



Kgatelopele Local Municipality
(Registration number NC086)
Financial statements
for the year ended 30 June 2021

* See Note 50

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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

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

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

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

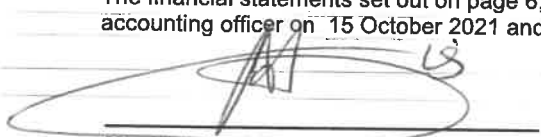
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable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

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

The financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 15 October 2021 and were signed on its behalf by:



Mr. A Tieties
Acting Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2021.

Audit committee members and attendance

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

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal control was not entirely effective for the year under review. During the year under review, several deficiencies in the system of internal control and/or deviations from there from were reported by the internal auditors and the Auditor-General South Africa. In certain instances, the matters reported previously have not been fully and satisfactorily addressed.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

Evaluation of financial statements

The audit committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community, and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was 13 255 696 (2020: surplus 7 835 468).

2. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated deficits of 381 066 274 and that the municipality's total liabilities exceed its assets by 381 066 274.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 2 of 2018).

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

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 as the prescribed framework by National Treasury.

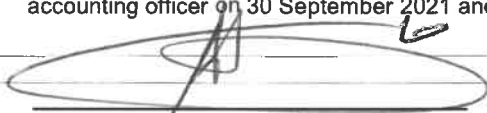
The financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting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

6. Accounting Officer

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

Name	Nationality
Mr. A Tieties	RSA

The financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2021 and were signed on its behalf by:



Mr. A Tieties
Acting Municipal Manager

Statement of Financial Position as at 30 June 2021

Figures in Rand

	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	9	3 277 407	3 305 075
Receivables from exchange transactions	10&16	401 798	1 225 014
Receivables from non-exchange transactions	11&16	11 854 338	12 904 129
VAT receivable	14	6 213 576	567 635
Receivables from exchange transactions-Consumer debtors	15	19 917 313	16 416 955
Cash and cash equivalents	17	20 058 136	4 432 376
		61 722 568	38 551 184
Non-Current Assets			
Investment property	3	51 845 372	51 845 373
Property, plant and equipment	4	330 276 250	318 941 601
Intangible assets	5	1 982 846	191 254
Heritage assets	6	1 151 058	1 151 058
		385 255 526	372 129 286
Total Assets		446 978 094	410 680 470
Liabilities			
Current Liabilities			
Short-term employee benefits		4 118 881	4 118 881
Payables from exchange transactions	20	34 759 307	28 662 732
Consumer deposits	21	1 552 832	1 524 162
Employee benefit obligation	7	27 391	132 688
Unspent conditional grants and receipts	18	18 747 938	3 952 230
		59 206 349	38 390 693
Non-Current Liabilities			
Employee benefit obligation	7	1 832 765	1 220 590
Provisions	19	4 872 704	4 872 704
		6 705 469	6 093 294
Total Liabilities		65 911 818	44 483 987
Net Assets		381 066 276	366 196 483
Accumulated surplus		381 066 274	366 196 483
Total Net Assets		381 066 274	366 196 483

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	39 166 702	41 281 575
Rental of facilities and equipment	25	199 468	120 031
Agency services	28	103 983	35 256
Licences and permits	29	-	494 397
Other income	32	207 954	270 159
Interest received - investment	33	4 196 553	3 977 925
Total revenue from exchange transactions		43 874 660	46 179 343
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	34	14 573 593	12 337 576
Licences and Permits (Non-exchange)		928 798	-
Interest - Taxation revenue	30	814 607	-
Transfer revenue			
Government grants & subsidies	35	66 737 792	51 173 529
Public contributions and donations	36	-	5 084 522
Fines, Penalties and Forfeits	26	13 450	75 064
Total revenue from non-exchange transactions		83 068 240	68 670 691
Total revenue	22	126 942 900	114 850 034
Expenditure			
Employee related costs	37	37 422 425	35 606 863
Remuneration of councillors	38	2 686 096	2 702 523
Administration		46 300	-
Depreciation and amortisation	39	22 777 332	15 750 648
Finance costs	40	464 798	593 726
Bad debts written off	41	4 894 525	6 413 733
Bulk purchases	42	20 475 330	19 582 135
Contracted services	43	14 864 071	14 668 846
General Expenses	44	9 682 137	8 812 760
Total expenditure		113 313 014	104 131 234
Operating surplus		13 629 886	10 718 800
Loss on disposal of assets and liabilities		-	(1 595 839)
Fair value adjustments	45	-	513 313
Actuarial gains/losses	7	(374 190)	236 530
Inventories losses/write-downs		-	(2 037 336)
		(374 190)	(2 883 332)
Surplus for the year		13 255 696	7 835 468

* See Note 50

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2019	358 361 015	358 361 015
Changes in net assets		
Surplus for the year	7 835 468	7 835 468
Total changes	7 835 468	7 835 468
Restated* Balance at 01 July 2020	366 238 390	366 238 390
Changes in net assets		
Other	1 572 188	1 572 188
Net income (losses) recognised directly in net assets	1 572 188	1 572 188
Surplus for the year	13 255 696	13 255 696
Total recognised income and expenses for the year	14 827 884	14 827 884
Total changes	14 827 884	14 827 884
Balance at 30 June 2021	381 066 274	381 066 274
Note(s)		

* See Note 50

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		54 949 655	54 433 159
Grants		49 144 397	52 794 952
Interest income		4 196 553	3 977 925
		<u>108 290 605</u>	<u>111 206 036</u>
Payments			
Employee costs		(40 489 732)	(36 585 135)
Suppliers		(15 806 742)	(43 852 269)
Finance costs		(464 798)	(593 726)
Other payments		-	(7 201 228)
		<u>(56 761 272)</u>	<u>(88 232 358)</u>
Net cash flows from operating activities	47	51 529 333	22 973 678
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(35 915 588)	(30 404 975)
Proceeds from sale of property, plant and equipment	-4	1 803 607	(25)
Purchase of other intangible assets	5	(1 791 592)	(24 663)
Net cash flows from investing activities		(35 903 573)	(30 429 663)
Cash flows from financing activities			
Net movement on service concession liabilities		-	4 118 881
Repayment of service concession liabilities		-	4 118 881
Net cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		15 625 760	(7 455 985)
Cash and cash equivalents at the beginning of the year		4 432 376	11 888 475
Prior year balances adjustment		-	(114)
Cash and cash equivalents at the end of the year	17	20 058 136	4 432 376

* See Note 50

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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	49 293 727	-	49 293 727	39 166 702	(10 127 025)
Rental of facilities and equipment	74 457	-	74 457	199 468	125 011
Agency services	392 378	-	392 378	103 983	(288 395)
Other income	1 451 573	-	1 451 573	207 954	(1 243 619)
Interest received - investment	2 873 534	-	2 873 534	4 196 553	1 323 019
Total revenue from exchange transactions	54 085 669	-	54 085 669	43 874 660	(10 211 009)

Revenue from non-exchange transactions

Taxation revenue

Property rates	20 315 217	-	20 315 217	14 573 593	(5 741 624)
Licences and Permits (Non-exchange)	353 140	-	353 140	928 798	575 658

Transfer revenue

Government grants & subsidies	15 434 000	-	15 434 000	66 737 792	51 303 792
Fines, Penalties and Forfeits	50 000	-	50 000	13 450	(36 550)

Total revenue from non-exchange transactions	36 152 357	-	36 152 357	82 253 633	46 101 276
---	-------------------	----------	-------------------	-------------------	-------------------

Total revenue	90 238 026	-	90 238 026	126 128 293	35 890 267
----------------------	-------------------	----------	-------------------	--------------------	-------------------

Expenditure

Personnel	(34 888 855)	-	(34 888 855)	(37 422 425)	(2 533 570)
Remuneration of councillors	(2 607 550)	-	(2 607 550)	(2 686 096)	(78 546)
Administration	(620 000)	-	(620 000)	(46 300)	573 700
Depreciation and amortisation	(3 260 678)	-	(3 260 678)	(22 777 332)	(19 516 654)
Finance costs	(132 967)	-	(132 967)	(464 798)	(331 831)
Debt Impairment	(5 589 859)	-	(5 589 859)	(4 894 525)	695 334
Bulk purchases	(21 050 682)	-	(21 050 682)	(20 475 330)	575 352
Contracted Services	(14 236 472)	-	(14 236 472)	(14 864 071)	(627 599)
General Expenses	(10 916 857)	-	(10 916 857)	(9 682 137)	1 234 720
Total expenditure	(93 303 920)	-	(93 303 920)	(113 313 014)	(20 009 094)

Operating surplus	(3 065 894)	-	(3 065 894)	12 815 279	15 881 173
--------------------------	--------------------	----------	--------------------	-------------------	-------------------

Actuarial gains/losses	-	-	-	(374 190)	(374 190)
------------------------	---	---	---	-----------	-----------

Surplus before taxation	(3 065 894)	-	(3 065 894)	12 441 089	15 506 983
--------------------------------	--------------------	----------	--------------------	-------------------	-------------------

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(3 065 894)	-	(3 065 894)	12 441 089	15 506 983
--	--------------------	----------	--------------------	-------------------	-------------------

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

Statement of Financial Position

Assets

Current Assets

Inventories	-	-	-	3 277 407	3 277 407
Receivables from exchange transactions	-	-	-	401 798	401 798
Receivables from non-exchange transactions	-	-	-	11 854 338	11 854 338
VAT receivable	(3 493 014)	3 493 014	-	6 213 576	6 213 576
Consumer debtors	-	-	-	19 917 313	19 917 313
Cash and cash equivalents	-	-	-	20 058 136	20 058 136
	(3 493 014)	3 493 014	-	61 722 568	61 722 568

Non-Current Assets

Investment property	-	-	-	51 845 372	51 845 372
Property, plant and equipment	-	-	-	330 276 250	330 276 250
Intangible assets	-	-	-	1 982 846	1 982 846
Heritage assets	-	-	-	1 151 058	1 151 058

	-	-	-	385 255 526	385 255 526
--	---	---	---	-------------	-------------

Total Assets	(3 493 014)	3 493 014	-	446 978 094	446 978 094
---------------------	--------------------	------------------	----------	--------------------	--------------------

Liabilities

Current Liabilities

Service concession liabilities	-	-	-	2 748 173	2 748 173
Payables from exchange transactions	-	-	-	34 759 307	34 759 307
Consumer deposits	-	-	-	1 552 832	1 552 832
Employee benefit obligation	-	-	-	27 391	27 391
Unspent conditional grants and receipts	-	-	-	18 747 938	18 747 938

	-	-	-	57 835 641	57 835 641
--	---	---	---	------------	------------

Non-Current Liabilities

Employee benefit obligation	-	-	-	1 832 765	1 832 765
Provisions	-	-	-	4 872 704	4 872 704
	-	-	-	6 705 469	6 705 469

Total Liabilities	-	-	-	64 541 110	64 541 110
--------------------------	----------	----------	----------	-------------------	-------------------

Net Assets	(3 493 014)	3 493 014	-	382 436 984	382 436 984
-------------------	--------------------	------------------	----------	--------------------	--------------------

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	(3 493 014)	3 493 014	-	382 436 984	382 436 984
---------------------	-------------	-----------	---	-------------	-------------

Accounting Policies

Figures in Rand	Note(s)	2021	2020
-----------------	---------	------	------

1. Presentation of Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going-concern assumption

These 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 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the 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 financial statements. Significant judgements include:

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

Trade receivables

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

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 [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and 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. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

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 19 - Provisions.

Useful lives of waste and water network and other assets

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

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.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

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.

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

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

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

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.

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 entity 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 entity 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 entity 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 entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity 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.

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

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

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

Accounting Policies

1.5 Investment property (continued)

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

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

The nature OR type of properties classified as held for strategic purposes are as follows:

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

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

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Accounting Policies

1.6 Property, plant and equipment (continued)

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 100 years
Plant and machinery	Straight-line	5- 15 years
Furniture and fixtures	Straight-line	7- 10 years
Motor vehicles	Straight-line	5- 20 years
Office equipment	Straight-line	3-5 years
IT equipment	Straight-line	3-5 years
Solid waste infrastructure	Straight-line	10- 50 years
Sport facilities	Straight-line	15- 30 years
Stormwater infrastructure	Straight-line	20- 50 years
Wastewater network	Straight-line	20- 100 years
Water network	Straight-line	15- 80 years
Service concession assets	Straight-line	Indefinite
Housing	Straight-line	15- 100 years
Road Infrastructure	Straight-line	7- 100 years

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Accounting Policies

1.7 Intangible assets (continued)

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.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Licenses and franchises	Straight-line	1 year
Computer software, internally generated	Straight-line	5 years

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

1.8 Heritage assets

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

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

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

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

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

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

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

Accounting Policies

1.8 Heritage assets (continued)

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

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

Impairment

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

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).

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.

Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

1.10 Statutory receivables

Identification

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

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

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

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

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

Accounting Policies

1.10 Statutory receivables (continued)

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.

Other charges

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

Impairment losses

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

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

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

Accounting Policies

1.10 Statutory receivables (continued)

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.

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

Accounting Policies

1.11 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 Inventories

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:

[Specify judgements made]

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Designation

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

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

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

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

Identification

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

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

Accounting Policies

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:

Designation

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

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

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

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

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

Identification

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

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

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

Accounting Policies

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.

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

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

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

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity 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 entity 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.

Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity 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.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

Accounting Policies

1.15 Employee benefits (continued)

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity 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 entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Accounting Policies

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.15 Employee benefits (continued)

Termination benefits

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

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

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

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

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

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

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

1.16 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.

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 deficits.

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

Accounting Policies

1.16 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

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

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

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

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

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

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

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

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

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date.

Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

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

Accounting Policies

1.16 Provisions and contingencies (continued)

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.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.18 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.

Accounting Policies

1.18 Revenue from exchange transactions (continued)

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.

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

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

Interest is recognised 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.

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

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

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

Accounting Policies

1.19 Revenue from non-exchange transactions

1.20 Investment income

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

1.21 Borrowing costs

1.22 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.23 Comparative figures

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

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.25 Fruitless and wasteful expenditure

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

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

1.26 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).

Accounting Policies

1.27 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

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

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

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

1.28 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 financial statements.

1.29 Events after reporting date

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

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

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

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

Notes to the Financial Statements

Figures in Rand

2021

2020

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Kgatelopele Local Municipality
(Registration number NC086)
Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements

Figures in Rand

3. Investment property

	2021	2020
Cost / Valuation	Accumulated depreciation and accumulated impairment	Accumulated Carrying value depreciation and accumulated impairment
51 845 372	-	51 845 372
		51 845 373

Investment property

Reconciliation of investment property - 2021

	Opening balance	Total
Investment property	51 845 372	51 845 372

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	51 332 060	513 313	51 845 373

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.

Kgatelopele Local Municipality

(Registration number NC086)
Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	13 351 397	-	13 351 397	13 350 612	-	13 350 612
Plant and machinery	2 672 511	(1 125 294)	1 547 217	2 091 939	(1 125 293)	966 646
Furniture and fixtures	1 729 717	(1 381 727)	347 990	1 775 591	(1 420 374)	355 217
Transport Assets	9 036 618	(4 388 351)	4 648 267	7 737 692	(4 388 351)	3 349 341
IT equipment	2 302 655	(1 314 002)	988 653	1 743 651	(1 294 324)	449 327
Electrical Infrastructure	105 637 777	(65 561 841)	40 075 936	105 637 777	(60 648 069)	44 989 708
Community facilities	11 851 513	(10 436 097)	1 415 416	11 851 513	(9 977 709)	1 873 804
Roads Infrastructure	166 489 253	(97 028 324)	69 460 929	166 476 960	(92 295 181)	74 181 779
Solid Waste Infrastructure	20 954 931	(2 810 965)	18 143 966	6 367 877	(2 720 438)	3 647 439
Storm water Infrastructure	20 879 171	(9 549 361)	11 329 810	20 781 561	(7 539 246)	13 242 315
Sanitation Infrastructure	109 618 693	(31 608 287)	78 010 406	109 353 782	(25 516 882)	83 836 900
Water supply infrastructure	92 391 707	(28 253 329)	64 138 378	76 867 717	(25 157 948)	51 709 769
Work in progress	19 193 945	-	19 193 945	19 193 945	-	19 193 945
Buildings	16 694 585	(9 070 645)	7 623 940	15 802 897	(8 008 098)	7 794 799
Total	592 804 473	(262 528 223)	330 276 250	559 033 514	(240 091 913)	318 941 601

Kgatelopele Local Municipality

(Registration number NC086)
Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	13 350 612	785	-	-	-	13 351 397
Plant and machinery	966 646	580 571	-	-	-	1 547 217
Furniture and fixtures	355 217	-	(2 193)	-	(5 034)	347 990
Transport assets	3 349 341	1 320 909	(21 983)	-	-	4 648 267
Computer equipment	449 327	648 792	-	-	(109 466)	988 653
Electrical Infrastructure	44 989 708	403 758	-	-	(5 317 530)	40 075 936
Community facilities	1 873 804	-	-	-	(458 388)	1 415 416
Roads Infrastructure	74 181 779	-	-	-	(4 720 850)	69 460 929
Solid Waste Infrastructure	3 647 439	14 587 054	-	-	(90 527)	18 143 966
Storm water Infrastructure	13 242 315	-	-	-	(1 912 505)	11 329 810
Sanitation Infrastructure	83 836 900	3 268 124	-	-	(9 094 618)	78 010 406
Water supply Infrastructure	51 709 769	1 684 612	(1 779 431)	12 523 428	-	64 138 378
Work in progress	19 193 945	12 523 428	-	(12 523 428)	-	19 193 945
Buildings	7 794 799	897 555	-	-	(1 068 414)	7 623 940
	318 941 601	35 915 588	(1 803 607)	-	(22 777 332)	330 276 250

Kgatelopele Local Municipality

(Registration number NC086)
Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	13 350 612	-	-	-	-	-	-	13 350 612
Plant and machinery	100 608	1 012 234	-	(1 256)	-	(140 539)	(4 401)	966 646
Furniture and fixtures	476 725	40 976	-	-	-	(158 035)	(4 449)	355 217
Transport assets	3 105 249	1 379 731	-	-	-	(1 135 639)	-	3 349 341
Computer equipment	645 668	102 104	-	(54 944)	-	(270 438)	26 937	449 327
Electrical Infrastructure	48 899 739	-	-	(244 429)	288 313	(3 951 531)	(2 384)	44 989 708
Community facilities	2 353 335	-	-	(8 720)	-	(304 775)	(166 036)	1 873 804
Road Infrastructure	74 270 449	2 077 009	-	(139)	765 117	(2 924 308)	(6 349)	74 181 779
Solid Waste Infrastructure	5 681 061	-	(1 286 468)	-	-	(747 154)	-	3 647 439
Storm Water Infrastructure	13 976 154	-	-	(85 013)	-	(639 719)	(9 107)	13 242 315
Sanitation Infrastructure	24 611 810	-	-	-	61 248 558	(2 000 309)	(23 159)	83 836 900
Water supply infrastructure	49 221 052	-	-	(1 186 347)	6 613 837	(2 907 604)	(31 169)	51 709 769
Work in progress	63 175 614	24 598 746	-	-	(68 580 415)	-	-	19 193 945
Buildings	5 932 841	2 480 643	-	(14 966)	-	(570 597)	(33 122)	7 794 799
	305 800 917	31 691 443	(1 286 468)	(1 595 814)	335 410	(15 750 648)	(253 239)	318 941 601

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

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

Land	-	63 175 614
------	---	------------

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Opening balance	Additions/Cap ital expenditur e	Transfer to Assets	Total
Solid Waste Infrastructure	6 264 933	6 172 316	-	12 437 249
Sanitation Infrastructure	50 830 722	9 424 363	(60 255 085)	-
Water Infrastructure	4 923 063	4 262 327	(5 029 504)	4 155 886
Buildings	-	3 000 609	(2 138 929)	861 680
Electrical Infrastructure	1 156 896	-	-	1 156 896
	63 175 614	22 859 615	(67 423 518)	18 611 711

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.

Kgatelopele Local Municipality

(Registration number NC086)
Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements

Figures in Rand

5. Intangible assets

	2021	2020			
Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	
2 390 301	(407 455)	1 982 846	556 282	(365 028)	191 254

Computer software, other

Reconciliation of intangible assets - 2021

Opening balance	Additions	Total
191 254	1 791 592	1 982 846

Computer software, other

Reconciliation of intangible assets - 2020

Opening balance	Additions	Amortisation	Total
248 794	24 663	(82 203)	191 254

Computer software, other

Intangible assets in the process of being constructed or developed

Kgatelopele Local Municipality

(Registration number NC086)
Financial Statements for the year ended 30 June 2021

Notes to the Financial Statements

Figures in Rand

6. Heritage assets

	2021		2020	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation
Art Collections, antiquities and exhibits	265 000	-	265 000	265 000
Historical buildings	886 058	-	886 058	886 058
Total	1 151 058	-	1 151 058	1 151 058

Reconciliation of heritage assets 2021

	Opening balance	Total
Art Collections, antiquities and exhibits	265 000	265 000
Historical buildings	886 058	886 058
	1 151 058	1 151 058

Reconciliation of heritage assets 2020

	Opening balance	Total
Art Collections, antiquities and exhibits	265 000	265 000
Historical buildings	886 058	886 058
	1 151 058	1 151 058

7. Employee benefit obligations

Long service bonuses award

The Long Service Bonus plans are defined benefit plans. As at year end, 109 employees were eligible for Long Service Bonuses.

7. Employee benefit obligations (continued)

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

Carrying value		
Opening Balance	(1 353 278)	(1 417 878)
Current service cost	(148 174)	(142 310)
Current interest cost	(108 221)	(106 363)
Expected benefit payments	123 707	76 743
Actuarial (gain)/loss over financial year	(374 190)	236 530
	(1 860 156)	(1 353 278)
Non-current liabilities	(1 832 765)	(1 220 590)
Current liabilities	(27 391)	(132 688)
	(1 860 156)	(1 353 278)

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

Long-service accumulated leave must be taken within one year of receiving such leave or may wholly or partially cashed. ---
Employees in most cases choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

Net expense recognised in the statement of financial performance:

Opening balance	(140 802)	(76 202)
Net expense recognised in the statement of financial performance	506 878	(64 600)
	366 076	(140 802)

Net expense recognised in the statement of financial performance

Current service cost	148 174	142 310
Interest cost	108 221	106 363
Actuarial (gains) losses	374 190	(236 530)
Settlement	(123 707)	(76 743)
	506 878	(64 600)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8,65 %	8,38 %
Expected rate of return on assets	2,53 %	3,90 %
Expected increase in salaries	5,97 %	4,31 %
Expected increase in healthcare costs	- %	65,00 %
Future changes in maximum state healthcare benefits	- %	63,00 %
Other material actuarial assumptions [provide details]	4,97 %	3,31 %

The basis used to determine the overall expected rate of return on assets is as follow: [provide details]

The effect of the major categories of plan assets is as follow: [state effect]

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases: [provide details]

The basis on which the discount rate has been determined is as follow: [state basis]

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows: ---

8. Prepayments**9. Inventories**

Land inventory	3 374 829	1 388 075
Consumable stores	(126 254)	1 032 799
Maintenance materials	-	855 369
Water for distribution	28 832	28 832
	3 277 407	3 305 075

10. Receivables from exchange transactions

Trade debtors	-	108 070
Other receivable - Eskom	401 798	823 215
Other receivables - recoveries from staff	-	29 290
Prepaid expenses	-	264 439
	401 798	1 225 014

11. Receivables from non-exchange transactions

Fines	1 749 534	1 749 534
Consumer debtors - Rates	10 104 804	11 154 595
	11 854 338	12 904 129

12. Other statutory receivables [Framework related]**13. Statutory receivables relating to other Standards of GRAP (other than exchange or non-exchange receivables)****14. VAT receivable**

VAT	6 213 576	567 635
-----	-----------	---------

15. Receivables from exchange transactions - Consumer debtors

Gross balances		
Electricity	10 091 925	2 770 836
Water	16 215 157	20 313 710
Sewerage	14 876 845	8 075 735
Refuse	12 495 519	12 002 442
VAT Receivable - Consumer debtors	-	6 075 791
Sundry receivables	228 564	3 979
Sundry receivables	958 003	1 823 162
	54 866 013	51 065 655

Less: Allowance for impairment

Electricity	(3 817 603)	(3 817 603)
Water	(18 331 755)	(18 331 755)
Sewerage	(7 850 038)	(7 850 038)
Refuse	(4 949 304)	(4 949 304)
	(34 948 700)	(34 948 700)

15. Receivables from exchange transactions - Consumer debtors (continued)

Net balance

Electricity	6 274 322	(1 046 767)
Water	(2 116 598)	1 981 955
Sewerage	7 026 807	225 697
Refuse	7 546 215	7 053 138
Regional services levies	-	6 075 791
Housing rental	228 564	3 979
Sundry Receivables	958 003	1 823 162
	19 917 313	16 116 955

Electricity

Current (0 -30 days)	1 314 056	922 849
31 - 60 days	449 932	322 117
61 - 90 days	280 562	267 934
91 - 120 days	189 199	202 365
121 - 365 days	237 958	1 055 571
> 365 days	3 802 615	(3 817 603)
	6 274 322	(1 046 767)

Water

Current (0 -30 days)	755 915	661 920
31 - 60 days	588 774	599 387
61 - 90 days	530 999	765 530
91 - 120 days	487 430	639 807
121 - 365 days	565 576	17 647 066
> 365 days	(5 045 292)	(18 331 755)
	(2 116 598)	1 981 955

Sewerage

Current (0 -30 days)	246 658	322 325
31 - 60 days	183 242	257 333
61 - 90 days	184 085	259 849
91 - 120 days	170 939	256 319
121 - 365 days	165 661	6 979 909
> 365 days	6 076 222	(7 850 038)
	7 026 807	225 697

Refuse

Current (0 -30 days)	564 972	561 567
31 - 60 days	502 511	534 163
61 - 90 days	486 284	529 134
91 - 120 days	465 100	522 200
121 - 365 days	220 547	7 348 159
> 365 days	5 306 801	(2 442 085)
	7 546 215	7 053 138

> 365 days

- 6 075 791

15. Receivables from exchange transactions - Consumer debtors (continued)

Housing rental

Current (0 -30 days)	12 943	1 790
31 - 60 days	9 868	1 790
61 - 90 days	7 935	399
91 - 120 days	6 785	-
121 - 365 days	5 026	-
> 365 days	186 007	-
	228 564	3 979

Other (specify)

Current (0 -30 days)	1 951 436	10 104
31 - 60 days	1 024 405	5 570
61 - 90 days	(267 424)	5 350
91 - 120 days	273 149	5 191
121 - 365 days	314 553	1 796 947
> 365 days	(2 338 116)	-
	958 003	1 823 162

Reconciliation of allowance for impairment

Balance at beginning of the year	(34 948 700)	(34 948 700)
----------------------------------	--------------	--------------

16. Consumer debtors - Rates

Gross balances

Consumer debtors - Rates	12 372 577	13 422 368
--------------------------	------------	------------

Less: Allowance for impairment

Consumer debtors - Rates	(2 267 773)	(2 267 773)
--------------------------	-------------	-------------

Net balance

Consumer debtors - Rates	10 104 804	11 154 595
--------------------------	------------	------------

Rates

Current (0 -30 days)	216 343	990 614
31 - 60 days	781 510	781 927
61 - 90 days	619 979	690 046
91 - 120 days	526 219	619 983
121 - 365 days	429 183	11 729 385
> 365 days	7 531 570	(3 657 360)
	10 104 804	11 154 595

17. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	(2 334)	2 000
Bank balances	364 666	266 022
Short-term deposits	19 695 804	4 164 354
	20 058 136	4 432 376

Cash and cash equivalents pledged as collateral

17. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
First National Bank - Business Cheque Account 52003878794	362 993	688 174	790 650	362 993	261 022	785 448
First National Bank - MIG Call account 62021476313	11 478 864	3 831 977	1 719 620	11 478 864	3 831 995	1 726 159
First National Bank - WSIG Call account 62714846500	7 165 935	517	4 277 732	7 165 935	516	4 277 232
First National Bank - WSIG Call account 62627395347	1 019 862	5 000	3 457 935	1 019 862	5 000	3 457 935
First National Bank - FMG Call account 62627396155	5 004	5 000	260 059	5 004	5 000	260 059
First National Bank - EPWP Call account 62627396915	5 000	5 000	4 775	5 000	5 024	4 775
First National Bank - Library Call account 62627394498	5 000	5 014	5 014	5 000	5 014	5 014
First National Bank - Disaster Management account 62822654530	10 841	311 805	-	10 841	311 805	-
First National Bank - INEP Call account 62289233547	18	-	1 369 570	18	-	1 369 570
First National Bank - Traffic account 62798890630	5 359	5 000	142	5 359	5 000	142
Total	20 058 876	4 857 487	11 885 497	20 058 876	4 430 376	11 886 334

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant - MIG	12 072 786	3 825 438
Housing Grant	66 792	66 792
Disaster Management Grant	60 000	60 000
Water Infrastructure Grant - WSIG	6 548 343	-
Energy Efficiency Grant	17	-
	18 747 938	3 952 230

Movement during the year

Balance at the beginning of the year	3 952 230	7 257 851
Additions during the year	81 533 500	49 080 000
Income recognition during the year	(66 737 792)	(51 016 051)
Amounts surrendered to Treasury	-	(1 369 570)
	18 747 938	3 952 230

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

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

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

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

19. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Total
Environmental rehabilitation	4 872 704	4 872 704

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	5 762 759	(890 055)	4 872 704

20. Payables from exchange transactions

Trade payables	22 555 408	26 112 459
Other payable	10 553 341	80 077
Accrued bonus	1 150 279	1 162 699
Accrued expense	11 339	11 339
Unallocated deposits	155 013	695 165
Salary control account	261 311	600 993
Other Creditors - Cash-in-Transit Control	72 616	-
	34 759 307	28 662 732

21. Consumer deposits

Electricity	1 552 832	1 523 497
Housing rental	-	665
	1 552 832	1 524 162

22. Revenue

Service charges	39 166 702	41 281 575
Rental of facilities and equipment	199 468	120 031
Agency services	103 983	35 256
Licences and permits	-	494 397
Other income	207 954	270 159
Interest received - investment	4 196 553	3 977 925
Property rates	14 573 593	12 337 576
Government grants & subsidies	66 737 792	51 173 529
Public contributions and donations	-	5 084 522
Fines, Penalties and Forfeits	13 450	75 064
	125 199 495	114 850 034

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

Service charges	39 166 702	41 281 575
Rental of facilities and equipment	199 468	120 031
Agency services	103 983	35 256
Licences and permits	-	494 397
Other income	207 954	270 159
Interest received - investment	4 196 553	3 977 925
	43 874 660	46 179 343

22. Revenue (continued)

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

Taxation revenue

Property rates	14 573 593	12 337 576
Licences or permits	928 798	-

Transfer revenue

Government grants & subsidies	66 737 792	51 173 529
Public contributions and donations	-	5 084 522
Fines, Penalties and Forfeits	13 450	75 064

82 253 633	68 670 691
-------------------	-------------------

23. Service concession arrangements**24. Service charges**

Sale of electricity	22 080 858	22 396 159
Sale of water	7 561 264	6 752 972
Solid waste	6 132 281	8 296 706
Sewerage and sanitation charges	3 392 299	3 869 993
Other service charges - Departmental Billings	-	(34 255)
39 166 702	41 281 575	

25. Rental of facilities and equipment**Premises**

Premises	196 929	120 031
----------	---------	---------

Facilities and equipment

Rental of equipment	2 539	-
199 468	120 031	

26. Fines, Penalties and Forfeits

Illegal Connections Fines	-	19 863
Municipal Traffic Fines	13 450	55 201
13 450	75 064	

27. Expenses from service concession arrangements**28. Agency services**

Driver's Licenses	103 983	35 256
-------------------	---------	--------

29. Licences and permits (exchange)

Road and Transport	-	494 397
--------------------	---	---------

30. Interest from non-exchange receivables

Property rates	814 607	-
----------------	---------	---

31. Other revenue

Other income - (rollup)	207 954	270 159
-------------------------	---------	---------

32. Other income

Administrative Handling Fees	4 244	187 662
Advertisements	2 697	-
Building plans	13 067	-
Consolidation and rezoning fees	17 002	22 666
Cemetries and Burials	25 658	-
Clearance Fees	41 027	12 241
Other income - Insurance	-	18 543
New Connections	6 792	-
Photocopies and Faxes	84	5 361
Reconnection fees	85 705	-
Sale of goods - Tender documents	9 913	4 900
Staff Recoveries	-	125
Valuation services	995	1 998
Sundries	770	16 663
	207 954	270 159

33. Interest received

Interest revenue

Interest on cash and cash equivalents	1 666 056	713 061
Interest charged on consumer receivables	2 530 497	3 264 864
	4 196 553	3 977 925

34. Property rates

Rates received

Residential	7 769 563	7 275 245
Commercial	5 598 343	4 215 973
Government	750 901	124 934
Small holdings and farms	454 786	724 256
Property rates - Departmental Billings	-	(2 832)
	14 573 593	12 337 576

Valuations

Residential	623 716 300	623 716 300
Commercial	1 282 347 859	1 282 347 859
Government	34 008 000	34 008 000
Municipal	64 244 100	64 244 100
	2 004 316 259	2 004 316 259

35. Government grants and subsidies

Operating grants

Equitable share	27 600 000	22 388 000
Library Grant	912 000	655 000
Expanded Public Works Programme	1 000 000	1 055 000
Financial Management Grant	2 800 000	2 880 000
	32 312 000	26 978 000

Capital grants

Government grant (capital) - INEP	1 799 483	2 000 000
Municipal Infrastructure Grant	16 174 652	17 936 182
Municipal Water Infrastructure Grant	16 451 657	4 259 347
	34 425 792	24 195 529
	66 737 792	51 173 529

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	39 137 792	28 785 529
Unconditional grants received	27 000 000	22 388 000
	66 137 792	51 173 529

Library grant

Current-year receipts	912 000	655 000
Conditions met - transferred to revenue	(912 000)	(655 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Integrated National Electrification Grant

Balance unspent at beginning of year	-	1 369 570
Current-year receipts	1 799 483	2 000 000
Conditions met - transferred to revenue	(1 799 483)	(2 000 000)
Other	-	(1 369 570)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Financial Management Grant

Current-year receipts	2 800 000	2 880 000
Conditions met - transferred to revenue	(2 800 000)	(2 880 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Municipal Infrastructure Grant

Balance unspent at beginning of year	3 825 438	1 719 620
Current-year receipts	24 422 000	20 042 000
Conditions met - transferred to revenue	(16 174 652)	(17 936 182)
	12 072 786	3 825 438

35. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 18).

Housing Grant

Balance unspent at beginning of year	66 792	66 792
--------------------------------------	--------	--------

Conditions still to be met - remain liabilities (see note 18).

Expanded Public Works Grant

Current-year receipts	1 000 000	1 055 000
Conditions met - transferred to revenue	(1 000 000)	(1 055 000)

Conditions still to be met - remain liabilities (see note 18).

Municipal Water Infrastructure Grant

Current-year receipts	-	4 259 347
Conditions met - transferred to revenue	-	(4 259 347)

Conditions still to be met - remain liabilities (see note 18).

Disaster Management Grant

Balance unspent at beginning of year	60 000	60 000
--------------------------------------	--------	--------

Conditions still to be met - remain liabilities (see note 18).

36. Public contributions and donations

Private donations/assistance received	-	5 084 522
---------------------------------------	---	-----------

Conditions still to be met - remain liabilities (see note 18).

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

43. Contracted services

Outsourced Services

Administrative and Support Staff	20 600	326 935
Catering Services	80 339	45 576
Litter Picking and Street Cleaning	297 089	-
Meter Management	607 397	-
Personnel and Labour	88 345	1 495 262
Professional Staff	6 877 159	3 322 853
Refuse Removal	1 774 176	1 803 501
Researcher	-	470 543
Security Services	2 129 797	2 207 914
Traffic Fines Management	-	80 000

Consultants and Professional Services

Infrastructure and Planning	344 000	179 559
Medical Services	-	17 528
Legal Cost	-	123 884

Contractors

Maintenance of Buildings and Facilities	26 870	96 363
Maintenance of Vehicle, Plant and Machinery	1 075 678	2 180 089
Maintenance of Infrastructure	1 176 355	2 318 839
Pest Control and Fumigation	64 926	-
Prepaid Water Vendors	301 340	-
	14 864 071	14 668 846

44. General expenses

Advertising and communication	90 315	84 829
Auditors remuneration	3 659 236	2 597 285
Bank charges	250 021	257 298
Commission paid	1 033 224	-
Computer expenses	-	695 106
Consumables	10 861	123 899
Insurance	474 781	1 238 940
Conferences and seminars	-	152 840
Fleet	71 644	61 054
Medical expenses	2 366	-
Motor vehicle expenses	77 655	118 703
Fuel and oil	912 289	982 452
Postage and courier	72 650	9 913
Printing and stationery	324 518	532 126
Protective clothing	104 626	108 742
Software expenses	243 607	-
Staff welfare / Social Relief	95 007	-
Subscriptions and membership fees	542 994	37 160
Telephone and fax	748 094	496 500
Training	260 000	-
Travel - local	114 474	183 719
Uniforms	-	333 285
Ward committees	205 500	300 042
Learnerships and Internships	-	30 819
Water sample testing	296 887	397 469
Licences and permits	31 600	-
Other expenses	59 788	70 579
	9 682 137	8 812 760

45. Fair value adjustments

Investment property (Fair value model)	-	513 313
--	---	---------

46. Auditors' remuneration

Fees	3 659 236	2 597 285
------	-----------	-----------

47. Cash generated from operations

Surplus	13 255 696	7 835 468
Adjustments for:		
Depreciation and amortisation	22 777 332	15 750 648
Gain on sale of assets and liabilities	-	1 595 839
Fair value adjustments	-	(513 313)
Debt impairment	4 894 525	6 413 733
Movements in retirement benefit assets and liabilities	506 878	(64 000)
Movements in provisions	-	(890 055)
Prior year adjustments	38 077 581	33 730 416
Changes in working capital:		
Inventories	27 668	2 391 326
Receivables from exchange transactions	(35 640 267)	(35 640 267)
Consumer debtors	(8 694 883)	(8 178 651)
Other receivables from non-exchange transactions	1 049 791	1 356 312
Payables from exchange transactions	6 096 575	1 899 700
VAT	(5 645 941)	729 210
Unspent conditional grants and receipts	14 795 708	(3 463 099)
Consumer deposits	28 670	20 411
	51 529 333	22 973 678

48. Commitments**Authorised capital expenditure****Already contracted for but not provided for**

• Property, plant and equipment	47 440 760	61 638 077
---------------------------------	------------	------------

Total capital commitments

Already contracted for but not provided for	47 440 760	61 638 077
---	------------	------------

Authorised operational expenditure

• Already contracted for but not provided for	461 298	4 695 394
---	---------	-----------

Total operational commitments

Already contracted for but not provided for	461 298	4 695 394
---	---------	-----------

Total commitments**Total commitments**

Authorised capital expenditure	47 440 760	61 638 077
Authorised operational expenditure	461 298	4 695 394
	47 902 058	66 333 471

54. Irregular expenditure (continued)

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

Disciplinary steps taken/criminal proceedings

Expenditure items identified were the supply chain process was not followed

12 525 731

55. Deviation from supply chain management regulations

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

Nature

Emergency
Single Provider
Impractical.

Amount
240 628
128 981
1 172 523
1 542 132