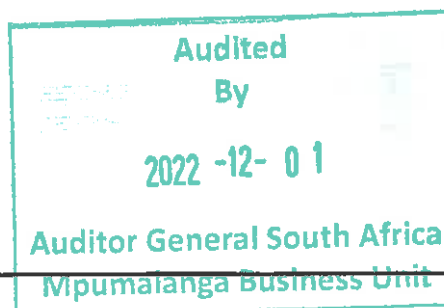
Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are measured at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge or to be consumed in the production process of goods to be distributed at no charge or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

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1.12 Inventories (continued)

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

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

1.13 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:

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

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1.13 Impairment of cash-generating assets (continued)

- 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

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.

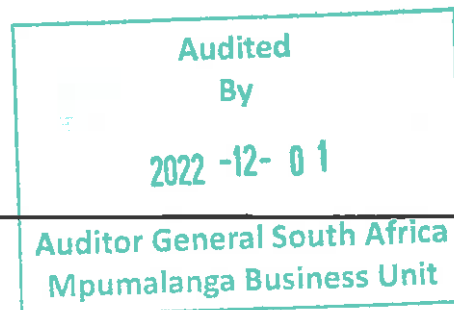
The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

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.

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

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.

Value in use

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

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

Depreciated replacement cost approach

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

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

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.

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 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.

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1.15 Employee benefits (continued)

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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.

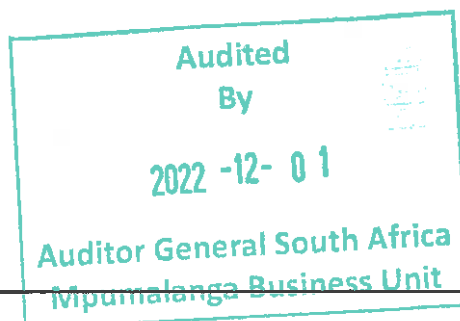
Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the Municipality is expected to pay in exchange for that service that had accumulated at the reporting date.

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.

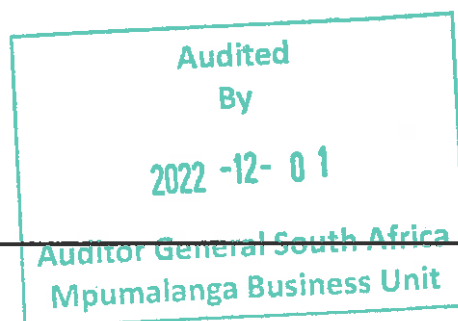
The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

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

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1.15 Employee benefits (continued)

- 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 41.

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

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

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

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

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

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

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

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

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

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

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

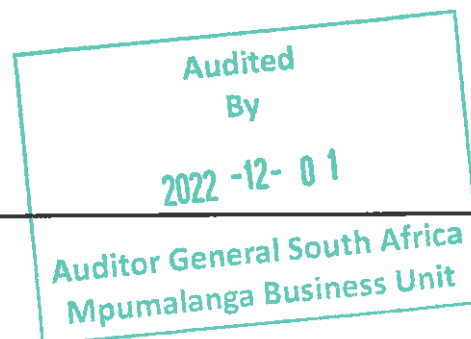
Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

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1.19 Revenue from non-exchange transactions (continued)

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.

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

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 for income tax is the earning of assessable income during the taxation period by the taxpayer.

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

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

Taxation revenue are not grossed up for the amount of tax expenditures.

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Audited

By

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Mpumalanga Business Unit

1.19 Revenue from non-exchange transactions (continued)

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.

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

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

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.

Fines

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

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

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

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

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

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

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

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. 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 cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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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 Investment income

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

1.22 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.

1.23 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.

1.24 Comparative figures

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

1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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1.25 Unauthorised expenditure (continued)

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

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

1.27 Irregular expenditure

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

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

1.28 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 4, 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.

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies



1.29 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 a accrual basis and presented by economic classification linked to performance outcome objectives.

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

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.

1.30 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.

1.31 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:

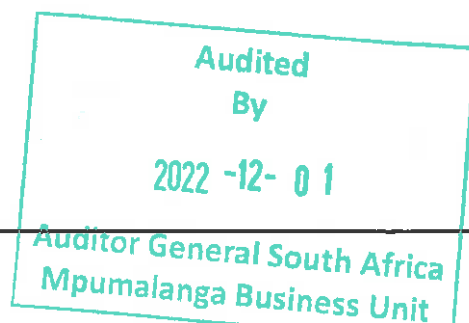
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies



1.31 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.

1.32 Transitional provisions

Transitional provision for Living and Non-living Resources

The municipality changed its relating accounting policy in 2022. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 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 9 for additional disclosure in this regard.

Transitional provision for Segment Reporting

The municipality changed its relating accounting policy in 2022. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 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 49 for additional disclosure in this regard.

1.33 Value Added Tax

The municipality accounts for VAT on the the payment basis.

Notes to the Annual Financial Statements

Figures in Rand	2022	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.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2021 is as follows:

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	Audited		2022		2021	
	By	Cost / Valuation	Accumulated Carrying value depreciation and accumulated impairment	Cost / Valuation	Accumulated Carrying value depreciation and accumulated impairment	
	2022 -12- 01					
	Auditor General South Africa					
	Impumalanga Business Unit					
Investment property		140,522,453	-	128,012,046	-	128,012,046
Reconciliation of investment property - 2022						
Investment property		Opening balance	Fair value adjustments	Total		
		128,012,046	12,510,407	140,522,453		
Reconciliation of investment property - 2021						
Investment property		Opening balance	Fair value adjustments	Total		
		122,308,365	5,703,681	128,012,046		

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 consisting of land and buildings held for rental and capital appreciation, using Comparable Sales method and Gross Replacement method to establish market values of each property as at 30 June 2022.

Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land and buildings	94,290,232	(37,925,890)	56,364,342	93,714,912	(34,689,299)	59,025,613
Plant and machinery	4,450,405	(2,425,280)	2,025,125	5,056,723	(2,546,315)	2,510,408
Furniture and fixtures	8,132,726	(3,897,400)	4,235,326	6,281,376	(3,736,826)	2,544,550
Motor vehicles	28,143,983	(7,267,278)	20,876,705	26,084,715	(5,489,377)	20,595,338
IT equipment	9,204,024	(2,061,715)	7,142,309	6,784,087	(1,743,045)	5,041,042
Infrastructure	1,228,113,420	(414,991,743)	813,121,677	1,073,440,868	(362,209,077)	711,231,792
Community	173,145,560	(80,795,149)	92,350,411	161,072,939	(73,960,629)	87,112,310
Other PPE WIP	35,115,528	3,421,816	38,537,344	82,815,457	-	82,815,457
Landfill site	58,755,335	(47,604,961)	11,150,374	69,716,971	(39,358,614)	30,358,357
Total	1,639,351,213	(593,547,600)	1,045,803,613	1,524,968,049	(523,733,182)	1,001,234,867

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Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land and buildings	59,025,613	575,320	-	-	-	(3,236,591)	-	56,364,342
Plant and machinery	2,510,408	368,715	(627,613)	-	-	(226,354)	-	2,025,125
Furniture and Office Equipment	2,544,550	2,052,378	(53,178)	-	-	(308,424)	-	4,235,326
Transport Assets	20,595,338	305,025	-	1,754,242	-	(1,777,901)	-	20,876,705
IT equipment	5,041,042	3,484,893	(799,181)	-	-	(584,445)	-	7,142,309
Infrastructure	711,231,792	44,318,185	-	110,354,362	-	(41,667,126)	(11,115,535)	813,121,677
Community	87,112,310	354,002	-	11,718,619	-	(6,834,521)	-	92,350,411
Other property, plant and equipment WIP	82,815,457	79,532,120	-	(123,810,232)	-	-	-	38,537,344
Landfill site	30,358,357	-	-	-	(10,961,636)	(8,246,346)	-	11,150,374
Total	1,001,234,867	130,990,638	(1,479,972)	16,991	(10,961,636)	(62,881,708)	(11,115,535)	1,045,803,613

Thaba Chweu Local Municipality

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Notes to the Annual Financial Statements

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Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	57,273,162	4,249,198	-	-	-	(2,496,747)	59,025,613
Plant and machinery	2,838,627	222,588	(335,595)	-	-	(215,212)	2,510,408
Furniture and Office Equipment	3,291,695	211,617	(676,351)	-	-	(282,410)	2,544,550
Motor vehicles	16,579,773	7,101,313	(1,852,771)	-	-	(1,232,977)	20,595,338
IT equipment	3,997,232	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	41,736,977	-	-	-	(2,474,257)	(8,904,363)	30,358,357
	984,308,064	83,068,606	(3,396,274)	-	(2,474,257)	(60,271,270)	1,001,234,867

Depreciation rates

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	5 - 50 years
Landfill sites	Straight-line	4 - 19 years
Plant and machinery	Straight-line	5 - 15 years
Furniture and fixtures	Straight-line	5 - 15 years
Motor vehicles	Straight-line	4 - 20 years
Office equipment	Straight-line	5 - 15 years
Computer software	Straight-line	1 - 15 years
Infrastructure	Straight-line	3 - 100 years
Community	Straight-line	5 - 50 years

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Reconciliation of Work-in-Progress - 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	53,251,430	12,663,460	-	65,914,890
Additions/capital expenditure	78,418,725	1,113,044	16,900,566	96,432,335
Transferred to completed items	(120,323,490)	(3,486,742)	-	(123,810,232)
	11,346,665	10,289,762	16,900,566	38,536,993



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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

Expenditure incurred to repair and maintain property, plant and equipment

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

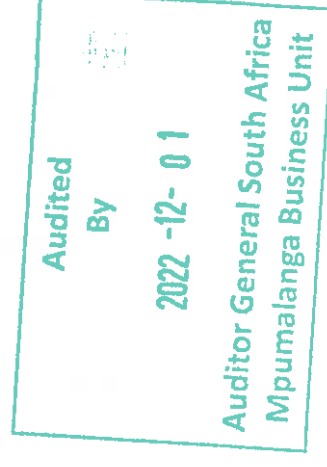
Contracted services	17,481,787	18,531,908
Material and supplies	6,339,490	5,052,144
	23,821,277	23,584,052

Heritage assets

[Where the entity holds heritage assets, but has not accounted for such assets using GRAP 17 or using an accounting policy based on GRAP 103, consider whether disclosure, including a description of the nature and extent, of these assets is useful to the users of the annual financial statements.]

Impairment of infrastructure

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 was subsequently impaired post investigation reports by insurance and consultants. Budget provision amounting to R52 000 000 has been provided for to reconstruct the sewer plant.



Annual Financial Statements for the year ended 30 June 2022

Figures in Rand

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.

	2022	2021
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Agricultural Farms	7	7
Business Informal	33	33
Creches	5	5
Informal housing	2	2
Occupied	983	983
Unregistered Township	937	937
Schools	10	10
Churches	12	12
	1,989	1,989

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Thaba Chweu Local Municipality
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Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets

	2022		2021	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment
Computer software, other	9,713,052	(4,981,383)	4,731,669	(3,083,572)
			6,400,563	3,316,991

Reconciliation of Intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	3,316,991	3,312,488	(1,897,810)	4,731,669

Reconciliation of Intangible assets - 2021

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

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Figures in Rand

6. Heritage assets

	2022		2021	
	Cost / Valuation	Accumulated Carrying value Impairment losses	Cost / Valuation	Accumulated Carrying value Impairment losses
Art Collections, antiquities and exhibits	360,338	-	360,338	-
Reconciliation of heritage assets - 2022				
Art Collections, antiquities and exhibits			360,338	360,338
Reconciliation of heritage assets - 2021				
Art Collections, antiquities and exhibits			Opening balance 360,338	Total 360,338

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Figures in Rand	2022	2021
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7. 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 2022, 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 432 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	(12,469,000)	(11,126,000)
Present value of the defined benefit obligation-partly or wholly funded	(39,358,635)	(37,679,635)
	(51,827,635)	(48,805,635)
Non-current liabilities	(49,716,428)	(46,959,428)
Current liabilities	(2,111,207)	(1,846,207)
	(51,827,635)	(48,805,635)

The fair value of plan assets includes:

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

Opening balance	(66,905,482)	(49,396,482)
Current service cost	(2,785,000)	(2,405,000)
Current interest cost	(4,758,000)	(4,097,000)
Medical contribution subsidies for continuation pensioners	1,994,000	2,297,000
Actuarial gain/(loss) for the year	2,527,000	(3,401,000)
Net expense recognised in the statement of financial performance	(5,016,000)	(9,903,000)
	(74,943,482)	(66,905,482)

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Net expense recognised in the statement of financial performance		
Current service cost - defined benefit plan	(1,682,000)	(1,390,000)
Current service cost - long service awards	(1,103,000)	(1,015,000)
Interest cost - defined benefit plan	(3,769,000)	(3,248,000)
Interest cost - long service awards	(989,000)	(849,000)
Actuarial (gains) losses - defined benefit plan	2,538,000	(2,759,000)
Actuarial (gains) losses - long service awards	(11,000)	(642,000)
	(5,016,000)	(9,903,000)

Calculation of actuarial gains and losses

Actuarial (gains) losses – defined benefit plan	2,538,000	(2,759,000)
Actuarial (gains) losses – long service awards	(11,000)	(642,000)
	2,527,000	(3,401,000)

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

Opening balance	(11,126,000)	(9,752,000)
Current service cost	(1,103,000)	(1,015,000)
Current interest cost	(989,000)	(849,000)
Actuarial gains for the financial year	(11,000)	(642,000)
Benefits paid	-	1,132,000
	(13,229,000)	(11,126,000)

The municipality expects to contribute 1,154,000 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	11.84 %	10.15 %
Discount rate (D) - Long Service Awards	10.98 %	9.20 %
General salary inflation rate - Long term	7.33 %	5.78 %
Health care cost inflation [H]	8.45 %	6.85 %
Defined benefit plan - Net discount rate - $[(1+D)/(1+H)-1]$	3.13 %	3.09 %
Long service awards - Net discount rate	3.40 %	3.23 %

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:

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

	2022	2021	2020	2019	2018
Defined benefit obligation	39,411,000	37,732,000	26,769,654	26,667,716	27,983,799
Long term service award obligation	12,469,000	11,126,000	9,752,000	8,448,000	10,122,000

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Defined contribution plan

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

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

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

8. Overpayment to contractors

Heading	Column heading	Column heading	2022	2021
Overpayments to contractors	-		678,842	678,842

9. Inventories

Consumable stores	5,372,821	7,112,965
Water for distribution	138,764	98,847
Unsold Properties Held for Resale	130,554,078	129,541,198
	136,065,663	136,753,010

10. Statutory receivables

Fines	5,340,574	1,762,035
VAT	100,045,205	69,999,299
Consumer debtors - Rates	17,088,898	15,108,695
	122,474,677	86,870,029

Gross balances

Fines	5,340,574	1,762,035
Consumer debtors - Rates	196,079,247	181,410,462
VAT	100,045,205	69,999,299
	301,465,026	253,171,796

Less: Allowance for impairment

Consumer debtors - Rates	(178,990,349)	(166,301,767)
--------------------------	---------------	---------------

Net balance

Fines	5,340,574	1,762,035
Consumer debtors - Rates	17,088,898	15,108,695
VAT	100,045,205	69,999,299
	122,474,677	86,870,029

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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Statutory receivables Impaired		
As of 30 June 2022, other receivables from non-exchange transactions of 196,079,247 (2021: (181 410 462)) were impaired and provided for.		
The amount of the provision was 178,990,349 as of 30 June 2022 (2021: 166,301,767).		
The ageing of these receivables is as follows:		
11. Consumer debtors		
Gross balances		
Electricity	99,209,617	94,020,549
Water	163,330,973	140,311,276
Sewerage	57,267,540	47,474,135
Refuse	61,068,978	49,762,043
Housing rental	14,220,333	11,547,008
Other (Sundry services)	8,639,406	7,816,763
	403,736,847	350,931,774
Less: Allowance for impairment		
Electricity	(89,149,216)	(77,907,543)
Water	(158,068,979)	(129,661,426)
Sewerage	(55,753,031)	(44,405,191)
Refuse	(59,365,541)	(46,071,860)
Housing rental	(14,145,758)	(11,036,526)
Other (Sundry services)	(8,296,243)	(7,563,430)
	(384,778,768)	(316,645,976)
Net balance		
Electricity	10,060,401	16,113,006
Water	5,261,994	10,649,850
Sewerage	1,514,509	3,068,944
Refuse	1,703,437	3,690,183
Housing rental	74,575	510,482
Other (Sundry services)	343,163	253,333
	18,958,079	34,285,798
Included in above is receivables from exchange transactions		
Electricity	10,060,401	16,113,006
Water	5,261,994	10,649,850
Sewerage	1,514,509	3,068,944
Refuse	1,703,437	3,690,183
Housing rental	74,575	510,482
Other (Sundry services)	343,163	253,333
	18,958,079	34,285,798
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	17,088,898	15,108,696
Net balance	36,046,977	49,394,494

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Rates		
Current (0 -30 days)	7,732,512	7,886,025
31 - 60 days	4,095,194	4,627,151
61 - 90 days	3,690,756	6,231,879
91 - 120 days	3,641,619	3,464,431
> 121 days	176,919,166	159,951,053
Less Impairment	(178,990,349)	(166,301,767)
	17,088,898	15,858,772
Electricity		
Current (0 -30 days)	8,759,232	9,367,002
31 - 60 days	3,338,547	3,587,400
61 - 90 days	2,785,138	3,152,148
91 - 120 days	2,523,706	2,502,368
> 121 days	81,802,994	75,411,632
Less Impairment	(89,149,216)	(77,968,287)
	10,060,401	16,052,263
Water		
Current (0 -30 days)	5,215,646	5,659,964
31 - 60 days	3,958,881	3,532,312
61 - 90 days	3,129,807	2,831,514
91 - 120 days	3,204,882	2,776,580
> 121 days	147,821,873	127,511,711
Less Impairment	(158,068,979)	(129,661,426)
	5,262,110	12,650,655
Sewerage		
Current (0 -30 days)	1,842,913	1,654,754
31 - 60 days	1,279,131	1,152,994
61 - 90 days	1,206,971	1,087,104
91 - 120 days	1,174,654	1,051,979
> 121 days	51,763,753	42,527,304
Less Impairment	(55,753,031)	(44,405,191)
	1,514,391	3,068,944
Refuse		
Current (0 -30 days)	2,199,523	1,992,261
31 - 60 days	1,483,506	1,337,746
61 - 90 days	1,401,233	1,260,623
91 - 120 days	1,358,545	1,208,427
> 121 days	54,626,171	43,962,986
Less Impairment	(59,365,541)	(46,071,860)
	1,703,437	3,690,183
Housing rental		
Current (0 -30 days)	266,796	273,663
31 - 60 days	252,163	262,549
61 - 90 days	248,567	260,869
91 - 120 days	243,817	255,134
> 121 days	13,208,990	10,494,793
Less Impairment	(14,145,758)	(11,036,526)
	74,575	510,482

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Figures in Rand	2022	2021
Other (sundries)		
Current (0 -30 days)	549,470	94,885
31 - 60 days	114,577	38,587
61 - 90 days	47,299	36,798
91 - 120 days	63,942	35,779
> 121 days	7,873,848	7,610,714
Less Impairment	(8,296,243)	(7,563,430)
	352,893	253,333

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Figures in Rand	2022	2021
Summary of debtors by customer classification		
Households and residential		
Current (0 -30 days)	15,698,836	12,838,653
31 - 60 days	10,796,714	7,578,430
61 - 90 days	9,474,792	7,097,734
91 - 120 days	9,294,489	6,714,739
>121 days	418,786,134	240,651,120
	464,050,965	274,880,676
Less: Allowance for impairment	(436,155,950)	(253,603,736)
	27,895,015	21,276,940
Business and commercial		
Current (0 -30 days)	7,073,345	12,865,724
31 - 60 days	1,611,885	6,226,384
61 - 90 days	1,150,715	7,432,151
91 - 120 days	1,165,071	4,323,500
>121 days	33,405,171	216,811,948
	44,406,187	247,659,707
Less: Allowance for impairment	(41,736,844)	(227,262,649)
	2,669,343	20,397,058
Government institutions		
Current (0 -30 days)	3,793,911	1,224,178
31 - 60 days	2,113,401	733,925
61 - 90 days	1,884,265	331,051
91 - 120 days	1,751,605	256,458
>121 days	81,825,490	7,117,634
	91,368,672	9,663,246
Less: Allowance for impairment	(85,876,322)	(2,081,364)
	5,492,350	7,581,882
Total		
Current (0 -30 days)	26,566,093	26,928,555
31 - 60 days	14,522,000	14,538,739
61 - 90 days	12,509,773	14,860,935
91 - 120 days	12,211,166	11,294,698
>121 days	534,016,796	464,571,619
	599,825,828	532,194,546
Less: Allowance for impairment	(563,769,116)	(482,947,749)
	36,056,712	49,246,797
Less: Allowance for Impairment		
Current (0 -30 days)	(24,969,152)	(24,436,712)
31 - 60 days	(13,649,054)	(13,193,392)
61 - 90 days	(11,757,785)	(13,485,774)
91 - 120 days	(11,477,129)	(10,249,539)
>121 days	(501,915,996)	(421,582,332)
	(563,769,116)	(482,947,749)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(482,947,743)	(241,389,069)
(Contributions)/reduction to allowance	(80,821,373)	(241,558,674)
	(563,769,116)	(482,947,743)

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The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 32). 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 receivables mentioned above. The municipality does not hold any collateral as security.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1,298,747	749,893
Short-term deposits	179,760	1,685,174
	1,478,507	2,435,067

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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:

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Absa Lydenburg - Primary (10-1000-0218)	-	10,226	1,864,045	-	10,226	1,864,045
Absa Thaba Chweu Projects - Call (40-8177-4894)	-	-	2,898	-	-	2,898
Absa Sabie - Primary (40-5826-4705)	-	-	567,251	-	-	567,251
Standard Bank-Ringfence Electricity - Call (488-610-621-004)	5,518	5,518	8,873	5,518	5,518	8,873
Standard Bank - Primary Account (24-320-336-5)	1,299,563	739,896	837,274	1,423,707	739,896	837,274
Standard Bank - Traffic - Call (250-970-627-000)	28	267	4,267	28	267	4,267
Standard bank Call - Post Office - Guarantee (488-610-621-001)	129,009	115,345	111,706	128,708	115,345	111,706
Standard Bank MIG - Call (488-610-621-002)	29,316	1,553,895	261,627	29,431	1,553,895	261,627
Standard Bank MWIG - Call (488-610-621-003)	13,442	8,407	73,251	13,436	8,407	73,251
Standard Bank - Call (7 488610621 - 007)	1,633	1,633	2,305,579	1,633	1,633	2,305,579
Total	1,478,509	2,435,187	6,036,771	1,602,461	2,435,187	6,036,771

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

Unspent conditional grants and receipts

Integrated National Electrification Programme Grant	-	77,440
Municipal Infrastructure Grant	431	2,249,572
Water Services Infrastructure Grant	96,528	446
	96,958	2,327,457

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

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

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

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



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14. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Change in cost	Change in discount factor	Total
Environmental rehabilitation	65,334,148	(10,961,636)	5,221,104	59,593,616

Reconciliation of provisions - 2021

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

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 2022 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	2022	2021
Lydenburg	6	7
Graskop	4	5
Sabie	2	3

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 6.6085%. 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:

Indicator	Lydenburg	Graskop	Sabie
CPI	6.6085 %	6.6085 %	6.6085 %
Discount rate	10.6085 %	9.6085 %	9.3585 %
Net effective discount rate	4.0000 %	3.0000 %	2.7500 %
	- %	- %	- %

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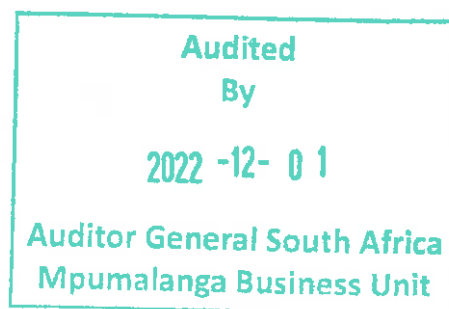
Figures in Rand	2022	2021
15. Payables from exchange transactions		
Trade payables	1,242,264,563	997,351,549
Payments received in advanced - Trade Receivables	21,294,679	25,454,139
Accrued leave pay	21,295,369	20,793,378
Accrued bonus	5,593,045	5,432,402
Deposits received	5,863,262	-
Retentions	10,872,935	10,090,427
Other Payables	8,746,937	8,084,834
Unallocated deposits	6,609,587	10,577,488
	1,322,540,377	1,077,784,217
16. Consumer deposits		
Electricity	2,542,250	2,225,791
Water	2,816,157	2,402,229
	5,358,407	4,628,020
17. Service charges		
Sale of electricity	190,058,414	185,042,578
Sale of water	53,844,257	47,875,539
Sewerage and sanitation charges	18,668,764	17,119,047
Refuse removal	22,368,147	20,746,444
	284,939,582	270,783,608
18. Rental of facilities and equipment		
Premises		
Premises	2,933,506	2,962,658
Premises	2,933,506	2,962,658
Garages and parking	-	-
Facilities and equipment	-	-
	2,933,506	2,962,658
19. Fines, Penalties and Forfeits		
Building Fines	12,245	-
Illegal Connections Fines	-	3,283,146
Law Enforcement Fines	3,703,012	6,324,093
Overdue Books Fines	166	1,063
	3,715,423	9,608,302
20. Licences and permits (non-exchange)		
Trading	128,700	178,764
21. Lease rentals on operating lease		
Equipment		
Contractual amounts	2,629,289	2,629,289

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22. Operational revenue		
Building plan fees	1,471,650	1,305,040
Unallocated deposits released to income	840,374	2,303,061
Unallocated deposits released to income	137,392	-
Reconnections	231,458	1,172,576
Clearance certificates	257,949	20,302
Advertisement boards	116,172	67,901
Grave fees	91,115	111,870
Rezoning and consent use applications	17,177	38,513
Information supplied	345,102	345,419
Tender documents	556,889	430,088
Sundry income	1,102,498	1,477,959
	5,167,776	7,272,729
23. Interest revenue		
Interest revenue		
Bank	323,460	432,539
Interest charged on trade and other receivables	16,068,196	13,290,736
	16,391,656	13,723,275
Other interest	-	-
Interest from receivables and banks	16,391,656	13,723,275
	16,391,656	13,723,275



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24. Property rates		
Rates received		
Residential	47,184,515	44,446,205
Commercial	22,834,591	28,618,039
Public Service Purposes	7,684,135	899,154
Agricultural	11,654,163	10,423,262
Public Benefit Organisations	89,838	189,923
Industrial	3,530,486	3,190,457
Undeveloped land	8,393,681	8,662,178
	101,371,409	96,429,218
Property rates - penalties imposed	9,673,872	9,202,651
	111,045,281	105,631,869



Valuations

Residential	6,926,738,500	6,623,439,100
Commercial	1,604,086,700	1,689,358,800
Agricultural	6,919,285,500	6,601,045,500
Public Service Purposes	752,574,050	720,257,640
Undeveloped	632,737,200	411,215,600
Industrial property	249,741,400	239,053,500
Public Benefit Organisation	226,605,400	208,720,700
	17,311,768,750	16,493,090,840

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 0.01405 (202: R.01325) is applied to property valuations to determine assessment rates. Rebates of 50% (2021: 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 a monthly basis with the final date for payment being 30 June 2022 (30 June 2021). Interest at prime plus 1% per annum (2021: 1%).

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

25. Grants and subsidies paid

Grants paid to Thaleda (Pty) Ltd		
Municipal Entity	500,000	500,000
Grants paid to Municipal Entity	500,000	500,000
Other subsidies	-	-

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26. Government grants & subsidies

Operating grants

Equitable share	165,565,000	181,355,000
National EPWP grant	1,836,000	1,707,001
Financial Management Grant	3,000,000	3,000,000
Capacity Building	4,635,000	-
	175,036,000	186,062,001

Capital grants

Municipal Infrastructure Grants	49,981,581	49,248,428
Municipal Water Infrastructure Grant	34,903,918	18,085,464
Integrated National Electrification Program Grant	-	1,922,560
	84,885,499	69,256,452

Operating grants	175,036,000	186,062,001
Capital grants	84,885,499	69,256,452
	259,921,499	255,318,453

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	93,431,687	74,136,430
Unconditional grants received	165,565,000	181,355,000
	258,996,687	255,491,430

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)

Balance unspent at beginning of year	77,440	-
Current-year receipts	-	2,000,000
Conditions met - transferred to revenue	-	(1,922,560)
Surrendered	(77,440)	-
	-	77,440

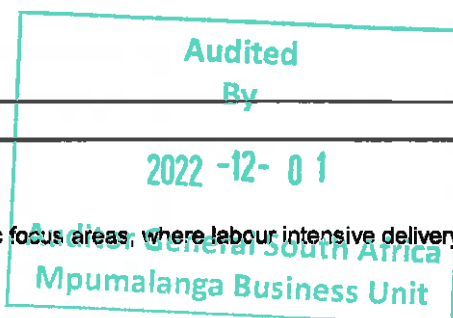
Conditions still to be met - remain liabilities (see note 13).

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)

Balance unspent at beginning of year	2,249,572	-
Current-year receipts	49,982,000	51,498,000
Conditions met - transferred to revenue	(49,981,581)	(49,248,428)
Surrendered	(2,249,572)	-
	419	2,249,572

Conditions still to be met - remain liabilities (see note 13).



Thaba Chweu Local Municipality

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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.

Financial Management Grant (FMG)

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

Conditions still to be met - remain liabilities (see note 13).

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	446	3,085,910
Current-year receipts	35,000,000	15,000,000
Conditions met - transferred to revenue	(34,904,364)	(18,085,464)
	96,082	446

Conditions still to be met - remain liabilities (see note 13).

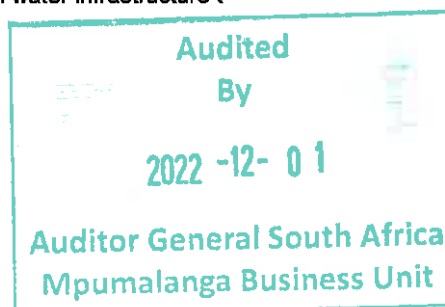
The grant has been provided by department of Water Affairs to try to get water to areas where it was recognised that full services would not become available.

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	(1)	-
Current-year receipts	1,836,000	1,707,000
Conditions met - transferred to revenue	(1,835,999)	(1,707,001)
	-	(1)

Conditions still to be met - remain liabilities (see note 13).

The grant relates to the labour component within water infrastructure t



Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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27. Employee related costs		
Basic	124,565,081	120,634,408
Bonus	10,228,499	9,721,150
Medical aid - company contributions	9,413,159	9,107,429
UIF	885,400	805,095
Other payroll levies	53,518	52,810
Leave pay provision charge	1,051,488	2,903,716
Short term benefit 1	-	1,210,500
Defined contribution plans	24,762,262	24,167,937
Overtime payments	11,857,414	11,264,521
Long-service awards	1,180,232	4,827,253
Acting allowances	2,398,696	2,273,241
Car allowance	18,103,072	18,021,348
Housing benefits and allowances	626,930	1,100,380
Group Life Insurance	599,190	565,883
Post Employment Medical Aid	1,679,000	4,882,818
Shif allowance	1,666,496	1,532,325
Cellphone allowance	2,850,000	2,716,800
Standby allowance	4,386,112	4,288,860
Long-term benefits - incentive scheme	1,118,359	3,401,000
	217,424,908	223,477,474

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Remuneration of municipal manager

Annual Remuneration	1,151,966	1,152,223
Car Allowance	384,700	384,700
Contributions to UIF, Medical and Pension Funds	2,164	1,785
Cellphone allowance	14,400	14,400
Remote allowances	61,552	61,551
	1,614,782	1,614,659

Remuneration of chief finance officer

Annual Remuneration	941,315	941,716
Car Allowance	314,474	317,164
Contributions to UIF, Medical and Pension Funds	2,164	1,903
Cellphone allowance	14,400	14,400
Remote allowance	50,316	50,315
	1,322,669	1,325,498

Remuneration of director - Corporate Services

Annual Remuneration	941,287	318,640
Acting allowance	-	185,860
Cellphone allowance	14,400	-
Car Allowance	314,474	104,825
Contributions to UIF, Medical and Pension Funds	2,164	634
Remote allowance	50,316	16,771
	1,322,641	626,730

Remuneration of director - Technical Services

Annual Remuneration	941,286	941,524
Car Allowance	314,474	314,474
Contributions to UIF, Medical and Pension Funds	2,164	1,903
Cellphone allowances	14,400	14,400

Thaba Chweu Local Municipality

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Remote allowance	50,316	50,315
	1,322,640	1,322,616

Remuneration of director - Community Services

Acting allowances	186,966	363,997
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Remuneration of director - Local Economic Development

Annual Remuneration	-	706,144
Acting allowance	313,572	89,101
Contributions to UIF, Medical and Pension Funds	-	1,428
Remote allowances	-	37,736
Car allowance	-	236,491
Cellphone allowance	-	10,800
	313,572	1,081,700

Employee related costs :	2022	2021
Rest of employees	217,424,908	223,477,474
Senior management	6,083,270	6,335,200
	223,508,178	229,812,674

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28. Remuneration of councillors

Executive Mayor	-	-
Executive Mayor - Allowances and Service Related Benefits	801,229	569,829
Executive Mayor - Social Contributions	96,392	-
Mayoral Committee Members	-	-
Mayoral Committee Members - Allowances and Service Related Benefits	1,953,832	-
Mayoral Committee Members - Social contributions	224,518	-
Speaker	-	-
Speaker - Allowances and Service Related Benefits	649,117	441,174
Speaker - Social contributions	80,567	17,280
Chief Whip	-	-
Chief Whip - Allowances and Service Related Benefits	600,021	412,684
Chief Whip - Social contributions	87,680	17,280
Section 79 committee chairperson	-	-
Section 79 committee chairperson - Allowances and Service Related Benefits	463,510	231,423
Section 79 committee chairperson	50,696	-
All Other Councillors	-	-
Councillors - Allowances and Service Related Benefits	5,577,971	8,707,466
Councillors' social contribution	596,439	1,154,792
	11,181,972	11,551,928

29. Depreciation and amortisation

Property, plant and equipment	62,881,714	60,271,270
Intangible assets	1,897,810	936,395
	64,779,524	61,207,665

Thaba Chweu Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand



30. Impairment loss

Impairments

Property, plant and equipment	11,115,535	-
	11,115,535	-
	-	-

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows:

31. Finance costs

Trade and other payables	41,084,374	26,223,256
Fair value adjustments: Notional interest	5,221,104	4,387,995
Service concession arrangements	989,000	849,000
	47,294,478	31,460,251

32. Debt impairment

Provision for traffic fines (reversal of provision)	(1,366,112)	3,939,894
Contributions to debt impairment provision	80,821,373	241,558,676
Bad debts written off	18,993,656	6,909,657
	98,448,917	252,408,227

33. Bulk purchases

Electricity - Eskom	165,100,991	138,838,741
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Electricity losses

Units purchased (KVA)	(154,130,904)	(152,575,945)
Units sold (KVA)	85,723,312	98,827,265
Total loss	(68,407,592)	(53,748,680)

Percentage Loss:

Electricity (Losses expressed as a %)	44 %	35 %
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Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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Figures in Rand 2022 2021

Water losses

Units purchased (Kilolitres)	(8,441,900)	(8,789,374)
Units sold (Kilolitres)	3,325,216	3,189,842
Total	(5,116,684)	(5,599,532)

Percentage Loss:

Water (Losses expressed as a %)	61 %	64 %
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34. Contracted services

Outsourced Services

Burial Services	40,861	6,957
Business and Advisory	3,692,304	1,005,988
Catering Services	-	16,503
Call Centre	672,197	424,747
Clearing and Grass Cutting Services	817,875	394,300
Refuse Removal	5,811,740	5,890,188
Researcher	26,023	-
Security Services	15,789,711	10,408,560

Consultants and Professional Services

Business and Advisory	20,051,184	11,936,927
Infrastructure and Planning	516,053	1,904,509
Legal Cost	15,443,447	16,497,860

Contractors

Bore Waterhole Drilling	201,796	905,841
Catering Services	39,269	140,954
Electrical	33,378,093	11,847,987
Employee Wellness	179,152	12,087
Event Promoters	427,068	314,869
Maintenance of Buildings and Facilities	801,014	1,635,271
Maintenance of Equipment	18,870	57,780
Maintenance of roads	17,937,404	18,531,908
Traffic and Street Lights	1,082,449	12,577,239
Sewerage Services	3,898,640	1,274,448

Presented previously	-	-
Outsourced Services	26,850,711	18,147,243
Consultants and Professional Services	36,010,684	30,339,296
Contractors	57,963,755	47,298,384
	120,825,150	95,784,923



Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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2021

35. Operating expenses

Auditors remuneration	6,637,430	7,666,615
Bank charges	664,251	679,882
Commission paid	6,536,261	12,267,524
Consumables	9,309,334	9,762,576
Fines and penalties	52,659	-
Hire	2,733,050	1,587,850
Insurance	7,514,389	6,860,157
Conferences and seminars	114,414	3,720,223
IT expenses	7,508,417	7,185,147
Remuneration to Ward Committees	1,171,000	1,550,000
Packaging	495,008	-
Skills Development Levies	1,770,351	1,779,697
SALGA fees	2,449,669	4,168,777
Motor vehicle expenses	317,145	373,995
Fuel and oil	3,670,213	1,991,019
Printing and stationery	176,018	323,050
Protective clothing	639,927	854,749
Workmen's Compensation Fund	1,356,467	1,215,134
Subscriptions and membership fees	-	107,025
Telephone and fax	-	77,315
Travel - local	1,147,886	423,592
Title deed search fees	1,846,928	-
Electricity	72,331,330	59,294,334
Training	3,488,340	3,496,807
Other expenses	791,313	4,554,526
	132,721,800	129,939,994



36. Fair value adjustments

Investment property (Fair value model)	12,510,407	5,703,681
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37. Auditors' remuneration

Fees	6,637,430	7,666,615
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38. Operating deficit

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

Operating lease charges

Equipment

• Contractual amounts	2,629,289	2,629,289
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Thaba Chweu Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
39. Cash generated from operations		
Deficit	(164,335,480)	(311,232,531)
Adjustments for:		
Depreciation and amortisation	64,779,524	61,207,665
Loss on disposal of assets	1,480,002	3,378,884
Dividends or similar distributions paid	-	-
Impairment deficit	11,115,535	-
Debt impairment	80,821,373	252,408,227
Movements in retirement benefit assets and liabilities	3,022,000	7,553,626
Finance cost provision landfill	(5,740,532)	34,532,953
Fair value adjustments	(12,510,407)	(25,076,271)
Changes in working capital:		
Inventories	1,700,228	23,173,766
Receivables from exchange transactions	-	4,287,566
Consumer debtors	(52,805,079)	(103,225,254)
Statutory receivables	(48,239,832)	(4,502,322)
Payables from exchange transactions	244,702,762	151,325,400
Unspent conditional grants and receipts	(2,230,499)	(758,453)
Consumer deposits	730,387	-
Other non-cash items	(868,982)	5,534,923
Movement in provision	-	(9,467,364)
Other liability	-	(13,744,251)
	121,621,000	75,396,564

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40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	5,983,281	41,203,966

Total capital commitments		
Already contracted for but not provided for	5,983,281	41,203,966

Total commitments

Total commitments		
Authorised capital expenditure	5,983,281	41,203,966

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Investment properties

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	2,629,337	2,629,337
- in second to fifth year inclusive	2,629,337	5,258,674
	5,258,674	7,888,011

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Thaba Chweu Local Municipality

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41. Contingencies

	2022	2021
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
Axel Kazadi Kayembe / TCLM Applicant is claiming for a collision of motor vehicle with a pot hole within TCLM	-	54,944
Selina Clementine sibiya/ TCLM Applicant is claiming for a collision of motor vehicle with a pot hole within TCLM	-	56,830
Raul Machado Salvatori/ TCLM Applicant is claiming for a collision of motor vehicle with a pot hole within TCLM jurisdiction	17,037	17,037
Mihandzu Consulting Engineers Municipality is being sued by applicant for services rendered in terms of SLA	445,341	445,341
Magoveni Business Trust (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	9,100,000
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
Zim electrical/ tclm Municipality is being sued by the applicant for service rendered in terms of SLA	435,401	435,401
Landsberg is suing the municipality for the death of their minor child who died of electric shock	3,000,000	3,000,000
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 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	612,898
Jubalani Mthomothi & Phala Papan are suing the municipality for being arrested by SAPS on reported case of fraud committed within municipality as employees and having been charged internally with fraud, dishonesty and other charges by the employer.	2,400,000	-
RUVEN GOVENDER is suing Municipality for damages, the plaintiff collided with a pothole on the Sabie road which led to the overturning of the vehicle	2,080,000	-
LYBASOL BEHEREND (PTY)LTD is suing for moneys owed to the them by the TCLM for service rendered.	87,558	-
Graskop Pale CC is suing the Municipality for damages caused by fire, their plantation caught fire on the 20 July 2020	3,982,862	-
WILLEM FREDERICK VENTER is suing the municipality for having suffered damages caused by a hole that he fell on within the municipal street and construction that was not marked or cautioned to the road users.	800,000	-
	58,057,313	49,280,353

Thaba Chweu Local Municipality

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Litigation is in the process against the municipality relating to a dispute with a competitor who alleges that the municipality has infringed patents and is seeking damages of -. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims. The total cover extended by the current policy amounts to -.

The municipality has offered termination benefits to all of its employees to encourage early retirement. The municipality has finalised and agreed, with the trade unions, the terms and conditions of the plan. The plan has been implemented and will continue for the next nine months. Management are uncertain about the number of employees who will accept the offer. If all employees take the offer the potential financial effect would approximately be -.

There is no reimbursement from any third parties for potential obligations of the municipality.

An associate is being sued for violation of copyrights. The municipality's share of the potential claim amounts to -. The associate's lawyers and management are of the opinion that the law suit will be successful but are unable to reliably determine the amount of penalties and damages payable.

The municipality is severally liable for the liabilities of its associate. The associate is profitable and is currently able to meet all of its present obligations.

Litigation is in the process against the competitor relating to a dispute whereby the competitor has infringed patents and the municipality is seeking damages of -. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.



Thaba Chweu Local Municipality

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42. Related parties

Relationships

Accounting Officer

District Municipality

Relationship with CoGTA

Mpumalanga Provincial Treasury

Controlled entities

Members of key management



Refer to accounting officer's report

Ehlazeni District Municipality assist with AFS preparation
CoGTA appointed GIZ to assist the Municipality with Financial Recovery Plan
PT offers advisory support to the Municipality to obtain an improved Audit outcome

Thaleda (Pty) Ltd

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

Related party balances

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

ET Mabuza(MMC)	132,680	114,498
PA Segoane	9,162	13,638
JJ Mkhize	1,062	2,823
Key Employees (Management)		
Ms. SS Matsi	1,853	594
Mr. RM Mnisi	1,475	1,328
Mr. MC Mashego	52,257	41,996
Mr. CB Nkuna	1,956	(983)

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.

Subsidy paid to related parties

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

Thaleda (Proprietary) Limited	55,688	418,152
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Heading

Salaries

Salary Ms. MF Nkadameng Members of immediate family Executive Mayor	897,621	463,092
Salary Ms. PT Nkadameng Members of immediate family Executive Mayor	688,554	666,444
Ms. FJ Makwakwa Management and/or employees of parent company	812,424	810,192
Ms. L Moukangwe Management and/or employees of parent company	542,632	541,588
Ms. LV Shabangu Lubisi Management and/or employees of parent company	755,997	718,538
Mrs. MC. Sechabe Management and/or employees of parent company	302,721	287,076
Mrs. BD Molapo Management and/or employees of parent company	313,954	298,632

Key management information

Remuneration of management

Management class: Councillors

Refer to note 28 "Remuneration of councillors"

Thaba Chweu Local Municipality

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2021

43. Prior-year adjustments

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

Statement of financial position

2022

	Note	As previously reported	Correction of error	Restated
Property Plant and Equipment		976,664,114	24,570,753	1,001,234,867
Accumulated surplus		(171,176,032)	(24,382,090)	(195,558,122)
Payables from exchange transactions		(1,077,595,554)	(188,663)	(1,077,784,217)
		(272,107,472)	-	(272,107,472)

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Impairment of PPE		335,595		(335,595)	-
Loss on disposal of assets		3,043,289		335,595	3,378,884
Depreciation		55,014,143	6,193,522	-	61,207,665
Surplus for the year		58,393,027	6,193,522	-	64,586,549

Cash flow statement

Errors

No prior period errors occurred during the year under review.

Reclassifications

The above reclassifications adjustment occurred:

44. Unauthorised expenditure

Opening balance as previously reported	258,905,479	128,203,273
Operational		
Community services	-	6,702,837
Finance	-	86,975,609
Local Economic Development	103,620,124	1,029,193
Office of the MM	-	20,571,572
Capital		
Finance	9,108,819	13,173,423
Technical services	14,447,663	-
MIG Expenditure not in terms of the set conditions	-	2,249,572
Closing balance	386,082,085	258,905,479

The opening unauthorised expenditure of R258 905 479 is inclusive of recoverable balance of R5 615 768 . The recoverable amount is informed by forensic investigation report concluded in June 2017 to which cases have been opened against implicated officials.

The remaining balance of unauthorised expenditure amounting to R253 289 711 has been referred by council to Disciplinary Board for further assessment and recommendations

Thaba Chweu Local Municipality

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45. Fruitless and wasteful expenditure		
Opening balance as previously reported	60,200,481	107,304,369
Add: Fruitless and wasteful expenditure identified - current	41,084,374	-
Less: Amount written off - prior period	-	(47,103,888)
Closing balance	101,284,855	60,200,481

Fruitless and wasteful expenditure is presented exclusive of VAT

The opening balance offruitless expenditure amounting to R60 200 481 has been referred by council to Disciplinary Board for further assessment and recommendation

46. Irregular expenditure

Opening balance as previously reported	536,543,377	426,324,015
Add: Irregular expenditure - current	88,877,527	110,219,362
Closing balance	625,420,904	536,543,377

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

Contracts extended without following proper process	-	261,913
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	93,534	295,311
Awards were made to suppliers who did not comply with the stipulated qualifying criteria stipulated	-	521,179
Tender documents not submitted for audit purposes	-	4,142,876
Inconsistency in bid evaluation and adjudication	-	3,558,100
No System for appointing from pannels	-	55,400,612
Irregular expenditure identified by audit processes	88,783,993	11,918,708
	88,877,527	107,870,362

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Cases under investigation

The opening balance of irregular expenditure amounting to R536 543 377 has been referred by council to Disciplinary Board for further assessment and recommendation.

Disciplinary steps taken/criminal proceedings

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47. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	4,251,317	2,971,033
Current year expense	6,637,430	8,872,204
Amount paid - current year	(4,010,861)	(6,730,089)
Amount paid - previous years	(4,251,317)	(861,831)
	2,626,569	4,251,317

PAYE and UIF

Opening balance	2,929,288	2,731,024
Current year expense	36,443,373	37,476,909
Amount paid - current year	(33,466,616)	(34,547,621)
Amount paid - previous years	(2,929,288)	(2,731,024)
	2,976,757	2,929,288

Pension and Medical Aid Deductions

Opening balance	3,723,539	4,176,413
Current year expense	53,464,263	52,591,233
Amount paid - current year	(48,987,104)	(48,867,694)
Amount paid - previous years	(4,367,816)	(4,176,413)
	3,832,882	3,723,539

VAT

VAT output pay/VAT input receivables are shown in note 10.

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

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

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
SLAMBIE JACOB SEGOANE	2,416	11,222	13,638
JUBA JUDITH MKHIZE	1,636	1,187	2,823
	12,193	130,247	142,440

Levies

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48. 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

Caseware Licence	218,452	-
Supply And Delivery Of Cables For Municipal Stores	136,800	-
Excess For A Claim For The Repair Of Hail Dents To Municipal Vehicle	5,000	-
Excess For A Claim For The Repair Of Hail Dents To Municipal Vehicle	15,000	-
Excess For A Claim For The Repair Of A Traffic Official Vehicle.	5,000	-
Excess For A Claim For The Repair Of A Traffic Official Vehicle.	5,000	-
Refurbishment Of Waste Treatment Plant In Sabie	298,487	-
Clarifying Dam, Replace Motor ,Gearbox Stainless Steel-Frame Wheel And Followers	580,518	-
Plate Dewater & Refurbishment		
Excess For A Claim For The Repair Of A Traffic Official Vehicle.	5,000	-
Excess For A Claim For The Repair Of A Traffic Official Vehicle.	5,000	-
Excess For A Claim For The Repair Of A Traffic Official Vehicle.	5,000	-
Excess For A Claim For The Repair Of A Traffic Official Vehicle.	8,475	-
Supply Delivery And Installation Of A Mini-Sub Station 500Kva/11Kva/415V At Majubane Area	1,127,000	-
Supply Delivery And Installation Of A Pole Transformer 100 Kva/11Kv/415V In Sabie At Enkanini.	198,950	-
Government Gazetting	5,044	-
Hiring Of Tipper Truck For Waste Removal In Lydenburg	58,765	-
Installation And Commissioning Of Pump	320,504	-
Fixing Of A Pipe Water Leakage In The Line That Supply Hospital Area.	194,115	-
Supply Delivery And Installation And Secure Of A Mini-Sub Station 500Kva/11Kva/415V At Lydenburg Maasdorp Street.	1,361,801	-
Replacement Of T3 Switch Breakdown In Sabie	487,275	-
Construction Of A 1.8Km Mink Acsr Conductor 3 Phase Powerline At Public Works Area In Lydenburg	566,705	-
Repair Of Faulty Terminators, Cables And Overhead Line At Sabie Substation And Sabie Switching Station.	630,024	-
Replacement Of A 200Kva 11Kva/400V Transformer And Accessories At Skhila	188,031	-
Provision Of Accommodation For Municipal Officials/Councillors	199,980	-
Excess For A Claim For The Repair Of A Windscreen	501	-
Excess For A Claim For The Repair Of The Municipal Vehicle	3,500	-
Excess For A Claim For The Repair Of A Plumber's Vehicle.	647	-
Excess For A Claim For The Repair Of A Plumber'S Vehicle.	824	-
Refurbishment Of A Borehole At Mamorapama, TcIm,	176,190	-
Excess For A Claim For The Repair Of The Laptop Screen	2,500	-
Provision Of Professional Services For Assistance With The Balancing Of The Budget And Secondary Budget.	191,270	-
Provision Of Professional Services For Assistance With The Balancing Of The Budget And Secondary Budget	449,000	-
Supply And Delivery Of 250 Kva Generator Three Phase	360,000	-
Provision For Publication Of Adverts On National Newspaper- Sowetan	64,274	-
Implementation Of Section 56 Module record and issue traffic fines	132,770	-
Repairs And Maintenance On Traffic Lights In Lydenburg Corner Voortrekker And Eufes Street And Burger Street.	196,774	-
Supply Delivery Of Sabie 315 Kva/415 V after vandalism of substation supplying Shoprite complex	1,220,000	-

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Supply Delivery Of 800Kva/11000Kv/415 Mini Sub Station And Transportation To Lydenburg	1,548,000	-
Supply And Delivery Of 500Kva 11000/415V Mini Substation In Sabie	1,295,000	-
Supply And Delivery Of 500Kva 11000/415V Mini Substation In Sabie	1,295,000	-
Vetting And Screening Services For 13 Candidates For The Position Of The Director Led And Community Services	35,880	-
Supply And Installation Of Check Meters	2,290,340	-
CONSOLIDATION OF 22KV MASHISHING SUBSTATION CHANGE OVER	3,991,420	-
UNDERGROUND MEDIUM VOLTAGE CABLE FAULT DETECTION AND LOCATION IN 4 AREA.	882,490	-
UNDERGROUND MEDIUM VOLTAGE CABLE FAULT DETECTION AND LOCATION IN 4 AREA.	267,807	-
EXCESS FOR A CLAIM FOR THE REPAIR OF THE LAPTOP SCREEN	2,500	-
Replacement of a Minisub 315 KVA 415 in Sabie	856,825	-
200KVA/11000KV/415 TRANSFORMER AND TRANSPORTATION	395,000	-
CALIBRATION OF PRO-LASER MACHINE -TRUVELO LIDAR	29,698	-
Conference venue for delegates to attend induction of committees.	149,999	-
REPAIRS OF HOUSE NO 22&24 AT BROWN STREET	25,128	-
FIXING OF A WALL AND PLISADE FENCING	29,016	-
National Treasury Returns & Budget Foramat 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.	-	4,297
LOWVELD MEDIA	-	-
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

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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	-	11,700
SINOVILLE FENCING ROSSLYN		
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
	22,518,279	4,292,393

49. Segment information

General information

Identification of segments

In accordance with GRAP 18, Segment Reporting, a segment as an activity of the municipality that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity); whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and for which separate financial information is available. The municipality has identified various activities within the municipality that meets the definition of a segment..

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.

Aggregated segments

The municipality operates throughout the Thaba Chweu jurisdiction which includes Lydenburg / Mashishing, Graskop, Pilgrim's Rest, Sabie, Matibidi, Moremela and Leroro Township. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Thaba Chweu were sufficiently similar to warrant aggregation.

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	Goods and/or services
Energy Sources	Electricity and distribution
Finance and administration (Including Executive and Council and Internal Audit)	Administration and accounting services
Waste management	Solid waste management (Refuse)
Road Transport	Road infrastructure and maintenance
Planning and development	Town planning and local economic development
Water	Water provision and treatment
Waste water	Sanitation (Sewerage)
Other	Community and Social Services, public safety, health, housing, and sport and recreation

Segment surplus or deficit, assets and liabilities

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Segment surplus or deficit

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	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
Revenue								
Community and Social Services	-	98,513	98,513	50,669,976	15,080,867	3,366,476	69,117,319	(69,018,806)
Energy Sources	-	194,483,371	194,483,371	19,190,542	-	216,359,585	235,550,127	(41,066,756)
Finance and Administration (Including Executive, Council & Internal Audit)	304,534,168	3,025,068	307,559,236	97,554,264	51,093,120	236,491,689	385,139,073	(77,579,837)
Other	13,523,317	-	13,523,317	-	-	101,451,061	101,451,061	(87,927,744)
Planning and Development	12,245	5,249,881	5,262,126	9,912,517	-	2,987,016	12,899,533	(7,637,407)
Roads	53,684,594	-	53,684,594	9,746,581	-	3,801,685	13,548,266	40,136,328
Waste (Solid)	-	24,828,567	24,828,567	17,687,401	-	6,200,892	23,888,293	940,274
Waster Water	-	20,957,838	20,957,838	15,296,163	-	4,028,744	19,324,907	1,632,931
Water Services	34,903,918	59,948,907	94,852,825	14,632,704	-	4,118,193	18,750,897	76,101,928
Total	406,658,242	308,592,145	715,250,387	234,690,148	66,173,987	578,805,341	879,669,476	(164,419,089)
Entity's revenue			715,250,387					
Entity's Surplus (deficit) for the period								(164,419,089)

50. Budget differences

Material differences between budget and actual amounts

Service charges and other revenue: Budget included an estimation of sale of developed stands that would have increased this stream of revenue, which were not finalised at year end and also included revenue enhancement activities which unfortunately were not finalised at year end. Which will have increased our revenue

Expenditure: Budget for debt impairment was inintprovided with the expection of full implementation of credit and debt collection policy. The Councilors remuneration amount included the provision of upper limits, which were not approved for 2020/2021 financial year. Final budget included the provision of filling vacant positions which was not implemented by year end

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Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting basis are both on accrual basis. The annual financial statements for the municipality basis using a classification based on the nature of expenses in the statement of financial performance.

The amounts in the annual financial statements are on the accrual basis and are classified by functional classification to be on the same basis as the final approved budget.

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.

51. Receivables from exchange transactions

Other debtors	490,610	490,610
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52. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	196,079,247	181,410,462
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Less: Allowance for impairment

Consumer debtors - Rates	(178,990,349)	(166,301,767)
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Net balance

Consumer debtors - Rates	17,088,898	15,108,695
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53. Agency services for prepaid electricity

Domestic High:Prepaid	98,145,938	101,621,167
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The municipality entered into an agreement with a service provider, to distribute, collect, process and manage the sale of prepaid electricity on behalf of the municipality. The municipality acts as the principal and the service provider acts as an agent to this transaction in accordance with GRAP 109, Principal agent arrangements.

A fee of 2.75% of the total revenue collected is payable by the municipality for prepaid sales of electricity bought directly on their platform, and a further 2.75% (total 5.5%) is chargeable on sales done via third party distributors.

54. Public contributions and donations

Public contributions and donations	17,483,646	172,977
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Conditions still to be met - remain liabilities (see note 13)

Provide explanations of conditions still to be met and other relevant information

55. Comparative figures

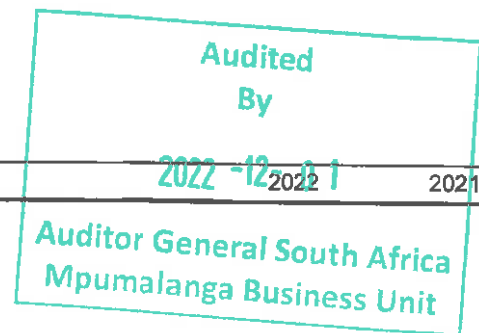
Certain comparative figures have been reclassified.

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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, accounts receivable. 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.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2022	2021
Bank balances	1,478,507	2,435,067
Consumer debtors	18,958,079	34,285,799

57. Going concern

During the financial year ended 30 June 2022 the Municipality has experienced operating losses of R164 335 480 and (2021: R311 232 531 including increase in current liabilities of R243 521 048).

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 2022/2023 projects own revenue at R 520 011 004 which directors believe the municipality will be able to collect which is exclusive of Operational Grants and Capital Grants.

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 2022.

