Moretele Local Municipality
Annual Financial Statements
for the year ended 30 June 2021

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of theConstitution of the Republic of South Africa (Act No. 108 of 1998)
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities in terms of section 152 of the Constitution, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Waste management services (the collection, disposal and purifying of waste, refuse and sewerage), water services (supplying water to the public), and rates and general services (all types of services rendered by the municipality, excluding the supply of housing to the community, however including the rental of units owned by the municipality to private entities).
Mayoral Committee	
Mayor	MA Monaheng
Speaker	TL Sekhaolela
Single Whip	KJ Molefe
MPAC Chair	MJ Kau
Exco Members	
	JM Makwela BM Mangema NK Mleta LA Motsepe (21 July 2021 - Passed Away) BD Sephelle
Councillors	BW Baloyi
	MM Chauke PM Gwebu TE Hlongwane RME Kutumela SA Kutumela RC Lekalakala LM Letebele PS Letlhabi MG Madumo SR Magalefa ET Mahlangu PP Mahlangu GM Makhathulela J Makhubela K Maluleka MA Mathe W Mavundla DBS Mbekwa MC Moatshe GM Modiba SJ Modisa SL Moekeletsi JM Mohomana LK Mokadi SI Mokgara

General Information

	SP Molomo KO Moraka EL Moselane MJ Mosetlhe ME Mosipa MR Motsepe MC Mphande TT Ngobeni S Nkwana WM Ntseke ZS Raletjena MA Ramadi CM Shai D Sono NR Tseke GMMolefe GN Soji
Grading of local authority	Grade 3
Demarcation code	NW 371
Chief Finance Officer (CFO)	DB Klaas
Accounting Officer	S Moreriane (Acting)
Registered office	4065B Mathibestad 04014
Business address	4065B Mathibestad 0404
Postal address	Private Bag X367 Makapanstad 0404
Bankers	ABSA (Primary Bank Account) First National Bank Standard Bank
Auditors	Auditor-General of South Africa
Attorneys	Panel of attorneys for cost containment
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act No. 108 of 1996) Division of Revenue Act (Act No. 4 of 2020) Municipal Finance Management Act (Act No. 56 of 2003) Municipal Property Rates Act (Act No. 6 of 2004) Municipal Structures Act (Act No. 117 of 1998) Municipal Systems Act (Act No. 32 of 2000)

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

ASB	Accounting Standards Board
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts
WSIG	Water Supply Infrastructure Grant

Accounting Officer's Responsibilities and Approval

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

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

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

I, as 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 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.

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

I have 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, I am 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 community and goverment for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

I would like to bring the following matters to your attention:

I certify that the salaries, allowances and benefits of councillors, as disclosed in note 27 - Councillors remuneration to these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government’s determination in accordance with the Act.

The annual financial statements set out on page -74, which have been prepared on the going concern basis, were approved by the on 31 March 2021 and were signed on its behalf by:

SH Moreriane
Accounting Officer - (Acting)

1. Audit Committee Responsibility

The audit committee has adopted appropriate formal terms of reference in our charter in line with the requirements of Sections 166 of the Municipal Finance Management Act. We further report that we have conducted our affairs in compliance with this charter. The Audit Committee fully discharged its duties as outlined in Section 166 (2)(a) of the Municipal Finance Management Act no 56 of 2000.

1.1 The effectiveness of Internal Control

The effectiveness of Internal Control has been assessed and found to demonstrate reasonable level of assurance on the effectiveness of controls, risk management and governance processes.

2. Evaluation of Annual Financial Statements

The audit committee has:

Reviewed the implementation of the action plan to address findings raised by the Auditor General of South Africa (AGSA)

Reviewed and discussed the draft annual financial statements for submission to AGSA

Reviewed and discussed the draft annual report for submission to AGSA

We are of the opinion that the efforts have been put in to improve the quality of the Annual Financial Statements and the Draft Annual Report.

2.1 Internal Audit Activity

We are satisfied with the work done by Internal Audit in the financial year under review, notwithstanding the capacity constraints in terms of human resources.

3. Risk Management

The municipality has an existing risk management committee, chaired by an independent person. The Committee has held four meetings during the financial year. The terms of reference and the policies relating to risk management have been approved. A quarterly report on risk management is submitted to the audit committee. Risk assessment workshop was held for the financial year 2021/2022.

SP Simelane

Mr SP Simelane (CA) SA

Chairperson of the Audit Committee

Date 09 December 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	10	305 906	345 071
Public toilet - Work in progress	7	1 050 628	-
Operating lease asset	8	65 050	10 024
Receivables from exchange transactions	11&13	42 193 922	22 180 682
Receivables from non - exchange transactions	12&13	55 644 387	48 091 465
VAT receivable		-	4 782 036
Cash and cash equivalents	14	171 635 040	18 161 090
		270 894 933	**93 570 368**
Non-Current Assets			
Investment property	3	5 717 000	5 717 000
Property, plant and equipment	4	1 140 571 315	1 115 348 484
Intangible assets	5	5 750 941	14 330 203
Heritage assets	6	206 303	206 303
		1 152 245 559	**1 135 601 990**
Total Assets		**1 423 140 492**	**1 229 172 358**
Liabilities			
Current Liabilities			
Finance lease obligation	15	-	15 029 181
Payables from exchange transactions	17	120 475 765	119 256 446
Payables from non exchange transactions	18	13 270 531	28 569 885
VAT payable	19	7 552 646	-
Employee benefit obligation	9	1 102 000	1 169 000
Unspent conditional grants and receipts	16	3 271 458	4 184 597
		145 672 400	**168 209 109**
Non-Current Liabilities			
Employee benefit obligation	9	5 255 000	4 983 000
Total Liabilities		**150 927 400**	**173 192 109**
Net Assets		**1 272 213 092**	**1 055 980 249**
Accumulated surplus		1 272 213 088	1 055 980 248

* See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	60 067 039	51 871 998
Rendering of services		3 242	9 653
Rental of facilities and equipment	22	105 735	80 235
Sale of goods		391 890	1 464 438
Operating income		196 609	5 426 794
Interest received	25	17 512 953	13 873 665
Actuarial gains		-	466 000
Total revenue from exchange transactions		**78 277 468**	**73 192 783**
Statutory Receivables			
Taxation revenue			
Property rates	26	45 911 929	47 328 300
Transfer revenue			
Government grants & subsidies	27	635 456 138	536 587 398
Fines, Penalties and Forfeits	23	505 111	572 037
Total revenue from non-exchange transactions		**681 873 178**	**584 487 735**
Total revenue	20	**760 150 646**	**657 680 518**
Expenditure			
Employee related costs	28	(129 574 199)	(118 040 105)
Remuneration of councillors	29	(20 100 385)	(20 085 922)
Depreciation and amortisation	30	(80 459 779)	(60 153 641)
Reversal of impairments (Impairment loss)	31	(44 952 321)	13 454 772
Finance costs	32	(348 671)	(1 485 096)
Bad debts written off		(10 562 226)	(57 275 466)
Bulk purchases	33	(26 264 388)	(33 811 561)
Contracted services	34	(107 642 732)	(109 005 650)
Loss on disposal of assets and liabilities		(4 721 910)	(3 396 395)
Actuarial losses		(8 000)	-
Public toilet distributed		(54 439 590)	(57 410 097)
Inventory Consumed		(1 272 849)	(821 301)
General Expenses	35	(63 740 811)	(60 742 884)
Total expenditure		**(544 087 861)**	**(508 773 346)**
Surplus for the year		**216 062 785**	**148 907 172**

* See Note 40

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2019	**907 073 076**	**907 073 076**
Changes in net assets		
Surplus for the year	148 907 172	148 907 172
Total changes	148 907 172	148 907 172
Restated* Balance at 01 July 2020	**1 056 150 303**	**1 056 150 303**
Changes in net assets		
Surplus for the year	216 062 785	216 062 785
Total changes	216 062 785	216 062 785
Balance at 30 June 2021	**1 272 213 088**	**1 272 213 088**

Note(s)

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
VAT Refund		53 518 257	50 115 168
Sale of goods and services		39 442 482	38 323 321
Grants		636 369 277	534 836 463
Interest income		6 942 669	4 624 351
Other receipts		1 202 587	3 119 912
		737 475 272	631 019 215
Payments			
Employee costs		(148 638 899)	(138 679 423)
Suppliers		(301 824 825)	(348 401 336)
		(450 463 724)	(487 080 759)
Net cash flows from operating activities	36	**287 011 548**	**143 938 456**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(118 159 746)	(111 578 374)
Proceeds from sale of property, plant and equipment	4	-	1 084 500
Net cash flows from investing activities		**(118 159 746)**	**(110 493 874)**
Cash flows from financing activities			
Finance lease payments		(15 377 852)	(26 628 778)
Net increase/(decrease) in cash and cash equivalents		**153 473 950**	**6 815 804**
Cash and cash equivalents at the beginning of the year		18 161 090	11 345 284
Cash and cash equivalents at the end of the year	14	**171 635 040**	**18 161 088**

* See Note 40

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	54 446 000	-	**54 446 000**	60 067 039	**5 621 039**	48
Rendering of services	-	-	**-**	3 242	**3 242**	48
Rental of facilities and equipment	130 000	-	**130 000**	105 735	**(24 265)**	48
Sale of goods	-	-	**-**	391 890	**391 890**	
Operating inncome	363 000	-	**363 000**	196 609	**(166 391)**	48
Interest received - investment	14 955 000	(7 161 000)	**7 794 000**	10 570 284	**2 776 284**	48
Interest received - Bank	12 974 000	-	**12 974 000**	6 942 669	**(6 031 331)**	48
Total revenue from exchange transactions	**82 868 000**	**(7 161 000)**	**75 707 000**	**78 277 468**	**2 570 468**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	46 684 000	-	**46 684 000**	45 911 929	**(772 071)**	48
Transfer revenue						
Government grants & subsidies	568 493 000	64 947 000	**633 440 000**	635 456 138	**2 016 138**	48
Fines, Penalties and Forfeits	723 000	-	**723 000**	505 111	**(217 889)**	48
Total revenue from non-exchange transactions	**615 900 000**	**64 947 000**	**680 847 000**	**681 873 178**	**1 026 178**	
Total revenue	**698 768 000**	**57 786 000**	**756 554 000**	**760 150 646**	**3 596 646**	
Expenditure						
Personnel	(142 287 000)	18 873 284	**(123 413 716)**	(129 574 199)	**(6 160 483)**	48
Remuneration of councillors	(24 360 000)	(3 249 856)	**(27 609 856)**	(20 100 385)	**7 509 471**	48
Depreciation and amortisation	(46 065 000)	-	**(46 065 000)**	(80 459 779)	**(34 394 779)**	48
(Reversal of impairment) Impairment loss	(49 985 000)	(9 681 000)	**(59 666 000)**	(44 952 321)	**14 713 679**	48
Finance costs	(215 000)	(565 817)	**(780 817)**	(348 671)	**432 146**	48
Bad debts written off	-	-	**-**	(10 562 226)	**(10 562 226)**	48
Bulk purchases	(45 552 000)	5 000 000	**(40 552 000)**	(26 264 388)	**14 287 612**	48
Contracted Services	(97 564 000)	(17 940 711)	**(115 504 711)**	(107 642 732)	**7 861 979**	48
Sale of goods/Inventory	(4 803 000)	2 291 000	**(2 512 000)**	(1 272 849)	**1 239 151**	48
General Expenses	(50 398 000)	(12 927 497)	**(63 325 497)**	(63 740 811)	**(415 314)**	48
Total expenditure	**(461 229 000)**	**(18 200 597)**	**(479 429 597)**	**(484 918 361)**	**(5 488 764)**	
Operating surplus	**237 539 000**	**39 585 403**	**277 124 403**	**275 232 285**	**(1 892 118)**	
Loss on disposal of assets and liabilities	-	-	**-**	(4 721 910)	**(4 721 910)**	
Actuarial gains/losses	-	-	**-**	(8 000)	**(8 000)**	
Inventories losses/write-downs	-	-	**-**	(54 439 590)	**(54 439 590)**	
	-	**-**	**-**	**(59 169 500)**	**(59 169 500)**	
Surplus before taxation	**237 539 000**	**39 585 403**	**277 124 403**	**216 062 785**	**(61 061 618)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**237 539 000**	**39 585 403**	**277 124 403**	**216 062 785**	**(61 061 618)**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	283 000	-	**283 000**	305 906	**22 906**	48
Loans to economic entities	-	-	**-**	1 050 628	**1 050 628**	
Operating lease asset	-	-	**-**	65 050	**65 050**	48
Receivables from exchange transactions	47 511 868	-	**47 511 868**	42 193 922	**(5 317 946)**	48
Receivables from non - exchange transactions	135 608 132	(9 681 000)	**125 927 132**	55 644 387	**(70 282 745)**	48
Cash and cash equivalents	42 938 000	99 030 000	**141 968 000**	171 635 040	**29 667 040**	48
	226 341 000	**89 349 000**	**315 690 000**	**270 894 933**	**(44 795 067)**	
Non-Current Assets						
Investment property	5 717 000	-	**5 717 000**	5 717 000	**-**	
Property, plant and equipment	1 457 709 000	(16 300 000)	**1 441 409 000**	1 140 571 315	**(300 837 685)**	48
Intangible assets	22 581 000	-	**22 581 000**	5 750 941	**(16 830 059)**	48
Heritage assets	-	-	**-**	206 303	**206 303**	48
	1 486 007 000	**(16 300 000)**	**1 469 707 000**	**1 152 245 559**	**(317 461 441)**	
Total Assets	**1 712 348 000**	**73 049 000**	**1 785 397 000**	**1 423 140 492**	**(362 256 508)**	
Liabilities						
Current Liabilities						
Finance lease obligation	15 029 000	-	**15 029 000**	-	**(15 029 000)**	48
Payables from exchange transactions	43 888 000	-	**43 888 000**	120 475 765	**76 587 765**	48
Payables from non- exchange transactions	-	-	**-**	13 270 531	**13 270 531**	48
VAT payable	-	-	**-**	7 552 646	**7 552 646**	48
Employee benefit obligation	132 000	-	**132 000**	1 102 000	**970 000**	48
Unspent conditional grants and receipts	-	-	**-**	3 271 458	**3 271 458**	48
	59 049 000	**-**	**59 049 000**	**145 672 400**	**86 623 400**	
Non-Current Liabilities						
Employee benefit obligation	23 624 000	-	**23 624 000**	5 255 000	**(18 369 000)**	48
Total Liabilities	**82 673 000**	**-**	**82 673 000**	**150 927 400**	**68 254 400**	
Net Assets	**1 629 675 000**	**73 049 000**	**1 702 724 000**	**1 272 213 092**	**(430 510 908)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 629 675 000	73 049 000	**1 702 724 000**	1 272 213 092	**(430 510 908)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	-	-	**-**	53 518 257	**53 518 257**	
Service charges	41 463 000	-	**41 463 000**	39 442 482	**(2 020 518)**	
Grants	568 493 000	70 947 000	**639 440 000**	636 369 277	**(3 070 723)**	
Interest income	20 274 000	(7 161 000)	**13 113 000**	6 942 669	**(6 170 331)**	
Other receipts	1 216 000	-	**1 216 000**	1 202 587	**(13 413)**	
	631 446 000	**63 786 000**	**695 232 000**	**737 475 272**	**42 243 272**	
Payments						
Employee costs	(409 972 000)	31 318 000	**(378 654 000)**	(450 463 724)	**(71 809 724)**	
Transfer and grants	(13 704 000)	(6 373 000)	**(20 077 000)**	-	**20 077 000**	
Finance costs	(215 000)	-	**(215 000)**	-	**215 000**	
	(423 891 000)	**24 945 000**	**(398 946 000)**	**(450 463 724)**	**(51 517 724)**	
Net cash flows from operating activities	**207 555 000**	**88 731 000**	**296 286 000**	**287 011 548**	**(9 274 452)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(199 500 000)	(6 000 000)	**(205 500 000)**	(118 159 746)	**87 340 254**	
Cash flows from financing activities						
Finance Lease repayment	-	-	**-**	(15 377 852)	**(15 377 852)**	
Net increase/(decrease) in cash and cash equivalents	8 055 000	82 731 000	**90 786 000**	153 473 950	**62 687 950**	
Cash and cash equivalents at the beginning of the year	51 183 000	-	**51 183 000**	18 161 090	**(33 021 910)**	
Cash and cash equivalents at the end of the year	**59 238 000**	**82 731 000**	**141 969 000**	**171 635 040**	**29 666 040**	
Reconciliation						

Accounting Policies

Figures in Rand	Note(s)	2021	2020

1. Presentation of Annual Financial Statements

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

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

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

Loans and receivables

The municipality assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes 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 loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

For loans and receivables 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 loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

Allowance for slow moving, damaged and obsolete stock

An assessment is made of the net realisable value, or current replacement cost where applicable, of inventory at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value, or current replacement cost where applicable, is subsequently provided if needed.

The write down is included in surplus or deficit.

Accounting Policies

1.2 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.

Impairment testing

Value in use of cash-generating assets

The municipality reviews and tests the carrying value of cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. 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 interest rate assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors such as exchange rates, inflation and interest.

Value in use of non-cash-generating assets

The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. The recoverable service amounts of non-cash-generating assets have been determined based on the higher of value in use calculations and fair values less costs to sell.
In determining the value in use of assets, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

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 - Provisions.

Useful lives of property, plant and equipment 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.

Long-term employee benefit obligations

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 9.

Effective interest rate

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss.For amounts due to the municipality, significant financial difficulties of the statutory receivable, probability that the statutory receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

The impairment loss is measured 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, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the 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 municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are 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.

1.3 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.

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.

Accounting Policies

1.3 Investment property (continued)

Fair value

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

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

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

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.

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:
> Managements intended use for the property;
> The nature of activities conducted at the property, if any.

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	5-50 Years
Furniture and fixtures	Straight-line	4-10 Years
Motor vehicles	Straight-line	5-15 Years
IT equipment	Straight-line	3-8 Years
Leased assets	Straight-line	3 Years
Infrastructure	Straight-line	5-100 Years

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

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

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.

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.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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: the cumulative expenditure recognised in the carrying value of property, plant and equipment, the carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected, and the carrying value of property, plant and equipment where construction or development has been halted (see note 9).
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1.5 Site restoration and dismantling cost

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

Accounting Policies

1.5 Site restoration and dismantling cost (continued)

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

1.6 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The municipality has classified computer software as 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.

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.

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.

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

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

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

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

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.6 Intangible assets (continued)

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

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

1.7 Heritage assets

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.

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.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note 11 - Heritage assets.

Initial measurement

Heritage assets are measured at cost.

Subsequent measurement

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

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).

1.8 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.

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

A financial 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.

1.8 Financial instruments (continued)

Classification

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

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

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

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

1.9 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.

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

1.9 Statutory receivables (continued)

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

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

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

Derecognition

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

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

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

Accounting Policies

1.10 Leases

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

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

Finance leases - lessee

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

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

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

Operating leases - lessee

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

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

1.11 Inventories

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

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

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

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

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

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

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

Accounting Policies

1.12 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.

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.

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.

Designation

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

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

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

Identification

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

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

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

Value in use

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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.

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

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

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

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

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

Redesignation

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

1.13 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

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 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.

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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.

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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.

1.14 Employee benefits

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

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

1.14 Employee benefits (continued)

Other employee benefit obligations

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

The municipality liability is based on an actuarial valuation. The Projected Unit Credit Method is used to determine the present value of the obligation..

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.

1.15 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

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

1.15 Provisions and contingencies (continued)

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.

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 1.12 and 1.13.

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.

1.16 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.

Accounting Policies

1.17 Revenue from exchange transactions

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.

Measurement

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

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

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.

1.18 Revenue from non-exchange transactions

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

1.18 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

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

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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

Taxes

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

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

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

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

Transfers

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

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

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

1.18 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

1.19 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).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

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.

Accounting Policies

1.20 Unauthorised expenditure

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

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

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

1.23 Segment information

A segment is an activity of an entity:

Accounting Policies

1.23 Segment information (continued)

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

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

1.24 Budget information

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

The approved budget covers the fiscal period from 01/07/20 to 30/06/21.

The annual financial statements and the budget are on the same basis of accounting.

1.25 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.

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

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

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

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

1.26 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.

Refer to note 40 - Events after reporting date.

2. New standards and interpretations

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

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

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

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

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

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

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

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

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

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2022.

The municipality expects to adopt the standard for the first time in the 2022/2022 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the for the first time when the Minister sets the effective date for the .

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is for years beginning on or after 01 April 2021.

The municipality expects to adopt the guideline for the first time in the Minister sets the effective date for the guideline..

As per the background to this Interpretation of the Standards of GRAP, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation of the Standards of GRAP clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

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

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

The impact of the standard is set out in note Changes in Accounting Policy.

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5 717 000	-	5 717 000	5 717 000	-	5 717 000

Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	5 717 000	5 717 000

Reconciliation of investment property - 2020

	Opening balance	Total
Investment property	5 717 000	5 717 000

Pledged as security

No investment property has been pledged as security:

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.

3. Investment property (continued)

Details of valuation

The effective date of the revaluations was 30 June 2021. Revaluations were performed by an independent valuer, Prime Land Pty Ltd. Prime Land Pty Ltd are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on the comparable sales method and accrued depreciation method. Based on the valuation, the value of investment property is unchanged from the previous year.

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	46 990 661	-	46 990 661	46 990 661	-	46 990 661
Buildings	248 977 406	(157 406 427)	91 570 979	243 656 469	(149 788 553)	93 867 916
Furniture and fixtures	4 185 920	(1 725 743)	2 460 177	6 589 350	(4 417 680)	2 171 670
Motor vehicles	15 218 374	(3 573 348)	11 645 026	15 652 374	(4 336 053)	11 316 321
IT equipment	63 423 606	(47 534 547)	15 889 059	816 228	(583 438)	232 790
Infrastructure	1 183 309 557	(439 003 412)	744 306 145	1 164 246 943	(379 271 860)	784 975 083
Work in progress	227 709 268	-	227 709 268	152 310 509	-	152 310 509
Other leased Assets	-	-	-	58 295 417	(34 811 883)	23 483 534
Total	**1 789 814 792**	**(649 243 477)**	**1 140 571 315**	**1 688 557 951**	**(573 209 467)**	**1 115 348 484**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Others	Depreciation	Impairment loss	Total
Land	46 990 661	-	-	-	-	-	-	46 990 661
Buildings	93 867 916	13 155 421	(2 433 794)	-	-	(9 671 093)	(3 347 471)	91 570 979
Furniture and fixtures	2 171 670	1 083 800	(253 951)	-	(6 883)	(534 459)	-	2 460 177
Motor vehicles	11 316 321	1 800 542	(260 300)	-	-	(1 211 537)	-	11 645 026
IT equipment	232 790	207 795	(104 503)	15 608 644	(38)	(55 629)	-	15 889 059
Infrastructure	784 975 083	26 520 149	(1 589 889)	-	-	(52 612 381)	(12 986 817)	744 306 145
Work in progress	152 310 509	115 270 030	-	(39 675 571)	(195 700)	-	-	227 709 268
Other leased Assets	23 483 534	-	(79 473)	(15 608 644)	-	(7 795 417)	-	-
	1 115 348 484	**158 037 737**	**(4 721 910)**	**(39 675 571)**	**(202 621)**	**(71 880 516)**	**(16 334 288)**	**1 140 571 315**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Prior period error Adjustments	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	46 990 661	-	-	-	-	-	-	-	46 990 661
Buildings	96 364 956	-	2 640 835	-	-	1 927 552	(6 491 211)	(574 216)	93 867 916
Furniture and fixtures	2 793 304	317 954	-	(103 520)	-	21 242	(857 310)	-	2 171 670
Motor vehicles	13 705 367	-	-	(1 211 368)	-	-	(1 177 678)	-	11 316 321
IT equipment	359 662	-	-	(16 064)	-	-	(110 808)	-	232 790
Infrastructure	588 169 580	139 806 307	95 639 012	(427 242)	-	678 356	(38 130 152)	(760 778)	784 975 083
Work in progress	345 476 336	106 778 898	(162 418 117)	-	(137 526 608)	-	-	-	152 310 509
Other leased Assets # 1	38 085 286	732 822	-	(2 369 286)	-	402 964	(13 368 252)	-	23 483 534
	1 131 945 152	**247 635 981**	**(64 138 270)**	**(4 127 480)**	**(137 526 608)**	**3 030 114**	**(60 135 411)**	**(1 334 994)**	**1 115 348 484**

Assets subject to finance lease (Net carrying amount)

Other leased Assets	-	23 483 534

4. Property, plant and equipment (continued)

Other information

Heading	Amount Previously disclosed	Correction of error	Column heading	Column heading	Restate amount
Buildings	91 227 081	2 640 835	-	-	93 867 916
Infrastructure	692 260 343	92 714 760	-	-	784 975 103
Work in Progress	317 008 323	(164 697 815)	-	-	152 310 508
	1 100 495 747	**(69 342 220)**	**-**	**-**	**1 031 153 527**

The PPE numbers have been restated to incorporate the impact of misclassification of projects, some projects appeared in Work in progress but had been available for use before 30 June 2020 and derecognition of projects that had deen capitalised to Infrastructure but not eliminated from Work in progress.

	-

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Community Assets	722 774	416 106
Buildings	1 504 051	347 683
Infrastructure	12 287 827	15 218 328
Motor Vehicles	1 123 153	455 863
Office Furniture and Equipment	7 680	-
	15 645 485	**16 437 980**

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.

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	25 869 386	(20 118 445)	5 750 941	25 869 386	(11 539 183)	14 330 203

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	14 330 203	(8 579 262)	5 750 941

Reconciliation of intangible assets - 2020

	Opening balance	Other changes, movements	Amortisation	Total
Computer software, other	22 580 780	186 276	(8 436 853)	14 330 203

6. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	206 303	-	206 303	206 303	-	206 303

Reconciliation of heritage assets 2021

	Opening balance	Total
Art Collections, antiquities and exhibits	206 303	206 303

Reconciliation of heritage assets 2020

	Opening balance	Total
Art Collections, antiquities and exhibits	206 303	206 303

Pledged as security

No heritage assets pledged as security:

[Insert terms and conditions here where terms and conditions are the same]

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

7. Work in Progress: Inventory

Details

Incomplete Public toilets	1 050 628	-
Carrying value of inventories carried at fair value less costs to sell	1 050 628	-
Inventories recognised as an expense during the year	54 476 370	57 410 097
	-	-

8. Operating lease asset (accrual)

Current assets	65 050	10 024

Minimum lease payments		
Within one year	510 185	-
More than one year	510 185	-
	1 020 370	**-**

GCIS and Vodacom contract of the latter started in 2020 April.

9. Employee benefit obligations

Long service award

Under the plan, a long service award is payable to employees under 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover.

The actuarial valuations of plan asset and present value of the defined benefit obligation were carried out by ZAQ Consultants and Actuaries. The project unit credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee’s long service award is projected to the next interval by allowing for future salary growth.The accrued liability is determined on the basis that each employee’s long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(6 357 000)	(6 152 000)

Non-current liabilities	(5 255 000)	(4 983 000)
Current liabilities	(1 102 000)	(1 169 000)
	(6 357 000)	**(6 152 000)**

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

Opening balance	(6 152 000)	(5 819 000)
Benefits paid	1 084 000	347 000
Net expense recognised in the statement of financial performance	(1 289 000)	(680 000)
	(6 357 000)	**(6 152 000)**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

9. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	521 000	548 000
Interest cost	760 000	598 000
Actuarial (gains) losses	8 000	(466 000)
	1 289 000	**680 000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	Yield curve	Yield curve
Consumer price inflation	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Normal salary increase rate	CPI +1%	CPI +1%
Average retirement age	63	63

20% increase or decrease in assumed level of withdrawal rates:

	20% withdrawal	20% withdrawal
Accrued Liability	6 655 000	6 081 000
Current service cost	557 000	502 000
Interest cost	683 000	619 000
	-	-

1% increase/decrease in assumed level of salary inflation:

	1% Normal salary inflation	1% Normal salary inflation
Accrued Liability	5 972 000	6 779 000
Current service cost	494 000	567 000
Interest cost	607 000	697 000
	-	-

10. Inventories

Consumable stores	305 906	345 071
Carrying value of inventories carried at fair value less costs to sell	305 906	345 665
Inventories recognised as an expense during the year	13 093 699	32 109 084

Inventory pledged as security

No inventory pledged as security.

11. Receivables from exchange transactions

Consumer debtors - Water	17 516 546	9 024 793
Consumer debtors - Refuse	12 843 967	6 576 278
Consumer debtors - Interest and sundry	10 983 476	6 310 555
Other Debtors	849 933	269 056
	42 193 922	**22 180 682**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

12. Receivables from non - exchange transactions

Consumer debtors - Rates	55 644 387	48 091 465
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	54 182 998	48 091 465
Financial asset receivables included in receivables from non-exchange transactions above	**1 461 389**	**-**
Total receivables from non-exchange transactions	55 644 387	48 091 465

13. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	94 311 592	91 489 234
Consumer debtors - Water	174 172 978	148 379 773
Consumer debtors - Refuse	120 785 303	102 809 831
Consumer debtors - Interest and Sundry	66 918 043	58 376 407
Other Debtors	849 933	269 056
	457 037 849	**401 324 301**
Less: Allowance for impairment		
Consumer debtors - Rates	(38 667 205)	(43 397 769)
Consumer debtors - Water	(156 656 432)	(139 354 980)
Consumer debtors - Refuse	(107 941 336)	(96 233 553)
Consumer debtors - Interest and Sundry	(55 934 567)	(52 065 852)
	(359 199 540)	**(331 052 154)**
Net balance		
Consumer debtors - Rates	55 644 387	48 091 465
Consumer debtors - Water	17 516 546	9 024 793
Consumer debtors - Refuse	12 843 967	6 576 278
Consumer debtors - Interest and Sundry	10 983 476	6 310 555
Other Debtors	849 933	269 056
	97 838 309	**70 272 147**
Other consumables		
Current (0 -30 days)	849 933	269 056

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

13. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

	2021	2020
Residences		
Current (0 -30 days)	5 495 657	24 948
31 - 60 days	5 232 483	5 062 663
61 - 90 days	5 112 603	5 092 697
91 - 120 days	5 100 253	5 040 290
121 - 365 days	42 118 846	57 123 153
> 365 days	310 934 705	263 536 369
	373 994 547	335 880 120
Less: Allowance for impairment	(337 333 797)	(303 759 908)
	36 660 750	**32 120 212**
Commercial		
Current (0 -30 days)	281 678	205 861
31 - 60 days	270 416	222 832
61 - 90 days	258 429	222 377
91 - 120 days	257 886	221 649
121 - 365 days	1 894 818	1 336 394
> 365 days	13 938 211	7 951 789
	16 901 438	10 160 902
Less: Allowance for impairment	(4 571 484)	(5 654 357)
	12 329 954	**4 506 545**
National and provincial government		
Current (0 -30 days)	2 506 102	966 420
31 - 60 days	2 135 602	3 030 813
61 - 90 days	2 095 741	3 023 376
91 - 120 days	2 033 029	3 016 052
121 - 365 days	14 470 069	23 565 096
> 365 days	37 699 951	25 393 668
	60 940 494	58 995 425
Less: Allowance for impairment	(8 366 730)	(15 645 055)
	52 573 764	**43 350 370**
Indigent		
Current (0 -30 days)	227 962	-
31 - 60 days	232 379	199 022
61 - 90 days	218 377	198 634
91 - 120 days	217 509	196 241
121 - 365 days	1 699 769	3 671 670
> 365 days	1 755 444	987 974
	4 351 440	5 253 541
Less: Allowance for impairment	(4 351 440)	(5 253 541)
	-	**-**
Sundry Debtors		
Current (0 -30 days)	-	5 994
31 - 60 days	-	5 994
61 - 90 days	-	5 994
91 - 120 days	-	5 994
121 - 365 days	-	35 962
> 365 days	2 397 921	2 403 482

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

13. Consumer debtors disclosure (continued)

	2 397 921	**2 463 420**
Less: Allowance for impairment	(791 530)	(739 293)

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	76 932	91 476
Bank balances	110 636 975	8 317 396
Short-term deposits	60 921 133	9 752 218
	171 635 040	**18 161 090**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA Bank - Account type - Cheque account	111 377 672	8 317 406	(35 365)	110 636 975	8 317 407	553 217
ABSA Bank - Account type - CallAccount	60 921 114	9 752 181	11 036 577	60 921 114	9 752 181	11 036 577
VBS - Account type - CallAccount	51 057 065	51 057 065	51 057 065	-	-	-
Total	**223 355 851**	**69 126 652**	**62 058 277**	**171 558 089**	**18 069 588**	**11 589 794**

Reconciliation of VBS Mutual bank - Allowance for impairment

VBS - Account Type - Call account	51 057 065	51 057 065
Allowance for impairment	(51 057 065)	(51 057 065)
	-	-

VBS matter is subjudice and is being progress by a competent court.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

15. Finance lease obligation

Minimum lease payments due		
- within one year	-	15 158 891
	-	15 158 891
less: future finance charges	-	(129 710)
Present value of minimum lease payments	**-**	**15 029 181**
Present value of minimum lease payments due		
- within one year	-	15 029 181

The finance lease liabilities consist of leases for IT equipment as well as Microsoft licenses.

The leases relating to the IT equipment is for a period of 36 months, has an effective interest rate of 4.62% and is renewable at the end of the lease term.

The leases relating to the Microsoft licenses is for a period of 24 months, has no interest component and is renewable at the end of the lease term.

The non-current portion has not been dertermined due to contract expiry

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Disaster Relief Grant	-	98 000
Local Government Financial Management Grant	(1)	-
Library Grant	777 643	845 940
Municipal Infrastructure Grant	2 376 816	1 065 280
North West Sport : Maubane Cultural Village	117 000	117 000
Water Supply Infrastructure Grant	-	2 058 377
	3 271 458	**4 184 597**

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

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

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

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

17. Payables from exchange transactions

Trade payables	37 558 588	45 137 224
Payments received in advanced	24 151 496	13 074 470
Retention	38 557 602	35 784 484
Trade payable - Accruals	2 886 178	10 263 678
Accrued leave pay	14 487 548	12 577 860
Accrued bonus	2 834 353	2 418 730
	120 475 765	**119 256 446**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

18. Taxes and transfers payable (non-exchange)

Unallocated receipts	13 270 531	28 569 885

19. VAT payable

Tax refunds payables	7 552 646	-

20. Revenue

Rendering of services	3 242	9 653
Service charges	60 067 039	51 871 998
Rental of facilities and equipment	105 735	80 235
Sale of goods	391 890	1 464 438
Operating income	196 609	5 426 794
Interest received	17 512 953	13 873 665
Property rates	45 911 929	47 328 300
Government grants & subsidies	635 456 138	536 587 398
Fines, Penalties and Forfeits	505 111	572 037
	760 150 646	**657 214 518**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	60 067 039	51 871 998
Rendering of services	3 242	9 653
Rental of facilities and equipment	105 735	80 235
Sale of goods	391 890	1 464 438
Operating income	196 609	5 426 794
Interest received	17 512 953	13 873 665
	78 277 468	**72 726 783**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	45 911 929	47 328 300
Transfer revenue		
Government grants & subsidies	635 456 138	536 587 398
Fines, Penalties and Forfeits	505 111	572 037
	681 873 178	**584 487 735**

21. Service charges

Sale of water	37 322 026	30 245 384
Refuse removal	22 745 013	21 626 614
	60 067 039	**51 871 998**

22. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	105 735	80 235

23. Fines, Penalties and Forfeits

Municipal Traffic Fines	505 111	572 037

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

24. Other revenue

Sale of goods	391 890	1 464 438
Operating income	196 609	5 426 794
	588 499	**6 891 232**

25. Investment revenue

Interest revenue		
Bank	6 942 669	4 624 351
Interest for receivable from exchange	8 381 966	7 139 349
Interest for receivable from non exchange	2 188 318	2 109 965
	17 512 953	**13 873 665**

The amount included in Investment revenue arising from exchange transactions amounted to R 10 176 878.

The amount included in Investment revenue arising from non-exchange transactions amounted to R 7 630 545.

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus amounted to R10 176 878 (PY: R4 827 799).

The municipal positive liquidity allowed for a more effective cash flow management, resulting in an increased investment income.

26. Property rates

Rates received

Residential	45 911 929	47 328 300

The valuation roll is prepared in term of the municial property rate Act and the valuation roll is valid for 5 years. Current valuation is valid until 30 June 2023. Supplement valuation are carryied out regularly.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

27. Government grants and subsidies

Operating grants		
Equitable share	428 895 000	340 462 582
Expanded Public Works Programme Grant	2 259 000	2 858 000
Local Government Financial Management Grant	3 000 000	2 680 000
Disaster Relief Grant	-	170 000
North West Sport : Maubane Cultural Village	-	383 000
Library Grant	766 296	483 140
	434 920 296	**347 036 722**
Capital grants		
Municipal Infrastructure Grant	116 177 465	113 714 719
Water Supply Infrastructure Grant	84 358 377	75 835 957
	200 535 842	**189 550 676**
	635 456 138	**536 587 398**

Disaster Relief Grant

Balance unspent at beginning of year	98 000	268 000
Current-year receipts	-	(170 000)
Roll over not approved	(98 000)	-
	-	**98 000**

Conditions still to be met - remain liabilities (see note 16).

Expanded Public Works Programme Grant

Current-year receipts	2 259 000	2 858 000
Conditions met - transferred to revenue	(2 259 000)	(2 858 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

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

Local Government Financial Management Grant

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

Conditions still to be met - remain liabilities (see note 16).

Library Grant

Balance unspent at beginning of year	845 940	478 080
Current-year receipts	698 000	851 000
Conditions met - transferred to revenue	(766 297)	(483 140)
	777 643	**845 940**

Conditions still to be met - remain liabilities (see note 16).

Municipal Infrastructure Grant (MIG)

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

27. Government grants and subsidies (continued)

Balance unspent at beginning of year	1 065 280	65 095
Current-year receipts	118 589 000	114 780 000
Conditions met - transferred to revenue	(116 177 464)	(113 714 720)
Roll over denied	(1 100 000)	(65 095)
	2 376 816	**1 065 280**

Conditions still to be met - remain liabilities (see note 16).

North West Sport : Maubane Cultural Village

Balance unspent at beginning of year	117 000	500 000
Conditions met - transferred to revenue	-	(383 000)
	117 000	**117 000**

Conditions still to be met - remain liabilities (see note 16).

Water services, infrastructure grant (WSIG)

Balance unspent at beginning of year	2 058 377	1 390 487
Current-year receipts	84 400 000	80 000 000
Conditions met - transferred to revenue	(84 358 377)	(77 941 623)
Other	(2 100 000)	(1 390 487)
	-	**2 058 377**

Conditions still to be met - remain liabilities (see note 16).

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Employee related costs

Basic	80 547 525	72 673 334
Bonus	6 261 219	5 830 917
Medical aid - company contributions	6 675 789	5 925 748
UIF	436 864	404 199
Leave pay provision charge	4 247 127	3 301 146
Travel, motor car, accommodation, subsistence and other allowances	12 937 034	11 022 644
Overtime payments	421 908	2 063 698
Long-service awards	197 000	799 000
Acting allowances	1 898 378	1 760 870
Housing benefits and allowances	327 540	346 569
Social contributions - Bargaining Council	33 157	27 047
Telephone	1 537 206	1 346 544
Pension contribution	14 053 452	12 538 389
	129 574 199	**118 040 105**

The prior year figures were reclassified and aligned to payday system for consistency and as per Mscoa

Remuneration of Accounting Officer - Acting - BT Makwela

Annual Remuneration	246 095	347 958

Acted as Accounting Officer from 1 July 2020 to 26 December 2020.

Remuneration of Accounting Officer -Acting- SH Moreriane

Acting Allowance	238 638	-

Acted as Accounting Officer from 12 January 2021 to 30 June 2021.

Remuneration of Accounting Officer - IS Maroga - Suspended in line with senior managers'regulation and labour relation act senior managers'regulation and labour relation act

Basic salary	952 646	946 741
Back pay	-	92 420
Travel and cellphone allowance	433 991	356 718
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	12 795	-
	1 399 432	**1 395 879**

Remuneration of Chief Financial Officer - Acting - DB Klaas

Acting allowance	28 334	9 015

Acted as Chief Financial Officer from 1 July 2020 to 30 November 2020.

Remuneration of Chief Financial Officer - NS Vilane

Basic salary	-	573 233
Back pay	-	(7 861)
Housing allowance	-	50 000
Travel and cellphone allowance	-	129 214
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	-	1 581
Leave Pay	-	66 710
	-	**812 877**

Resigned as Chief Financila Officer in April 2020.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Employee related costs (continued)

Remuneration of Chief Financial Officer - DB Klaas

Basic salary	373 473	-
Housing allowance	10 500	-
Travel and cellphone allowance	141 708	-
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	6 096	-
	531 777	**-**

Appointed as Chief Financial Officer from 1 December 2020 to 30 June 2021.

Remuneration of Director: Technical Services -Acting- P Mokori

Acting Allowance	10 394	-

Acted as remuneration of director: technical services 2 February 2021 from to 30 June 2021.

Remuneration of Director: Technical Services - S Moreriane

Basic salary	664 708	664 708
Back pay	-	(7 861)
Housing allowance	14 400	13 500
Travel and cellphone allowance	215 339	223 314
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	1 813	1 897
	896 260	**895 558**

Remuneration of Director: Corporate and Human Resources - Acting - P Mahlo

Acting Allowances	57 690	63 119

Acted as remuneration of director : corporate and human resources from 1 July 2020 to 23 April 2021.

Remuneration of Director: Corporate and Human Resources - TJ Matshabe

- Passed away on the 21 January 2021

Basic salary	368 154	653 783
Back pay	-	33 194
Acting allowance	-	17 729
Travel and cellphone allowance	129 891	215 619
Leave payment	64 460	135 200
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	1 041	1 859
	563 546	**1 057 384**

Remuneration of Director: Corporate and Human Resources - PN Mahlo

Basic salary	111 185	-
Travel and cellphone allowance	44 911	-
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	1 481	-
	157 577	**-**

Appointed as a remuneration of director:corporate and human resources as from 1 May 2021 to 30 June 2021.

Remuneration of Director: Local Economic Development - Acting - TH Mohalanyane

Acting Allowance	63 280	88 559

Acted as remuneration of director:local economic development from 1 July 2020 to 30 April 2021.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Employee related costs (continued)

Remuneration of Director: Local Economic Development - TH Mohalanyane

Basic salary	387 242	439 944
Back pay	2 291	-
Bonus	55 184	36 662
Leave payment	151 017	-
Travel and cellphone allowance	117 698	115 469
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	136 753	136 745
	850 185	**728 820**

Appointed as Director: Local Economic Development from 1 May 2021 to 30 June 2021.

Remuneration of Director: Community Development -J Mathibe

Acting Allowances	25 961	-

Acted as a remuneration of director:community development from 1 February 2021 to 30 June 2021.

Remuneration of Director: Community Development - LD Lehari

Basic salary	662 752	662 100
Back pay	-	(7 861)
Travel and cellphone allowance	231 695	238 770
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	1 785	1 785
	896 232	**894 794**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

29. Remuneration of councillors

	2021	2020
Mayor	911 003	905 259
Single Whip	694 036	735 138
Speaker	739 506	690 045
MPAC Chairperson	681 387	677 074
Exco Members	3 474 279	3 451 125
Councillors	13 600 173	13 627 281
	20 100 384	**20 085 922**

2021 Mayor	**Basic Salary**	**Travel allowance**	**Cellphone allowance**	**Pension and medical aid**	**Total**
MA Monaheng	548 796	215 220	44 400	102 587	911 003

2021 Single Whip	**Basic Salary**	**Travel allowance**	**Cellphone allowance**	**Pension and medical aid**	**Total**
K J Molefe	411 600	161 412	44 000	77 024	694 036

2021 Speaker	**Basic Salary**	**Travel allowance**	**Cellphone allowance**	**Pension and medical aid**	**Total**
TL Sekhaolela	439 044	173 926	44 400	82 136	739 506

2021 /municipal Public Accounts Committee chairperson	**Basic Salary**	**Travel allowance**	**Cellphone allowance**	**Pension and medical aid**	**Total**
M J Kau	403 332	158 172	44 400	75 483	681 387

2021 Exco Members	**Basic Salary**	**Travel allowance**	**Cellphone allowance**	**Pension and medical aid**	**Total**
B M Mangema	411 600	161 412	44 400	77 024	694 436
JM Makwela	411 600	162 312	44 400	77 024	695 336
N K Mleta	411 600	162 612	44 400	77 024	695 636
L A Motsepe	411 600	161 412	44 400	77 024	694 436
B D Sephelle	411 600	161 412	44 400	77 024	694 436
	2 058 000	**809 160**	**222 000**	**385 120**	**3 474 280**

2021 Councillors	**Basic Salary**	**Travel allowance**	**Cellphone allowance**	**Pension and medical aid**	**Total**
BW Baloyi	173 676	68 112	44 400	32 693	318 881
MM Chauke	173 676	68 112	44 400	32 693	318 881
P M Gwebu	173 676	68 112	44 400	32 693	318 881
T E Hlongwane	173 676	68 112	44 400	32 693	318 881
R ME Kutumela	173 676	68 112	44 400	32 693	318 881
S A Kutumela	173 676	68 112	44 400	32 693	318 881
R C Lekalakala	173 676	68 112	44 400	32 693	318 881
L M Letebele	173 676	68 112	44 400	32 693	318 881
P S Letlhabi	173 676	68 112	44 400	32 693	318 881
M G Madumo	173 676	68 562	44 400	32 693	319 331
S R Magalefa	173 676	68 112	44 400	32 693	318 881
E T Mahlangu	173 676	69 312	44 400	32 693	320 081
P P Mahlangu	173 676	68 112	44 400	32 693	318 881
G M Makhathulela	173 676	68 112	44 400	32 693	318 881
J Makhubela	173 676	68 712	44 400	32 693	319 481
K Maluleka	173 676	68 112	44 400	32 693	318 881
M A Mathe	173 676	68 112	44 400	32 693	318 881
W Mavundla	173 676	68 112	44 400	32 693	318 881
D BS Mbekwa	173 676	68 112	44 400	32 693	318 881

Notes to the Annual Financial Statements

29. Remuneration of councillors (continued)

M C Moatshe	173 676	68 112	44 400	32 693	318 881
G M Modiba	173 676	68 112	44 400	32 693	318 881
S J Modisa	173 676	68 112	44 400	32 693	318 881
S L Moekeletsi	173 676	68 112	44 400	32 693	318 881
J M Mohomana	173 676	68 112	44 400	32 693	318 881
L K Mokadi	173 676	68 562	44 400	32 693	319 331
S I Mokgara	173 676	68 112	44 400	32 693	318 881
SP Molomo	173 676	68 112	44 400	32 693	318 881
K O Moraka	173 676	68 112	44 400	32 693	318 881
E L Moselane	173 676	68 112	44 400	32 693	318 881
M J Mosetlhe	173 676	68 112	44 400	32 693	318 881
M E Mosipa	173 676	69 762	44 400	32 693	320 531
M R Motsepe	173 676	68 112	44 400	32 693	318 881
M C Mphande	173 676	68 112	44 400	32 693	318 881
T T Ngobeni	173 676	68 112	44 400	32 693	318 881
S Nkwana	173 676	68 112	44 400	32 693	318 881
W M Ntseke	173 676	68 112	44 400	32 693	318 881
Z S Raletjena	173 676	68 112	44 400	32 693	318 881
M A Ramadi	173 676	68 112	44 400	32 693	318 881
C M Shai	173 676	68 112	44 400	32 693	318 881
D Sono	173 676	68 112	44 400	32 693	318 881
N R Tseke	173 676	68 112	44 400	32 693	318 881
M G Molefe	173 676	68 112	44 400	32 693	318 881
GN Soji	111 179	43 602	28 423	19 623	202 827
	7 405 571	**2 908 656**	**1 893 223**	**1 392 729**	**13 600 179**

2020 Mayor	**Basic Salary**	**Travel allowance**	**Cellphone allowance**	**Pension and medical aid**	**Total**
MA Monaheng	552 214	215 213	44 400	93 432	905 259

2020 Single Wip	**Basic Salary**	**Travel allowance**	**Cellphone allowance**	**Pension and medical aid**	**Total**
K J Molefe	414 164	161 407	44 400	70 074	690 045

2020 Speaker	**Basic Salary**	**Travel allowance**	**Cellphone allowance**	**Pension and medical aid**	**Total**
TL Sekhaolela	441 772	174 220	44 400	74 746	735 138

2020 Municipal Public Accounts Committee chairperson	**Basic Salary**	**Travel allowance**	**Cellphone allowance**	**Pension and medical aid**	**Total**
M J Kau	405 842	158 166	44 400	68 666	677 074

2020 Exco Members	**Basic Salary**	**Travel allowance**	**Cellphone allowance**	**Pension and medical aid**	**Total**
B M Mangema	414 164	161 407	44 400	70 074	690 045
JM Makwela	414 164	161 407	44 400	103 566	723 537
N K Mleta	414 164	161 407	44 400	70 074	690 045
L A Motsepe	414 164	161 407	44 400	70 074	690 045
B D Sephelle	414 164	161 407	44 400	70 074	690 045
	2 070 820	**807 035**	**222 000**	**383 862**	**3 483 717**

2020 Councillors	**Basic Salary**	**Travel allowance**	**Cellphone allowance**	**Pension and medical aid**	**Total**
BW Baloyi	174 752	68 111	44 400	79 701	366 964
MM Chauke	174 752	68 111	44 400	29 567	316 830

29. Remuneration of councillors (continued)

P M Gwebu	174 752	68 111	44 400	29 567	316 830
T E Hlongwane	174 752	68 411	44 400	29 567	317 130
R ME Kutumela	174 752	68 111	44 400	29 567	316 830
S A Kutumela	174 752	68 761	44 400	29 567	317 480
R C Lekalakala	174 752	68 111	44 400	29 567	316 830
L M Letebele	174 752	68 111	44 400	57 582	344 845
P S Letlhabi	174 752	68 111	44 400	29 567	316 830
M G Madumo	174 752	68 561	44 400	29 567	317 280
S R Magalefa	174 752	70 102	44 400	29 567	318 821
E T Mahlangu	174 752	68 511	44 400	29 567	317 230
P P Mahlangu	174 752	68 961	44 400	29 567	317 680
G M Makhathulela	174 752	68 111	44 400	63 060	350 323
J Makhubela	174 752	74 400	44 400	29 567	323 119
K Maluleka	174 752	68 111	44 400	29 567	316 830
S Mathatho	168 174	63 127	44 400	27 014	302 715
M A Mathe	174 752	68 111	44 400	29 567	316 830
W Mavundla	174 752	68 411	44 400	29 567	317 130
D BS Mbekwa	174 752	68 111	44 400	29 567	316 830
GM Modiba	174 752	68 561	44 400	29 567	317 280
SJ Modisa	174 752	68 111	44 400	29 567	316 830
JM Mohomana	174 752	68 561	44 400	29 567	317 280
MC Moatshe	174 752	68 111	44 400	29 567	316 830
SL Moekeletsi	174 752	68 111	44 400	31 618	318 881
LK Mokadi	174 752	68 561	44 400	29 567	317 280
SI Mokgara	174 752	68 561	44 400	29 567	317 280
MG Molefe	174 752	68 111	44 400	29 567	316 830
SP Molomo	174 752	68 111	44 400	29 567	316 830
KO Moraka	174 752	68 111	44 400	29 567	316 830
MJ Mosetlhe	174 752	68 111	44 400	29 567	316 830
EL Moselane	174 752	68 111	44 400	29 567	316 830
ME Mosipa	174 752	68 111	44 400	29 567	316 830
MR Motsepe	174 752	68 111	44 400	29 567	316 830
MC Mphande	174 752	68 111	44 400	29 567	316 830
TT Ngobeni	174 752	68 111	44 400	29 567	316 830
S Nkwana	174 752	68 111	44 400	29 567	316 830
WM Ntseke	174 752	68 111	44 400	29 567	316 830
ZS Raletjena	174 752	68 111	44 400	29 567	316 830
MA Ramadi	174 752	68 111	44 400	29 567	316 830
CM Shai	174 752	68 111	44 400	29 567	316 830
D Sono	174 752	68 111	44 400	29 567	316 830
NR Tseke	174 752	68 561	44 400	29 567	317 280
	7 507 758	**2 937 269**	**1 909 200**	**1 382 521**	**13 736 748**

Councillors are remunerated in terms of the public office bearers act as gazetted by the MEC responsible for local government. In the 2020/21 FY no increments were approved for the year under review.

30. Depreciation and amortisation

	2021	2020
Property, plant and equipment	80 459 779	60 153 641

31. Impairment of assets

	2021	2020
Impairments		
Property, plant and equipment	16 334 288	6 535 489
Trade and other receivables	28 618 033	(19 990 261)
	44 952 321	**(13 454 772)**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

32. Finance costs

Finance leases	348 671	1 485 096

33. Bulk purchases

Water	26 264 388	33 811 561

Material losses

Purchased during the year	2 681 038	3 216 497
Sold during the year	(567 608)	(645 775)
Unaccounted - Normal distribution losses - % water (2020 - 37%), (2021- 33%)	2 113 430	2 570 722
Kilo litres	886 502	1 195 659
Loss(R) : At cost	9 294 977	11 765 280
	-	-

The municipality have moved towards alignmenting borehole in other areas using WSIG.

34. Contracted services

Presented previously		
Specialist Services	419 300	398 050
Outsourced Services		
Business and Advisory	2 229 985	841 960
Hygiene Services	25 593 908	25 599 204
Security Services	17 588 722	23 836 947
Consultants and Professional Services		
Business and Advisory	35 089 441	34 962 632
Laboratory Services	8 557 922	6 349 741
Legal Cost	3 344 965	2 823 727
Contractors		
Maintenance of Buildings and Facilities	150 172	88 833
Maintenance of Unspecified Assets	14 668 317	14 104 556
	107 642 732	**109 005 650**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

35. General expenses

Auditors remuneration	4 876 831	3 917 680
Bank charges	183 755	235 347
Skills Development Fund Levy	991 889	799 679
Travel and subsistence	502 737	1 712 452
Operating Lease	514 975	-
Entertainment	385 686	970 496
Catering	1 500	356 371
Insurance	4 235 266	4 334 554
IT expenses	147 446	-
Promotions and sponsorships	216 192	-
Magazines, books and periodicals	301 596	62 964
Fuel and oil	2 155 754	2 110 480
Postage and courier	-	1 740
Repairs and maintenance	854 346	876 387
Royalties and license fees	105 168	175 780
Subscriptions and membership fees	1 775 152	30 520
Telephone and fax	3 623 919	3 838 828
Travel - local	2 154 370	1 707 787
Utilities	13 136 772	13 959 176
Indigent relief	12 693 819	10 658 269
Other expenses	14 883 638	14 994 374
	63 740 811	**60 742 884**

36. Cash generated from operations

Surplus	216 062 785	148 907 172
Adjustments for:		
Depreciation and amortisation	80 459 779	60 153 641
Loss on sale of assets and liabilities	4 721 910	3 396 395
Fair value adjustments	-	8 254
Finance costs - Finance leases	348 671	1 485 096
Impairment loss (reversal)	44 952 321	(13 454 772)
Bad debts written off	10 562 226	57 275 466
Movements in operating lease assets and accruals	(55 026)	168 614
Movements in retirement benefit assets and liabilities	205 000	(333 000)
Movement in leave	2 325 311	1 625 735
Changes in working capital:		
Inventories	39 165	(75 695)
Receivables from exchange transactions	(63 415 825)	(53 164 250)
Other receivables from non-exchange transactions	(7 552 922)	(15 493 526)
WIP- Inventory	(1 050 628)	-
Payable from exchange	(12 012 762)	-
VAT	12 334 682	2 821 394
Payable from non exchange	-	(51 133 003)
Unspent conditional grants and receipts	(913 139)	1 750 935
	287 011 548	**143 938 456**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Approved and contracted for previously reported	15 269 783	25 815 284
• Prior period error	-	(52 306)
	15 269 783	**25 762 978**
Total capital commitments		
Already contracted for but not provided for	15 269 783	25 762 978

Authorised operational expenditure

Already contracted for but not provided for		
• Approved and contracted for previously reported	78 023 505	60 487 595
• Prior period error	-	1 485 834
	78 023 505	**61 973 429**
Total operational commitments		
Already contracted for but not provided for	78 023 505	61 973 429

Total commitments

Total commitments		
Authorised capital expenditure	15 269 783	25 762 978
Authorised operational expenditure	78 023 505	61 973 429
	93 293 288	**87 736 407**

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

38. Contingencies

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

The table below sets out the contingent liabilities at year end with the maximum potential liability to the municipality.

Contigent Liabilities	Nature		
Bathini Security Services - Civil Matter (Against) - Matter still pending in Court with possibility of liability	MLM filed its plea way back in 2009 which included counter claim as a result of theft of MLM properties (Mmmakaunyane / Makapanstad Stadium. The possibility of reimbursement	421 061	421 061
Bokosi Projects - Civil Matter (Against)	Contractor did not complete his snag list and MLM disputed claims to snag list.	6 404 050	6 404 050
Chachaoka Management Project - Civil Matter (Against) - Matter still pending inCourt	Chachaoka Management instituted legal action based on a 2013 tender which was awarded to another bidder. There is a possibility of reimbursement	6 450 000	6 450 000
Khoza M - Civil matter (Against) - Matter still pending in Court	Plaintiff's Attorney of record withdrew from their matter following unsuccessful application for summary judgment in 2018. The possibility of reimbursement is unknown at the reporting date.	10 000 000	10 000 000
Thomo Mphela Projects t/a Kago consulting engineers	This contract relates to the building where there was under-performance by the contractor and the contractor claims liability for the commitment based on the contract value.	8 000 000	8 000 000
		31 275 111	**31 275 111**

Notes to the Annual Financial Statements

Figures in Rand

38. Contingencies (continued)

Others contingent liabilities

Municipality has furthermore a contingent liability relating to possible fines or penalties that could be incur due to illegal dumping by the community, currently taking place on land owned by them Motla . A possible obligation exists for the rehabilitation of the same land

Contingent asset		
Sizwe Auctions / MLM, Claim for damages against Sizwe Auctions, PendingatPretoria High Court.	3 515 057	3 515 057

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

39. Related parties

Relationships	
Accounting Officer	Refer to note
Members of key management and remuneration	Refer to note
Councillors	Refer to note
Councillor arrear balances	Refer to note

40. Prior-year adjustments

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

Statement of financial position

2019

	Note	As previously reported	Restated
Inventories		269 377	269 377
Operating lease asset		1 769	1 769
Trade and other receivables from exchange transactions		1 148 318	1 148 318
Trade and other receivables from non-exchange transactions		14 188 931	14 188 931
Cash and cash equivalents		11 325 483	11 325 483
Investment property		5 717 000	5 717 000
Property, plant and equipment		1 131 944 564	1 131 944 564
Intangible assets		22 580 780	22 580 780
Heritage assets		206 303	206 303
Finance lease obligation		(39 569 240)	(39 569 240)
Payables from exchange transactions		(177 106 159)	(177 106 159)
Payables from non exchange transactions		(4 899 409)	(4 899 409)
VAT payable		(2 317 733)	(2 317 733)
Employee benefit obligation		(5 819 000)	(5 819 000)
Unspent conditional grants and receipts		(2 433 662)	(2 433 662)
Accumulated Surplus		(955 237 322)	(955 237 322)
		-	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

40. Prior-year adjustments (continued)

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories		345 665	594	-	346 259
Operating lease asset		10 024	-	-	10 024
Trade and other receivables from exchange transactions		21 911 626	269 057	-	22 180 683
Trade and other receivables from non-exchange transactions		48 091 465	-	-	48 091 465
VAT Receivable		-	7 356 598	(2 574 562)	4 782 036
Cash and cash equivalents		18 159 645	1 445	-	18 161 090
Investment property		5 717 000	-	-	5 717 000
Property, plant and equipment		1 184 690 714	(69 342 230)	-	1 115 348 484
Intangible assets		14 330 203	-	-	14 330 203
Heritage assets		206 303	-	-	206 303
Finance lease obligation		(15 029 181)	-	-	(15 029 181)
Payables from exchange transactions		(124 089 715)	4 833 269	-	(119 256 446)
Payables from non exchange transactions		(22 066 251)	6 503 634	-	(15 562 617)
VAT payable		(2 574 562)	-	2 574 562	-
Employee benefit obligation		(6 152 000)	-	-	(6 152 000)
Unspent conditional grants and receipts		(4 184 597)	-	-	(4 184 597)
Accumulated surplus		(1 119 366 339)	63 664 028	-	(1 055 702 311)
		-	**13 286 395**	**-**	**13 286 395**

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges		51 871 998	-	-	51 871 998
Rendering of services		9 653	-	-	9 653
Rental of facilities and equipment		80 235	-	-	80 235
Sale of goods		1 464 438	-	-	1 464 438
Operational revenue		993 549	4 433 245	-	5 426 794
Interest received		13 873 665	-	-	13 873 665
Actuarial gains		466 000	-	-	466 000
Property rates		47 328 300	-	-	47 328 300
Government grants and subsidies		536 587 398	-	-	536 587 398
Fines, penalties and forfeits		338 075	233 962	-	572 037
Employee related costs		(118 040 104)	-	-	(118 040 104)
Remuneration of councillors		(20 085 922)	-	-	(20 085 922)
Depreciation, amortisation and impairment		(60 150 186)	(3 455)	-	(60 153 641)
Impairment of assets		18 655 267	(5 200 495)	-	13 454 772
Finance costs		(603 719)	(881 377)	-	(1 485 096)
Bad debts written off		(57 275 466)	-	-	(57 275 466)
Bulk purchases		(33 811 561)	-	-	(33 811 561)
Contracted services		(157 122 180)	(9 571 534)	57 688 064	(109 005 650)
Loss on disposal of assets and liabilities		(3 396 395)	-	-	(3 396 395)
Public toilet distributed		-	-	(57 688 064)	(57 688 064)
Inventory consumed		(791 707)	(29 594)	-	(821 301)
General expenses		(58 698 476)	(2 044 408)	-	(60 742 884)
Surplus for the year		**161 692 862**	**(13 063 656)**	**-**	**148 629 206**

Detail of the adjustments

The following prior period errors adjustments occurred:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

40. Prior-year adjustments (continued)

Statement of financial position

Inventory
Correction of minor movement error on invetory.

Correction of minor error on invetory.		594

Trade and other receivables from exchange transactions
Recognition of payment owed by department relating additional revenue from Provincial Department of Transport with the change of contract on the 80/20 split.

Recognition of other debtors		269 057

Cash and Cash equivalents
Correction of minor errors on cash, floats and pettey cash.

Correction of error		1 445

Payables from exchange transactions
Correction of posting from errors noted, omissions and eclassification of accruals

Correction of errors		72 123 055
Allocation of omissions		(68 341 381)
Reclassifications		1 051 596
		4 833 270

Payables from non - exchange transactions
Correction of posting errors eminating from DoRA schedule 6b arrangments.

Correction of error		6 503 634

Vat Payable/ Receivable
Reclassification from VAT payable to VAT receivable and correction of error relating to misallocation of VAT input

Reclassifcation		(2 574 562)
Correction of error		7 356 598
		4 782 036

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

40. Prior-year adjustments (continued)

Statement of financial performance

Operating income		
Claims against contractors for monies previously retained on contracts terminated		
Recognition of sundry income		4 433 245
Impairment loss on asset		
Correction of previously recognised impairment relating to property,plant and equipment		
Correction of error		5 200 495
Finance Cost		
Recognition of interest paid late on finance lease which was previously ommitted.		
Correction of error		881 377
Contracted services		
Reclassification of public toilet distributed and reclassification of work in progress incorrectly expensed		
Reclassification of Work in progress		(9 571 534)
Reclassification of Public toilet distributed		57 688 064
		48 116 530

41. Comparative figures

Certain comparative figures have been reclassified refer to note 34 - Prior-year adjustments for the detail.

Certain comparative figures have been restated, refer to note 34 - Prior-year adjustments for the detail..

42. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

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

42. Risk management (continued)

Credit risk

42. Risk management (continued)

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy. The municipality uses its own trading record to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based by managment.

Investments/Bank, Cash and Cash Equivalents

Refer to http://www.fidfund.co.za/banking-options/bank-credit-ratings/ for the most updated ratings.

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an international accredited credit rating agency. The municipality’s exposure is continuously monitored and the aggregate value of transactions concluded in spread amongst different types of approved investments and institutions, in accordance with its investment policy. In spite of the measures applied to mitigate investment risks the municipality was significantly exposed for the 2017/18 financial year after investing in a mutual bank. The municipality has reviewed its investment policy in the aim of improving its internal controls.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality’s Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due not impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding 12 months are made.

Trade and other receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water services rendered to them.

Trade receivables consist of a large number of customers. Periodic credit evaluation is performed on the financial condition of accounts receivable. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts becomes in arrears, it is endeavoured to collect such accounts by "demand for payment" "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. At this stage, the municipality only partially implement its credit control policy as there is no hand over of debtors.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review.The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position , without taking into account the value of any collateral obtained.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with

42. Risk management (continued)
high credit-ratings assigned by international credit-rating agencies.

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with the financial instruments will fluctuate in amount as a result of market interest charges.

Financial assets and liabilities that are sensitive to interest risk are cash and cash equivalent, investments, and loan payables. The municipality will exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rate.

Potential concentration of interest rate risk consists mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

The municipality diversifies its money market investment operations by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding 12 months are made. In the 2017/18 financial year the municipality had invested with a bank registered under the mutual bank act, which is contrary to investment regulation of 2005.

Receivables comprise a widespread customer base. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts becomes in arrears, it is endeavoured to collect such accounts by "demand for payment" "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. At this stage, the municipality only partially implement its credit control policy as there is no hand over of debtors.

Long-term receivables and other debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting where applicable. Debtors write off has been approved by council for write off in the 2019/20 financial year.

The municipality is not exposed to interest rate risk arising from equity investments as the municipality does not trade these investments.

43. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.The Municipality’s operations are substantially funded by government and at the time of concluding the financial statements, the government had not announced any intention to cease funding the Municipality.

44. Events after the reporting date

The Municipal Manager handed his resignation to the Municipal Council on the 23rd of August 2021. On the 25th of August 2021, Council sat and resolved to accept the signation with effect from the 1st of October 2021. This event has opened a vacancy in senior management (0% to 17%). At the time of the compilation of the Annual Financial Statements it was uncertain whether the local government elections would continue in the year 2021 or not. This presents a potential treat in the stability of the Municipality; controls have however been put in place to ensure that operation continue with minimal to no disruption

45. Unauthorised expenditure

	2021	2020
Opening balance as previously reported	660 775 089	522 273 897
Opening balance as restated	**660 775 089**	**522 273 897**
Add: Expenditure identified - current	72 597 000	138 501 192
Less: Approved by council	(54 945 652)	-
Closing balance	**678 426 437**	**660 775 089**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

46. Fruitless and wasteful expenditure

Opening balance as previously reported	15 392 518	14 263 933
Correction of prior period error	431 830	-
Opening balance as restated	**15 824 348**	**14 263 933**
Add: Expenditure identified - current	509 484	1 128 585
Closing balance	**16 333 832**	**15 392 518**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

46. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest charged by Eskom		48 470	282 587
SARS interest and penalties		226 772	431 830
Interest charged by Telkom		-	-
Interest on overdue account - Magalies		233 322	881 242
Overdue charge - Auditor General		921	-
		509 485	**1 595 659**

Figures in Rand	2021	2020

47. Irregular expenditure

Opening balance as previously reported	1 307 975 844	1 222 859 870
Prior period error 1: Non compliance not confirmed	(436 306 940)	-
Prior period error 2: Others	(37 603 284)	(23 071 113)
Subtotal confirmed	**834 065 620**	**1 199 788 757**
Less: Amount written off - current	-	13 124 237
Add: Irregular Expenditure - prior period	42 570 623	95 062 850
Add: Irregular expenditure incurred in current year but relate to prior years	4 621 152	-
Closing balance	**881 257 395**	**1 307 975 844**

Management disclosure is from the financial year 2009/10. Further information has been detailed in the irregular methodology. The disclosure above is VAT exclusive

The Irregular Expenditure disclosure above is VAT exclusive, for the 2020/21 financial year the balance brought forward was R 1 307 975 844. Prior period errors correction to the value of R436 306 940 for unconfirmed irregular instances, R 834 065 619 accounts for confirmed non-compliance, a further adjustment of R 37 603 248 was to correct VAT and retention error.

In excluding the amount of R 436 306 940, management followed an extensive exercise to support prior period figures. It became impractical to fully support the irregular expenditure to the value of R 436 306 940, for the following reasons:

Unavailability of documents confiscated for investigation in line with proclamation R 72 of 2009
Poor system of record management in prior-prior periods
Lack of understanding of the MFMA implementation and budgetary reforms prior to the implementation of the minimum competency of 2007.
Destruction of documentation through force majeure
*Change in management resulting in loss of institutional memor*y

In quantifying the expenditure of R 436 306 940, management revisited the full population of Irregular Expenditure related general ledger, bank statement and any other available evidence of expenditure. We reviewed all the management letters; annexures and each Irregular Expenditure register submitted each year for audit. An analysis of each disclosure was conducted and various means of alternative verification were sought which yielded no results which led to the conclusion that it was impractical. This impracticality covers the period from 2009/10 to 2018/19. The impracticality is further impounded by the limitation in terms of the definition of Irregular Expenditure, the unavailability of documents makes it impractical to confirm the non-compliance and to determine the validity of irregular expenditure as defined by the MFMA.

The detailed methodology on process adopted supported by registers is available on request.

Additional Irregular Expenditure of R 47 191 775 was identified in the year under review. This amount is a split between amounts relating to irregular incurred in current year but relating to prior year of R 42 570 663 and additional irregular identified during audit of R 4 621 152.

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Notes to the Annual Financial Statements

Figures in Rand		2021	2020

47. Irregular expenditure (continued)

Incidents

Incident 2021	Disciplinary steps taken/criminal proceedings		
Award made to supplier whose Director's Municipal account not submitted / not in order	Consequence management not followed	19 345 927	-
Award to supplier who have not scored the highest prefence points	Consequence management not followed	1 790 952	-
Conflict of interest	Consequence management not followed	2 617 391	-
Contract amendment without prior approval of Council - S 116. (a) of MFMA	Consequence management not followed	2 541 889	-
Extension of contract is more than 15 % of original contract value. No approval from Council	Consequence management not followed	12 014 124	-
No supporting documents for losing bidders	Consequence management not followed	3 585 339	-
The bidder did not submit share certificate or affirmable ownership declaration affidavit	Consequence management not followed	675 000	-
SCM Procurement process not followed	Consequence management not followed	19 754 656	-
		62 325 278	**-**

Incident 2020	Disciplinary steps taken/criminal proceedings		
Award to supplier who have not scored the highest prefence points	Consequence management not followed	14 971 495	-
Contract extension not approved	Consequence management not followed	2 250 479	-
Award made to supplier whose Director's Municipal account not submitted	Consequence management not followed	54 683 520	-
Contract amendment without prior approval of Council - S 116. (a) of MFMA	Consequence management not followed	36 281 592	-
		108 187 086	**-**

Figures in Rand	2021	2020

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 749 262	1 659 065
Amount paid - current year	(1 749 262)	(1 659 065)
	-	-

Audit fees

Current year subscription / fee	4 876 792	3 902 084
Amount paid - current year	(4 876 792)	(3 902 084)
	-	-

PAYE and UIF

Current year subscription / fee	26 394 560	23 688 139
Amount paid - current year	(24 114 815)	(23 688 139)
	2 279 745	-

Pension and Medical Aid Deductions

Current year subscription / fee	32 754 553	29 559 224
Amount paid - current year	(32 754 553)	(29 559 224)
	-	-

Councillors' arrear consumer accounts

There was no councillors in arrear on their accounts for more than 90 days . All councillors are in compliance with the code of conduted for 2020 and 2021:

49. Deviation from supply chain management regulations

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

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

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Incident		
Emergency	4 696 756	1 873 737
Sole supplier	75 006	236 328
Impractical or impossible	441 184	1 794 830
	5 212 946	**3 904 895**

50. Segment information

General information

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

50. Segment information (continued)

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

The municipality operatesthe North-West Province within Moretele Local Municipality jurisdiction. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Moretele Local Municipality were sufficiently similar to warrant aggregation.

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2019

	EXECUTIVE AND COUNCIL	MUNICIPAL MANAGER	BUDGET AND TREASURY OFFICE	HR AND CORPORATE SERVICES	INFRASTRUCTURE DEVELOPMENT SERVICES	COMMUNITY DEVELOPMENT SERVICES	Total
Revenue							
Revenue from exchange transactions	-	-	-	-	51 871 998	-	51 871 998
Rental	-	-	80 235	-	-	-	80 235
Other Income	-	-	6 900 885	-	-	-	6 900 885
Interest Received	-	-	13 873 665	-	-	-	13 873 665
Revenue from non-exchange transactions	-	-	-	-	-	-	-
Taxation revenue	-	-	-	-	-	-	-
Property Rate	-	-	47 328 300	-	-	-	47 328 300
Transfer revenue	-	-	-	-	-	-	-
Government Grants and Subsidies	-	-	535 934 258	170 000	-	483 140	536 587 398
Public contributions and donations	-	-	642 226	-	-	-	642 226
Total segment revenue	**-**	**-**	**604 759 569**	**170 000**	**51 871 998**	**483 140**	**657 284 707**
Actuarial Gains							466 000
Entity's revenue							**657 750 707**

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

	EXECUTIVE AND COUNCIL	MUNICIPAL MANAGER	BUDGET AND TREASURY OFFICE	HR AND CORPORATE SERVICES	INFRASTRUCTURE DEVELOPMENT SERVICES	COMMUNITY DEVELOPMENT SERVICES	Total
Expenditure							
Employee costs	22 193 027	4 993 543	22 048 727	37 162 226	20 669 098	10 973 484	118 040 105
Remuneration of councillors	20 085 922	-	-	-	-	-	20 085 922
Depreciation	-	-	-	60 150 186	-	-	60 150 186
Impairment of Assets	-	-	13 454 772	-	-	-	13 454 772
Finance Cost	-	-	1 485 096	-	-	-	1 485 096
Debt Impairment	-	-	-	-	57 275 466	-	57 275 466
Bulk Purchases	-	-	-	-	33 811 561	-	33 811 561
Contracted services	24 528 302	-	101 289 633	21 775 086	17 820 937	261 612	165 675 570
General Expenditure	14 774 405	1 772 942	14 259 147	28 001 121	-	1 935 269	60 742 884
Inventory consumed	-	-	821 301	-	-	-	821 301
Total segment expenditure	**81 581 656**	**6 766 485**	**153 358 676**	**147 088 619**	**129 577 062**	**13 170 365**	**531 542 863**
Total segmental surplus/(deficit)							**125 741 844**
Loss on assets							3 396 395
Total revenue reconciling items							466 000
Entity's surplus (deficit) for the period							**3 862 395**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2020

	EXECUTIVE AND COUNCIL	MUNICIPAL MANAGER	BUDGET AND TREASURY OFFICE	HR AND CORPORATE SERVICES	INFRASTRUCTURE DEVELOPMENT SERVICES	COMMUNITY DEVELOPMENT SERVICES	LOCAL ECONOMIC DEVELOPMENT	Total

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

Revenue								
Revenue from non-exchange transactions	-	-	-	-	-	-	-	-
Service charges	-	-	-	-	54 571 912	-	-	54 571 912
Rental	-	-	105 735	-	-	-	-	105 735
Other Income	-	-	415 823	-	33 597	142 321	-	591 741
Interest Received	-	-	17 526 444	-	-	-	-	17 526 444
Fines and penalties	-	-	-	-	-	540 205	-	540 205
Revenue from non-exchange transactions	-	-	-	-	-	-	-	-
Property Rate	-	-	47 314 164	-	-	-	-	47 314 164
Government Grants and Subsidies	-	-	431 895 000	-	202 794 842	766 296	-	635 456 138
Total segment revenue	**-**	**-**	**497 257 166**	**-**	**257 400 351**	**1 448 822**	**-**	**756 106 339**
Entity's revenue								**756 106 339**
Expenditure								
Employee costs	14 124 902	11 048 155	39 544 839	29 761 478	17 314 857	16 750 494	1 387 269	129 931 994
Remuneration of councillors	20 100 385	-	-	-	-	-	-	20 100 385
Depreciation	-	-	-	-	100 817 750	-	-	100 817 750
Impairment of Assets	-	-	29 961 972	-	-	-	-	29 961 972
Finance Cost	-	-	183 755	164 916	-	-	-	348 671
Debts written off	-	-	10 562 226	-	-	-	-	10 562 226
Bulk Purchases	-	-	-	-	26 264 388	-	-	26 264 388
Contracted services	3 433 028	438 860	8 321 888	45 413 463	71 459 664	2 661 434	27 972 703	159 701 040
Other material	-	-	1 033 054	239 795	-	-	-	1 272 849
General Expenditure	11 072 402	1 097 834	9 731 207	26 318 956	11 278 681	2 806 390	1 077 162	63 382 632
Total segment expenditure	**48 730 717**	**12 584 849**	**99 338 941**	**101 898 608**	**227 135 340**	**22 218 318**	**30 437 134**	**542 343 907**
Total segmental surplus/(deficit)								**213 762 432**
Loss on disposal of asset								698 226
Actuarial Asset								8 000
Entity's surplus (deficit) for the period								**706 226**

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

51. Budget differences

Material differences between budget and actual amounts

It is general practise to deem a 10% deviation on operational revenue and expenditure versus the final budget as material.

Rental of facilities and equipment - Due to lock down regulations many events and gatherings were restricted thereby affecting the projections.

Operating income - The variance is as a result of an under collection in relation to conveyancing and transfers property, impact of COVID on property market.

Interest received debtors - Interest charged to debtors increased as more people lost jobs during COVID.

Interest on bank - This was as a result in change in efficiency in use of funds available as less funds were left idle in the operating accounts as idle funds were transferred to investments accounts resulting in a positive variance on interest on investment accounts.

Fines and penalties - There were less fines, penalties and forfeits during the year as anticipated due to the COVID restrictions and movement of persons and vehicles.

Interest received investment - The interest rates were reduced due to COVID , therefore affected.

Remuneration of councillors - The councilors remuneration increments were not approved for the current year due to COVID. There was less travelling due to virtual meetings being compulsory, as such less travel claims. A savings is generally commendable

Finance cost - The amount paid on the lease was less than planned (R129 710.21), included in this amount is R218 960.38 for interest for late payment.

The finance cost line item includes interest paid in terms the MSCOA guid. The municipality does not budget for interest on outstanding accounts. The interest paid is disclosed as fruitless expenditure. The municipality requests to augment the narration to indicate that there was interest paid.

Bad debts written off - Write off approved for indigent customers

Impairment on asset - There were less fines, penalties and forfeits during the year as anticipated due to the COVID restrictions and movement of persons and vehicles.

Impairment on debtors - The municipality anticipated a higher impairment provision as advised by NT and PT. The actual assessments as per GRAP104 after considering the write off reduced the impairment amounts. The variance is due to the impact of GRAP 104c considerations.

Bulk purchases - Tshwane readings are being monitored closer and boreholes have been augmented resulting in savings

Contracted services - The VIP toilets are not capitalised but expensed on completion. This amount is therefore representing contracted services, excluding public toilets.

Inventory consumables - Due to the various adjustment levels of the COVID pandemic, less material was required for general operations.