Moretele Local Municipality
Annual Financial Statements
for the year ended 30 June 2023

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 the Constitution 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, whichincludes planning and promotion of integrated development planning,land, economic and environmental development and supplying of thefollowing services to the community: Waste management services (thecollection, disposal and purifying of waste, refuse and sewerage),water services (supplying water to the public), and rates and generalservices (all types of services rendered by the municipality, excludingthe supply of housing to the community, however including the rentalof units owned by the municipality to private entities).
Mayor	Cllr Manyike MG
Speaker	Cllr Mapela F
MPAC Chair	Cllr Kodisang MD
Single Whip	Cllr Mleta NK
Exco Members	Cllr Macheke J
	Cllr Maluleka VK
	Cllr Moetji MM
	Cllr Molefe MG
	Cllr Mphapudi MV
	Cllr Ndlovu SL
	Cllr Pete RC
	Cllr Shai CM
	Cllr Tsoku FM
Councillors	Cllr Baloyi JK
	Cllr Baloyi MG
	Cllr Chauke S
	Cllr Kau MJ (Resigned 31 March 2023)
	Cllr Kutumela RME
	Cllr Kutumela SA
	Cllr Langa ND (Appointed 1 June 2023)
	Cllr Lekalakala RC
	Cllr Letebele PM
	Cllr Letlape PK
	Cllr Letlhabi PS
	Cllr Mabena PM
	Cllr Mamabolo OM
	Cllr Mamadi GKT
	Cllr Mashaba FV
	Cllr Mashele S
	Cllr Mathimbi JD
	Cllr Mbekwa DBS
	Cllr Moatshe MC
	Cllr Modisa SJ
	Cllr Modise LF

General Information

	Cllr Molefe KJ Cllr Monaheng MA Cllr Mosane ML Cllr Moselane EL Cllr Motaung JM Cllr Motlhasedi DK Cllr Motshegoa ST Cllr Ndlala SM (Resigned 31 March 2023) Cllr Nkutshweu DD Cllr Nkwana S Cllr Segona ED Cllr Sekhaolela TL (Appointed 1 June 2023) Cllr Selepane EKM Cllr Sethole DS Cllr Sithole BL Cllr Sithole TM Cllr Skosana TN Cllr Sono D Cllr Tlhabane AD Cllr Zimba AI
Audit and risk committee members	Simelane SP Mr (Chairperson) Malapela L Mr Mathabathe MG Mr Mabuza JM Ms
Grading of local authority	GRADE 3
Demarcation code	NW 371
Chief Finance Officer (CFO)	B Sathekge
Accounting Officer	S Ngwenya
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

General Information

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 2022)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 provincial legislature:

Abbreviations used:

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
AGSA	Auditor General of South Africa
MM	Municipal Manager
CFO	Chief Financial Officer

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 are 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 directors to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 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 national treasury for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

heT external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 8.

The annual financial statements set out on page 7-89, which have been prepared on the going concern basis, were approved by Council on 31 August 2023 and were signed on its behalf by:

S Ngwenya
Accounting Officer

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2023.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference. During the current year 11 meetings were held.

Name of member	Number of ordinary meetings attended	Number of special meetings attended	Total meetings attended
Simelane SP Mr (Chairperson)	4	7	11
Malapela L Mr	4	7	11
Mathabathe MG Mr	4	7	11
Mabuza JM Ms	4	7	11

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.

Furthermore, the chairperson of the committee has reported to council on a quartely basis, the summary of the activities, recommendations, and decisions of the committee.

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

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.
- Review 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.

Internal audit activity

The Committee is satisfied that the Internal Audit plan represented a clear alignment with the key risks, has adequate information systems coverage, and a good balance across the different categories of audits; namely risk based, compliance, performance, and follow-up audits

The Committee is satisfied with the content and quality of quarterly reports prepared and issued by Internal Audit Services for the Municipality during the year under review. The Committee is also impressed by the fact that Internal Audit manages to monitor the implementation of action plans to address raised findings.

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.

Audit Committee Report

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 2022/2023.

Mr SP Simelane CA(SA)

Chairperson of the Audit Committee

Date: ______________________

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	10	222,792	222,691
Public toilets - Work-in-progress	7	-	4,682,527
Operating lease asset	8	49,913	83,470
Receivables from exchange transactions	11&13	34,541,602	34,658,213
Receivables from non-exchange transactions	12&13	43,426,116	46,619,211
Cash and cash equivalents	14	271,718,311	256,506,847
		349,958,734	**342,772,959**
Non-Current Assets			
Investment property	3	18,739,571	5,885,136
Property, plant and equipment	4	1,257,370,000	1,212,275,387
Intangible assets	5	3,225,025	2,310,813
Heritage assets	6	206,303	206,303
		1,279,540,899	**1,220,677,639**
Total Assets		**1,629,499,633**	**1,563,450,598**
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	173,027,647	155,762,027
Payables from non-exchange transactions	17	502,126	4,256,319
VAT payable	18	12,935,743	13,496,276
Employee benefit obligation	9	240,000	528,000
Unspent conditional grants and receipts	15	864,974	14,076,570
		187,570,490	**188,119,192**
Non-Current Liabilities			
Employee benefit obligation	9	7,356,000	6,468,000
Total Liabilities		**194,926,490**	**194,587,192**
Net Assets		**1,434,573,143**	**1,368,863,406**
Accumulated surplus		1,434,573,144	1,368,863,400
Total Net Assets		**1,434,573,144**	**1,368,863,400**

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	63,840,019	61,195,260
Rendering of services	23	7,933	11,394
Rental of facilities and equipment	21	172,730	172,198
Impairment reversal (Investments)	23	-	3,500,000
Sale of goods	23	705,454	260,112
Fair value adjustment		16,278,807	-
Operating Income	23&24	86,641	98,793
Interest received	25	36,564,348	23,796,785
Actuarial gains	9	213,000	-
Total revenue from exchange transactions		**117,868,932**	**89,034,542**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	29,779,147	40,242,211
Transfer revenue			
Government grants & subsidies	27	618,141,597	572,245,889
Fines, Penalties and Forfeits	22	650,291	647,595
Total revenue from non-exchange transactions		**648,571,035**	**613,135,695**
Total revenue	19	**766,439,967**	**702,170,237**
Expenditure			
Employee related costs	28	(144,368,384)	(134,850,336)
Remuneration of councillors	29	(21,555,866)	(20,507,272)
Depreciation and amortisation	30	(103,508,618)	(70,675,038)
Impairment Loss	31	(106,578,423)	(106,898,699)
Finance costs	32	(1,216,706)	(293,738)
Bad debts written off		(4,477,719)	-
Bulk purchases	33	(59,347,514)	(53,805,729)
Contracted services	34	(139,537,735)	(125,648,353)
Loss on disposal of assets and liabilities		(7,950,591)	(121,928)
Actuarial losses	9	-	(1,586,707)
Public toilets distributed	7	(33,932,881)	(61,350,050)
Inventory Consumed		(1,303,609)	(1,322,296)
General Expenses	35	(76,921,706)	(71,220,305)
Total expenditure		**(700,699,752)**	**(648,280,451)**
Surplus for the year		**65,740,215**	**53,889,786**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1,280,418,452	1,280,418,452
Adjustments		
Correction of errors	34,555,162	34,555,162
Balance at 01 July 2021 as restated*	**1,314,973,614**	**1,314,973,614**
Changes in net assets		
Surplus for the year	53,889,786	53,889,786
Total changes	53,889,786	53,889,786
Opening balance as previously reported	1,327,540,179	1,327,540,179
Adjustments		
Correction of errors	41,292,750	41,292,750
Restated* Balance at 01 July 2022 as restated*	**1,368,832,929**	**1,368,832,929**
Changes in net assets		
Surplus for the year	65,740,215	65,740,215
Total changes	65,740,215	65,740,215
Balance at 30 June 2023	**1,434,573,144**	**1,434,573,144**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		14,917,302	30,250,101
Grants		604,930,000	583,051,001
Interest income		20,971,820	10,714,927
Other receipts		2,850,193	3,945,358
		643,669,315	627,961,387
Payments			
Employee costs		(165,718,932)	(156,521,989)
Suppliers		(302,894,485)	(281,134,096)
Finance costs		(1,216,706)	(293,738)
		(469,830,123)	(437,949,823)
Net cash flows from operating activities	36	**173,839,192**	**190,011,564**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(153,377,974)	(104,611,758)
Purchase of other intangible assets	5	(5,249,754)	(527,999)
Net cash flows from investing activities		**(158,627,728)**	**(105,139,757)**
Net increase/(decrease) in cash and cash equivalents		**15,211,464**	**84,871,807**
Cash and cash equivalents at the beginning of the year		256,506,847	171,635,041
Cash and cash equivalents at the end of the year	14	**271,718,311**	**256,506,848**

The accounting policies on pages 16 to 42 and the notes on pages 43 to 96 form an integral part of the annual financial statements.

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 Performance						
Revenue						
Revenue from exchange transactions						
Service charges	54,669,000	-	**54,669,000**	63,840,019	**9,171,019**	49
Rental of facilities and equipment	150,000	-	**150,000**	172,730	**22,730**	49
Fair value adjustments	-	-	**-**	16,278,807	**16,278,807**	49
Licence and permits	566,000	1,200,000	**1,766,000**	-	**(1,766,000)**	
Other income - (rollup)	395,000	-	**395,000**	800,028	**405,028**	49
Interest received-receivables	11,078,000	-	**11,078,000**	-	**(11,078,000)**	49
Interest received - investment	12,050,000	-	**12,050,000**	36,564,348	**24,514,348**	49
Total revenue from exchange transactions	**78,908,000**	**1,200,000**	**80,108,000**	**117,655,932**	**37,547,932**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	48,116,000	(29,028,000)	**19,088,000**	29,779,147	**10,691,147**	49
Transfer revenue						
Government grants & subsidies	617,851,000	361,000	**618,212,000**	618,141,597	**(70,403)**	49
Fines, Penalties and Forfeits	-	-	**-**	650,291	**650,291**	49
Total revenue from non-exchange transactions	**665,967,000**	**(28,667,000)**	**637,300,000**	**648,571,035**	**11,271,035**	
Total revenue	**744,875,000**	**(27,467,000)**	**717,408,000**	**766,226,967**	**48,818,967**	
Expenditure						
Personnel	(164,317,000)	156,000	**(164,161,000)**	(144,368,384)	**19,792,616**	49
Remuneration of councillors	(22,091,000)	(63,000)	**(22,154,000)**	(21,555,866)	**598,134**	49
Depreciation and amortisation	(63,037,000)	-	**(63,037,000)**	(103,508,618)	**(40,471,618)**	49
Impairment loss/ Reversal of impairments	(47,110,000)	-	**(47,110,000)**	(106,578,423)	**(59,468,423)**	49
Finance costs	-	-	**-**	(1,216,706)	**(1,216,706)**	49
Bad debts written off	-	-	**-**	(4,477,719)	**(4,477,719)**	49
Bulk purchases	(43,000,000)	(2,850,000)	**(45,850,000)**	(59,347,514)	**(13,497,514)**	49
Contracted Services	(147,843,000)	(2,665,000)	**(150,508,000)**	(139,537,735)	**10,970,265**	49
Public toilets distributed	-	-	**-**	(33,932,881)	**(33,932,881)**	49
Inventory consumed	(3,168,000)	(1,234,000)	**(4,402,000)**	(1,303,609)	**3,098,391**	49
General Expenses	(62,609,000)	(3,377,000)	**(65,986,000)**	(76,921,706)	**(10,935,706)**	49
Total expenditure	**(553,175,000)**	**(10,033,000)**	**(563,208,000)**	**(692,749,161)**	**(129,541,161)**	
Operating surplus	**191,700,000**	**(37,500,000)**	**154,200,000**	**73,477,806**	**(80,722,194)**	
Loss on disposal of assets and liabilities	-	-	**-**	(7,950,591)	**(7,950,591)**	49
Actuarial gains/losses	-	-	**-**	213,000	**213,000**	49
	-	**-**	**-**	**(7,737,591)**	**(7,737,591)**	
Surplus before taxation	**191,700,000**	**(37,500,000)**	**154,200,000**	**65,740,215**	**(88,459,785)**	

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	**191,700,000**	**(37,500,000)**	**154,200,000**	**65,740,215**	**(88,459,785)**	

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	305,000	5,976,000	**6,281,000**	222,792	**(6,058,208)**	49
Operating lease asset	-	-	**-**	49,913	**49,913**	49
Receivables from exchange transactions	100,000,000	42,629,000	**142,629,000**	34,541,602	**(108,087,398)**	49
Receivables from non-exchange transactions	37,732,000	13,462,000	**51,194,000**	43,426,116	**(7,767,884)**	49
Cash and cash equivalents	225,862,000	20,223,000	**246,085,000**	271,718,311	**25,633,311**	49
	363,899,000	**82,290,000**	**446,189,000**	**349,958,734**	**(96,230,266)**	
Non-Current Assets						
Investment property	5,717,000	-	**5,717,000**	18,739,571	**13,022,571**	49
Property, plant and equipment	1,463,698,000	(119,694,000)	**1,344,004,000**	1,257,370,000	**(86,634,000)**	49
Intangible assets	7,951,000	(3,726,000)	**4,225,000**	3,225,025	**(999,975)**	49
Heritage assets	206,000	-	**206,000**	206,303	**303**	49
	1,477,572,000	**(123,420,000)**	**1,354,152,000**	**1,279,540,899**	**(74,611,101)**	
Total Assets	**1,841,471,000**	**(41,130,000)**	**1,800,341,000**	**1,629,499,633**	**(170,841,367)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	127,343,000	219,781,000	**347,124,000**	173,027,647	**(174,096,353)**	49
Payables from non-exchange transactions (non-exchange)	4,794,000	-	**4,794,000**	502,126	**(4,291,874)**	49
VAT payable	-	-	**-**	12,935,743	**12,935,743**	49
Employee benefit obligation	3,936,000	(3,824,000)	**112,000**	240,000	**128,000**	49
Unspent conditional grants and receipts	-	-	**-**	864,974	**864,974**	49
	136,073,000	**215,957,000**	**352,030,000**	**187,570,490**	**(164,459,510)**	
Non-Current Liabilities						
Other financial liabilities	(4,794,000)	-	**(4,794,000)**	-	**4,794,000**	49
Employee benefit obligation	5,255,000	1,213,000	**6,468,000**	7,356,000	**888,000**	49
	461,000	**1,213,000**	**1,674,000**	**7,356,000**	**5,682,000**	
Total Liabilities	**136,534,000**	**217,170,000**	**353,704,000**	**194,926,490**	**(158,777,510)**	
Net Assets	**1,704,937,000**	**(258,300,000)**	**1,446,637,000**	**1,434,573,143**	**(12,063,857)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,704,938,000	(104,101,000)	**1,600,837,000**	1,434,573,144	**(166,263,856)**	

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						
Property rates	24,589,000	(14,839,000)	**9,750,000**	14,917,302	**5,167,302**	49
Service charges	24,264,000	-	**24,264,000**	-	**(24,264,000)**	49
Grants: Operational	427,755,000	70,000	**427,825,000**	604,930,000	**177,105,000**	49
Grants: Capital	190,096,000	-	**190,096,000**	-	**(190,096,000)**	
Interest	12,050,000	-	**12,050,000**	20,971,820	**8,921,820**	49
Other receipts	1,111,000	1,200,000	**2,311,000**	2,850,193	**539,193**	49
	679,865,000	**(13,569,000)**	**666,296,000**	**643,669,315**	**(22,626,685)**	
Payments						
Suppliers and Employee costs	(443,028,000)	(10,033,000)	**(453,061,000)**	(468,613,417)	**(15,552,417)**	49
Finance costs	-	-	**-**	(1,216,706)	**(1,216,706)**	49
	(443,028,000)	**(10,033,000)**	**(453,061,000)**	**(469,830,123)**	**(16,769,123)**	
Net cash flows from operating activities	**236,837,000**	**(23,602,000)**	**213,235,000**	**173,839,192**	**(39,395,808)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(250,932,000)	22,422,000	**(228,510,000)**	(153,377,974)	**75,132,026**	49
Purchase of other intangible assets	-	-	**-**	(5,249,754)	**(5,249,754)**	49
Net cash flows from investing activities	**(250,932,000)**	**22,422,000**	**(228,510,000)**	**(158,627,728)**	**69,882,272**	
Net increase/(decrease) in cash and cash equivalents	(14,095,000)	(1,180,000)	**(15,275,000)**	15,211,464	**30,486,464**	
Cash and cash equivalents at the beginning of the year	274,074,000	21,110,000	**295,184,000**	256,506,847	**(38,677,153)**	
Cash and cash equivalents at the end of the year	**259,979,000**	**19,930,000**	**279,909,000**	**271,718,311**	**(8,190,689)**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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.

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.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

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.

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

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

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

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

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 4).

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.

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 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 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).

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 the 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.

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.

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

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

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

1.6 Intangible assets (continued)

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.

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 6 - 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

1.8 Financial instruments (continued)

- 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.

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**
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

1.9 Statutory receivables (continued)

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity 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, 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 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

1.9 Statutory receivables (continued)

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

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

1.10 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 interest rate implicit in the lease.

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

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

Accounting Policies

1.11 Inventories (continued)

- 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.

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 the 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.

1.12 Impairment of cash-generating assets (continued)

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.

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.

1.12 Impairment of cash-generating assets (continued)

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.

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.

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

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

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

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

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

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

Redesignation

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

1.13 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 the 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.

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.

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

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

Redesignation

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

1.14 Employee benefits

Employee benefits are all forms of consideration given by the municipality 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 municipality 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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the municipality 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.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

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 municipality 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 the 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.

1.15 Provisions and contingencies (continued)

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

1.16 Commitments (continued)

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 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 services performed to date as a percentage of total services to be performed.

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

1.18 Revenue from non-exchange transactions (continued)

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

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.

1.18 Revenue from non-exchange transactions (continued)

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.

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 the 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

1.19 Accounting by principals and agents (continued)

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

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

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

1.20 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
- this Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- any provincial legislation providing for procurement procedures in that provincial government.

National Treasury circular no. 68 of 2013 which was issued in terms of sections 62(1)(d) of the MFMA requires the following (effective from 1 July 2013):

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.

1.22 Irregular expenditure (continued)

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:

- 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 an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 Jul 2022 to 30 Jun 2023.

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.

Accounting Policies

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

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2023 or later periods:

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 2099.

The entity expects to adopt the guideline for the first time in the 2098/2099 annual financial statements.

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

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

2. New standards and interpretations (continued)

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set. 01 April 2099.

The entity expects to adopt the revisions for the first time in the 2098/2099 annual financial statements.

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

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions have not yet been set. 01 April 2099.

The entity expects to adopt the revisions for the first time in the 2098/2099 01 April 2099.

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

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The entity expects to adopt the guideline for the first time in the 2098/2099 annual financial statements.

2. New standards and interpretations (continued)

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

GRAP 104 (as revised): 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
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

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

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

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

iGRAP 21: The Effect of Past Decisions on Materiality

Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called “items”).

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially “misstated” over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:
- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. 01 April 2023.

The entity expects to adopt the interpretation for the first time in the 2022/2023 01 April 2023.

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

GRAP 2020: Improvements to the standards of GRAP 2020

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs
- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
  - Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases
- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property
- Clarify that GRAP 21 may be applied to assess investment property for impairment
- Include heading "Classification of property as investment property" (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
  - Added heading "Guidance on initially measuring self-constructed investment property at fair value"
  - Added clarification that investment property is measured at fair value at earliest of:
    - completion of construction or development; or
    - when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
  - Change in use involves an assessment on whether:
    - property meets, or ceases to meet definition of investment property and
    - evidence exists that a change in use has occurred
  - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment
- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
  - Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures
- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
  - Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
  - If an entity obtains management services from another entity ("the management entity") the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity's employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
  - Management services are services where employees of management entity perform functions as "management" as defined

GRAP 24 – Presentation of Budget Information in Financial Statements
- Terminology amended
  - Primary financial statements amended to "financial statements" or "face of the financial statements"

GRAP 31 – Intangible Assets
- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
  - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor
- Clarify disclosure requirement for service concession assets
  - Disclose carrying amount of each material service concession asset recognised at the reporting date

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 37 – Joint Arrangements

- Application guidance clarified
  - When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
  - Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is 01 April 2023.

The entity expects to adopt the improvements for the first time in the 2022/2023 annual financial statements.

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

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB’s Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

An entity applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

The entity expects to adopt the amendment for the first time in the 2024/2025 annual financial statements.

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

3. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	18,739,571	-	18,739,571	5,885,136	-	5,885,136

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	5,885,136	12,854,435	18,739,571

Reconciliation of investment property - 2022

	Opening balance	Disposals	Transfers	Fair value adjustments	Total
Investment property	5,717,000	(3,904,000)	(308,000)	4,380,136	5,885,136

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.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

3. Investment property (continued)

Details of valuation

The effective date of the revaluations was 30 June 2023. Revaluations were performed by an independent valuer, i@ Consulting Pty Ltd. i@ Consulting 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.

Revenue from rental of investment property

Rental revenue from investment property	172,730	172,198

Maintenance of investment property

There was no repairs and maintenance expenditure incurred on the investment property during the reporting period

4. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	47,298,661	-	47,298,661	47,298,661	-	47,298,661
Buildings	254,967,489	(162,493,452)	92,474,037	248,217,868	(154,786,907)	93,430,961
Furniture and fixtures	9,180,348	(4,859,226)	4,321,122	6,343,016	(3,997,955)	2,345,061
Motor vehicles	23,464,163	(8,134,982)	15,329,181	17,491,936	(6,396,400)	11,095,536
IT equipment	67,229,053	(49,801,868)	17,427,185	60,910,555	(45,057,482)	15,853,073
Infrastructure	1,344,868,876	(535,731,201)	809,137,675	1,306,700,217	(473,407,682)	833,292,535
Work in progress	271,382,139	-	271,382,139	208,959,560	-	208,959,560
Total	**2,018,390,729**	**(761,020,729)**	**1,257,370,000**	**1,895,921,813**	**(683,646,426)**	**1,212,275,387**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	47,298,661	-	-	-	-	-	-	47,298,661
Buildings	93,430,961	-	(833,964)	12,002,099	-	(11,488,437)	(636,622)	92,474,037
Furniture and fixtures	2,345,061	167,080	-	-	2,670,253	(793,823)	(67,449)	4,321,122
Motor vehicles	11,095,536	5,972,228	-	-	-	(1,738,583)	-	15,329,181
IT equipment	15,853,073	5,564,379	-	-	754,119	(4,276,303)	(468,083)	17,427,185
Infrastructure	833,292,535	-	(7,116,627)	67,249,606	-	(80,875,929)	(3,411,910)	809,137,675
Work in progress	208,959,560	141,674,284	-	(79,251,705)	-	-	-	271,382,139
	1,212,275,387	**153,377,971**	**(7,950,591)**	**-**	**3,424,372**	**(99,173,075)**	**(4,584,064)**	**1,257,370,000**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	46,990,661	-	-	-	308,000	-	-	47,298,661
Buildings	103,329,828	-	(62,438)	205,669	(2,579,158)	(6,278,405)	(1,184,535)	93,430,961
Furniture and fixtures	2,459,958	51,753	(108,117)	-	379,383	(437,916)	-	2,345,061
Motor vehicles	11,646,790	543,925	-	-	106,823	(1,202,002)	-	11,095,536
IT equipment	15,890,508	3,334,778	-	-	3,609,847	(6,982,060)	-	15,853,073
Infrastructure	766,820,886	-	(587,171)	131,272,577	(16,224,307)	(40,751,128)	(7,238,322)	833,292,535
Work in progress	227,548,399	100,331,002	-	(131,478,246)	12,558,405	-	-	208,959,560
	1,174,687,030	**104,261,458**	**(757,726)**	**-**	**(1,841,007)**	**(55,651,511)**	**(8,422,857)**	**1,212,275,387**

Pledged as security

No Property, plant and equipment has been pledged as security.

Figures in Rand	2023	2022

4. Property, plant and equipment (continued)

Changes in accounting estimate

During the year ended 30 June 2023,the total useful life of assets was reassessed per asset category.

The change has the following effect on the profit and loss:

Current year		
Increase/ (Decrease) in depreciation expense in the current year:		
Furniture and Office Equipment	(2,650)	-
IT Equipment	(9,365)	-
Motor Vehicles	(61,776)	-
Buildings	418,254	-
Infrastructure	22,488,958	-
	22,833,421	**-**

Future years		
Decrease in depreciation expense in the future years:		
Buildings	(550,738)	-
Infrastructure	(29,133,999)	-
	(29,684,737)	**-**

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Buildings	58,636,520	64,452,831
Infrastructure	212,745,619	144,506,729
	271,382,139	**208,959,560**

Age analysis of ongoing projects

	In progress	**Delayed**	**Contractor terminated**	**Halted**	**Total**
1 year	77,127,005	-	-	-	77,127,005
3 years	35,747,780	22,507,740	12,702,168	7,921,635	78,879,323
5 years	-	25,291,731	12,082,611	-	37,374,342
> 5 years	-	19,364,949	9,046,352	49,590,168	78,001,469
	112,874,785	**67,164,420**	**33,831,131**	**57,511,803**	**271,382,139**

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	362,500	676,975
Buildings	1,424,398	945,112
Infrastructure	13,134,770	21,153,157
Motor Vehicles	1,036,905	397,266
Office Furniture and Equipment	864,135	-
	16,822,708	**23,172,510**

Maintenance of property, plant and equipment

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..

5. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5,579,754	(2,354,729)	3,225,025	20,831,096	(18,520,283)	2,310,813

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software, other	2,310,813	5,249,755	(4,335,543)	3,225,025

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Change in estimate	Other changes, movements	Amortisation	Total
Computer software, other	5,750,941	164,782	1,820,144	355,533	(5,780,587)	2,310,813

Pledged as security

There are no intangible assets pledged as security:

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

5. Intangible assets (continued)

Changes in accounting estimates-Intangible assets

During the year ended 30 June 2022,the total useful life of assets was reassessed per asset category.The change has the following effect on the profit and loss.

Decrease in depreciation expense in the current year	-	1,820,144
Decrease in depreciation expense in future	-	(1,820,144)
	-	-

Intangible assets disposed

Fully amortised Intangible assets disposed as licences had expired had the following cost.

Total software disposed Cost	20,501,096	5,566,290

6. Heritage assets

	2023			2022		
	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 2023

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

Reconciliation of heritage assets 2022

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

Pledged as security

No heritage assets pledged as security.

7. Work in Progress: Inventory

Details

Incomplete Public toilets	-	4,682,527
Carrying value of inventories carried at fair value less costs to sell	-	4,682,527
Inventories recognised as an expense during the year	33,932,881	61,350,050
	33,932,881	**66,032,577**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

8. Operating lease asset (accrual)

Current assets	49,913	83,470

Minimum lease payments		
Within one year	106,845	59,810
In second to fifth year inclusive	239,241	179,431
Later than five years	99,684	219,304
	445,770	**458,545**

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	(7,596,000)	(6,996,000)

Non-current liabilities	(7,356,000)	(6,468,000)
Current liabilities	(240,000)	(528,000)
	(7,596,000)	**(6,996,000)**

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

Opening balance	(6,996,000)	(6,357,000)
Benefits paid	576,000	2,126,707
Net expense recognised in the statement of financial performance	(1,176,000)	(2,765,707)
	(7,596,000)	**(6,996,000)**

Figures in Rand	2023	2022

9. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

	2023	2022
Current service cost	586,000	529,000
Interest cost	803,000	650,000
Actuarial (gains) losses	(213,000)	1,586,707
	1,176,000	**2,765,707**

Key assumptions used

Assumptions used at the reporting date:

	2023	2022
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%
Discount rates used	Yield curve	Yield Curve
Average retirement age	63	63

	2023	2022
20% decrease in assumed level of withdrawal rates		
Accrued Liability	7,915,000	7,328,000
Current service cost	641,000	621,000
Interest cost	1,026,000	844,000
	9,582,000	**-**
20% increase or decrease in assumed level of withdrawal rates:		
Accrued Liability	7,299,000	6,689,000
Current service cost	575,000	554,000
Interest cost	942,000	765,000
	-	-
1% decrease in assumed level of salary inflation		
Accrued Liability	7,152,000	6,558,000
Current service cost	566,000	545,000
Interest cost	923,000	749,000
	-	-
1% increase in assumed level of salary inflation		
Accrued Liability	8,079,000	7,475,000
Current service cost	650,000	631,000
Interest cost	1,048,000	862,000
	-	-

Figures in Rand	2023	2022

10. Inventories

Consumable stores	222,792	222,691
Carrying value of inventories carried at fair value less costs to sell	222,792	222,691
Inventories recognised as an expense during the year	6,928,974	12,098,952

Inventory pledged as security

No inventory pledged as security.

10.1 Borehole water

Water inventory extracted from boreholes was assessed by management and the effect is insignificant to the financial statements of the Municipality. This was based on all the reserviors maximum capacity and estimated price per kilolitre.

11. Receivables from exchange transactions

Accrued interest	1,387,679	310,695
Consumer debtors - Water	17,184,343	12,373,273
Consumer debtors - Refuse	9,100,372	9,525,090
Debtors on supplier overcharge	-	1,364,395
Consumer debtors - Interest and sundry	6,462,868	9,420,801
Debtors on fine collections	406,340	1,663,959
	34,541,602	**34,658,213**

12. Receivables from non-exchange transactions

Consumer debtors - Rates	43,426,116	46,619,211
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	-	46,619,211
Financial asset receivables included in receivables from non-exchange transactions above	**43,426,116**	**-**
Total receivables from non-exchange transactions	43,426,116	46,619,211

13. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	133,382,910	111,552,251
Consumer debtors - Water	254,081,873	207,294,925
Consumer debtors - Refuse	171,504,977	144,187,446
Debtor on supplier overcharge	-	1,364,395
Consumer debtors - Interest and Sundry	84,030,959	79,736,415
Debtor on fine collections	406,340	1,663,959
Accrued interest	1,387,679	310,695
	644,794,738	**546,110,086**
Less: Allowance for impairment		
Consumer debtors - Rates	(89,956,794)	(64,933,040)
Consumer debtors - Water	(236,897,530)	(194,921,652)
Consumer debtors - Refuse	(162,404,605)	(134,662,356)
Consumer debtors - Interest and Sundry	(77,568,091)	(70,315,614)
	(566,827,020)	**(464,832,662)**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

13. Consumer debtors disclosure (continued)

Net balance		
Consumer debtors - Rates	43,426,116	46,619,211
Consumer debtors - Water	17,184,343	12,373,273
Consumer debtors - Refuse	9,100,372	9,525,090
Debtor on supplier overcharge	-	1,364,395
Consumer debtors - Interest and sundry	6,462,868	9,420,801
Debtor on fine collections	406,340	1,663,959
Accrued Interest	1,387,679	310,695
	77,967,718	**81,277,424**

Other receivables - Suppliers overcharge		
Current (0-30 days)	-	1,364,395
Other consumables		
Current (0-30 days)	406,340	1,663,959
Financial asset receivables included in consumer debtors above	**77,561,378**	**78,249,070**
Total consumer debtors	77,967,718	81,277,424

Figures in Rand	2023	2022

13. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Residences		
Current (0 -30 days)	21,062,670	6,289,012
31 - 60 days	6,176,723	5,541,863
61 - 90 days	6,158,159	5,525,021
91 - 120 days	6,154,555	5,519,213
121 - 365 days	52,005,651	34,216,240
> 365 days	423,670,516	382,468,648
	515,228,274	439,559,997
Less: Allowance for impairment	(491,223,943)	(418,774,403)
	24,004,331	**20,785,594**

Commercial		
Current (0 -30 days)	4,177,969	334,231
31 - 60 days	374,782	731,649
61 - 90 days	374,548	731,358
91 - 120 days	374,433	761,449
121 - 365 days	2,519,125	2,341,884
> 365 days	18,586,669	15,904,791
	26,407,526	20,805,362
Less: Allowance for impairment	(14,435,277)	(10,928,308)
	11,972,249	**9,877,054**

National and provincial government		
Current (0 -30 days)	19,558,541	1,826,110
31 - 60 days	824,003	1,581,149
61 - 90 days	793,789	1,555,427
91 - 120 days	880,740	1,546,572
121 - 365 days	10,642,098	7,248,395
> 365 days	50,306,342	58,632,364
	83,005,513	72,390,017
Less: Allowance for impairment	(42,806,932)	(37,567,417)
	40,198,581	**34,822,600**

Indigent		
Current (0 -30 days)	1,439,298	551,906
31 - 60 days	827,403	468,355
61 - 90 days	825,634	467,564
91 - 120 days	823,477	466,739
121 - 365 days	4,318,929	4,185,864
> 365 days	10,126,128	3,863,103
	18,360,869	10,003,531
Less: Allowance for impairment	(18,360,869)	(10,003,531)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	(8)	80
Bank balances	198,639,815	192,991,449
Short-term deposits	73,078,504	63,515,318
	271,718,311	**256,506,847**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
ABSA Bank - Account type - Cheque	198,639,815	192,991,449	111,377,672	198,639,815	192,991,449	110,636,975
ABSA Bank - Account type - Call Account	73,078,504	63,515,192	60,921,114	73,326,156	63,515,192	60,921,114
VBS - Account type - Call Account	-	-	47,557,065	-	-	-
Total	**271,718,319**	**256,506,641**	**219,855,851**	**271,965,971**	**256,506,641**	**171,558,089**

Reconciliation of VBS Mutual bank - Allowance for impairment		
VBS - Account Type - Call Account	47,557,065	51,057,065
Allowance for impairment	(47,557,065)	(47,557,065)
Amount recovered	-	(3,500,000)
	-	**-**

The Municipality receovered an amount of R 3 500 000 in the previous year and still awaiting formal communication from the Curator.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Library Grant	654,651	769,014
Municipal Infrastructure Grant	93,322	13,190,556
North West Sport : Maubane Cultural Village	117,000	117,000
	864,973	**14,076,570**

Movement during the year

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.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

16. Payables from exchange transactions

Trade payables	56,891,473	59,973,955
Payments received in advanced - contract in process	43,620,600	29,740,808
Retention	39,762,713	36,541,112
Trade payable -Accruals	13,654,145	11,126,395
Accrued leave pay	15,870,045	15,296,061
Accrued bonus	3,228,671	3,083,696
	173,027,647	**155,762,027**

17. Payables from non-exchange

Unallocated receipts	502,126	4,256,319

18. VAT payable

Tax refunds payables	12,935,743	13,496,276

19. Revenue

Rendering of services	7,933	11,394
Service charges	63,840,019	61,195,260
Rental of facilities and equipment	172,730	172,198
Recoveries	-	3,500,000
Sale of goods	705,454	260,112
Other income 2	16,278,807	-
Operating Income	86,641	98,793
Interest received	36,564,348	23,796,785
Property rates	29,779,147	40,242,211
Government grants & subsidies	618,141,597	572,245,889
Fines, Penalties and Forfeits	650,291	647,595
	766,226,967	**702,170,237**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	63,840,019	61,195,260
Rendering of services	7,933	11,394
Rental of facilities and equipment	172,730	172,198
Recoveries	-	3,500,000
Sale of goods	705,454	260,112
Other income 2	16,278,807	-
Operating income	86,641	98,793
Interest received - investment	36,564,348	23,796,785
	117,655,932	**89,034,542**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	29,779,147	40,242,211
Transfer revenue		
Government grants & subsidies	618,141,597	572,245,889
Fines, Penalties and Forfeits	650,291	647,595
	648,571,035	**613,135,695**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

20. Service charges

Sale of water	37,087,114	35,442,655
Refuse removal	26,752,905	25,752,605
	63,840,019	**61,195,260**

21. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	172,730	172,198

22. Fines, Penalties and Forfeits

Municipal Traffic Fines	650,291	647,595

23. Other revenue

Rendering of services	7,933	11,394
Reversal of impairment	-	3,500,000
Sale of goods	705,454	260,112
Fair value adjustment	16,278,807	-
Operating income	86,641	98,793
	17,078,835	**3,870,299**

The reversal of impairment amounting to R 3 500 000 is due to the amount recovered from VBS.

24. Other income

Administrative handling and gym fees	20,309	22,393
Building plans approval	66,202	76,400
Sundry	130	-
	86,641	**98,793**

25. Interest received

Interest revenue		
Bank	22,048,803	10,813,000
Interest for recceivable from exchange	11,051,806	7,085,931
Interest for receivabble from non-exchange	3,463,739	5,897,854
	36,564,348	**23,796,785**

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

26. Property rates

Rates received

Residential	29,779,147	40,242,211

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	2023	2022

27. Government grants & subsidies

Operating grants

Equitable share	415,350,557	376,501,000
Expanded Public Works Programme Grant	1,998,000	2,344,000
Local Government Financial Management Grant	2,900,000	2,850,000
Library Grant	990,955	806,629
Municipal Disaster Relief Grant	200,000	-
North West Sport -Maubane Cultural Grant	115,408	-
	421,554,920	**382,501,629**

Capital grants

Municipal Infrastructure Grant	131,586,678	110,702,260
Water Supply Infrastructure Grant	64,999,999	79,042,000
	196,586,677	**189,744,260**

Expanded Public Works Programme Grant

Current-year receipts	1,998,000	2,344,000
Conditions met - transferred to revenue	(1,998,000)	(2,344,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

Local Government Financial Management Grant

Current-year receipts	2,900,000	2,850,000
Conditions met - transferred to revenue	(2,900,000)	(2,850,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

Library Grant

Balance unspent at beginning of year	769,014	777,643
Current-year receipts	992,000	798,000
Conditions met - transferred to revenue	(990,955)	(806,629)
	770,059	**769,014**

Conditions still to be met - remain liabilities (see note 15).

Municipal Infrastructure Grant

Balance unspent at beginning of year	13,190,556	2,376,816
Current-year receipts	131,680,000	121,516,000
Conditions met - transferred to revenue	(131,586,672)	(110,702,260)
Rollover denied and witheld from equitable share	(13,190,000)	-
	93,884	**13,190,556**

Conditions still to be met - remain liabilities (see note 15).

North West Sport : Maubane Cultural Village

Balance unspent at beginning of year	117,000	117,000
Conditions met - transferred to revenue	(115,408)	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Government grants & subsidies (continued)

	1,592	**117,000**

Conditions still to be met - remain liabilities (see note 15).

Water services, Infrastructure grant (WSIG)

Current-year receipts	65,000,000	79,042,000
Conditions met - transferred to revenue	(65,000,000)	(79,042,000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Municipal Disaster Relief Grant

Current-year receipts	200,000	-
Conditions met - transferred to revenue	(200,000)	-
	-	-

Conditions still to be met - remain liabilities (see note 15).

Figures in Rand	2023	2022

28. Employee related costs

Basic	93,238,784	86,472,193
Bonus	6,841,520	6,405,017
Medical aid - company contributions	7,466,867	6,989,602
UIF	529,043	519,607
Leave pay provision charge	573,984	808,513
Travel, motor car, accommodation, subsistence and other allowances	15,146,560	13,760,981
Overtime payments	998,007	870,296
Long-service awards	1,389,000	1,179,000
Acting allowances	728,332	1,468,302
Housing benefits and allowances	412,623	390,435
Social contributions -Bargaining Council	32,151	30,458
Telephone	1,739,356	1,582,860
Pension contribution	15,272,157	14,373,072
	144,368,384	**134,850,336**

Remuneration of Municipal Manager - S Ngwenya

Basic Salary	914,752	74,695
Travel and cellphone allowance	333,291	27,565
Contributions to UIF, Medical and Pension Funds	2,125	1,149
	1,250,168	**103,409**

The Municipal manager worked at the Municipality for the whole in the current year.Last year he only worked for the month of June. The Municipal manager was appointed from 1 June 2022 to date.

Remuneration of Accounting officer - Acting - SH Moreriane

Acting Allowance	-	426,938

Acted as Accounting Officer (1 July 2021 -31 May 2022)

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

Basic Salary	-	816,677
Contributions to UIF, Medical and Pension Funds	-	8,569
	-	**825,246**

Remuneration of Accounting Officer - Acting - DB Klass

Acting Allowance	-	24,237

Acted as Accounting Officer (25 November 2021 - 13 December 2021).

Remuneration of Chief Financial Officer B(Sathekge) (1 March 2023 - 30 June 2023)

Basic Salary	261,117	-
Housing Allowance	6,000	-
Travel and cellphone allowance	78,736	-
Contributions to UIF, Medical and Pension Funds	708	-
	346,561	**-**

Figures in Rand	2023	2022

28. Employee related costs (continued)

Remuneration of Acting Chief Financial Officer (T Dire) (1 September 2022 - 28 February 2023)

Acting Allowance	33,147	-

Remuneration of Chief Financial Officer (DB Klass) (1 July 2021 to 31 August 2022)

Basic Salary	142,963	640,239
Housing Allowance	3,000	18,000
Travel and cell phone allowance	39,368	253,927
Leave payment	120,571	-
Contributions to UIF, Medical and Pension Funds	354	10,990
	306,256	**923,156**

DB KLass was the Chief financial officer for the whole year in the prior year and for 2 months in the current year.

Remuneration of Acting Director: Technical Services - (MP Molautsi) (1 January 2023 - 30 June 2023)

Acting Allowance	10,198	99,737

MP Molautsi acted for 4 months (01 February 2022 to 31 May 2022) in the prior and for 6 months in the current year (1 January 2023 to 30 June 2023).

Remuneration of Director: Technical Services - S Moreriane (1 July 2022 - 30 December 2022)

Basic Salary	379,587	-
Housing Allowance	7,200	-
Travel and cell phone allowance	107,670	-
Leave payment	139,066	-
Contributions to UIF, Medical and Pension Funds	1,063	-
	634,586	**-**

Remuneration of Director: Technical Services - S Moreriane (1 July 2021 - 30 June 2022)

Basic salary	-	664,708
Housing Allowance	-	14,400
Travel and cellphone allowance	-	236,514
Contributions to UIF, Medical and Pension Funds	-	15,033
	-	**930,655**

Remuneration of Director : Local Economic Development -TS Mohalanyane (1 July 2022 - 30 June 2023)

Basic salary	704,096	655,108
Travel and cellphone allowance	247,695	271,960
Contributions to UIF, Medical and Pension Funds	2,125	8,483
Gratuity	-	74,537
	953,916	**1,010,088**

Remuneration of Director: Community Development - LD Lehari (1 July 2022 - 30 June 2023)

Basic salary	707,918	662,752
Travel and cellphone allowance	243,873	232,568
Contributions to UIF, Medical and Pension Funds	2,125	10,755
	953,916	**906,075**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Employee related costs (continued)

Remuneration of Director: Corporate and Human Resources - PN Mahlo (1 July 2022 - 30 June 2023)

Basic Salary	716,096	667,108
Travel and cellphone allowance	235,695	253,471
Contributions to UIF, Medical and Pension Funds	2,125	8,483
	953,916	**929,062**

Acted as remuneration of director: technical services (01 February 2022 - 31 May 2022)

29. Remuneration of councillors

Mayor	916,137	870,818
Single Whip	698,200	737,162
Speaker	741,787	704,291
MPAC Chairperson	685,066	670,700
Exco Members	6,295,011	4,072,865
Councillors	12,219,654	13,451,422
	21,555,855	**20,507,258**

2023 Mayor	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
MG Manyike	565,260	221,676	44,400	84,801	916,137

2023 Single Whip	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
NK Mleta	423,948	166,248	44,400	63,604	698,200

2023 Speaker	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
F Mapela	452,208	177,336	44,400	67,843	741,787

2023 Municipal Public Accounts Committee chairperson	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
MD Kodisang	415,428	162,912	44,400	62,326	685,066

2023 Exco Members	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
VK Maluleka	423,948	166,248	44,400	74,815	709,411
MM Moetji	423,948	166,248	44,400	63,604	698,200
J Macheke	423,948	166,248	44,400	63,604	698,200
FM Tsoku	423,948	166,248	44,400	63,604	698,200
MG Molefe	423,948	166,248	44,400	63,604	698,200
CM Shai	423,948	166,248	44,400	63,604	698,200
SL Ndlovu	423,948	166,248	44,400	63,604	698,200
RC Pete	423,948	166,248	44,400	63,604	698,200
MV Mphaphudi	423,948	166,248	44,400	63,604	698,200
	3,815,532	**1,496,232**	**399,600**	**583,647**	**6,295,011**

29. Remuneration of councillors (continued)

2023 Councillors	Basic Salary	Travel Allowance	Cellphone Allowance	Pension and medical aid	Total
PS Letlhabi	178,884	70,152	44,400	31,568	325,004
PM Mabena	178,884	70,152	44,400	26,844	320,280
MC Moatshe	178,884	70,152	44,400	31,568	325,004
D Sono	178,884	70,152	44,400	31,568	325,004
S Nkwana	178,884	70,152	44,400	31,568	325,004
RC Lekalakala	178,884	70,152	44,400	31,568	325,004
SJ Modisa	178,884	70,152	44,400	26,844	320,280
RME Kutumela	178,884	70,152	44,400	30,781	324,217
EL Moselane	178,884	70,152	44,400	31,568	325,004
SA Kutumela	178,884	70,152	44,400	31,568	325,004
DBS Mbekwa	178,884	70,152	44,400	31,568	325,004
OM Mamabolo	178,884	70,152	44,400	26,844	320,280
DD Nkutshweu	178,884	70,152	44,400	-	293,436
TN Skosana	178,884	70,152	44,400	22,370	315,806
PK Letlape	178,884	70,152	44,400	26,844	320,280
LF Modise	178,884	70,152	44,400	26,844	320,280
ML Mosane	178,884	70,152	44,400	26,844	320,280
DK Motlhasedi	178,884	70,152	44,400	26,844	320,280
AI Zimba	178,884	70,152	44,400	26,844	320,280
AD Tlhabane	178,884	70,152	44,400	26,844	320,280
JM Motaung	178,884	70,152	44,400	26,844	320,280
DS Sethole	178,884	70,152	44,400	-	293,436
FV Mashaba	178,884	70,152	44,400	-	293,436
GKT Mamadi	178,884	70,152	44,400	26,844	320,280
S Chauke	178,884	70,152	44,400	8,948	302,384
TM Sithole	178,884	70,152	44,400	26,844	320,280
PM Letebele	178,884	70,152	44,400	26,844	320,280
EKM Selepane	178,884	70,152	44,400	26,844	320,280
JK Baloyi	178,884	70,152	44,400	-	293,436
JD Mathimbi	178,884	70,152	44,400	26,844	320,280
ND Langa	14,907	5,846	3,700	-	24,453
MG Baloyi	178,884	70,152	44,400	22,370	315,806
MA Monaheng	178,884	70,152	44,400	31,568	325,004
BL Sithole	178,884	70,152	44,400	-	293,436
KJ Molefe	178,884	70,152	44,400	31,568	325,004
ST Motshegoa	178,884	70,152	44,400	26,844	320,280
S Mashele	178,884	70,152	44,400	-	293,436
ED Segona	178,884	70,152	44,400	-	293,436
TL Sekhaolela	14,907	5,846	3,700	-	24,453
SM Ndlala	134,163	52,614	33,300	20,133	240,210
MJ Kau	134,163	52,614	33,300	23,676	243,753
	6,916,848	**2,712,544**	**1,716,800**	**873,462**	**12,219,654**

2022 Mayor	Basic Salary	Travel allowance	Cellphone allowance	Pension and medical aid	Total
MG Manyike	367,818	139,134	28,592	13,928	549,472
MA Monaheng	195,411	76,634	15,808	33,493	321,346
	563,229	**215,768**	**44,400**	**47,421**	**870,818**

2022 Single Whip	Basic Salary	Travel allowance	Cellphone allowance	Pension and medical aid	Total
NK Mleta	291,200	108,011	29,600	44,456	473,267
KJ Molefe	157,092	61,605	18,500	26,699	263,896
	448,292	**169,616**	**48,100**	**71,155**	**737,163**

29. Remuneration of councillors (continued)

2022 Speaker	Basic Salary	Travel allowance	Cellphone allowance	Pension and medical aid	Total
F Mapela	294,259	111,307	28,592	16,632	450,790
TL Sekhaolela	152,925	58,941	15,810	25,826	253,502
	447,184	**170,248**	**44,402**	**42,458**	**704,292**

2022 Municipal Public Accounts Committee chairperson	Basic Salary	Travel allowance	Cellphone allowance	Pension and medical aid	Total
MD Kodisang	270,326	102,253	28,592	10,236	411,407
MJ Kau	154,147	60,451	18,500	26,195	259,293
	424,473	**162,704**	**47,092**	**36,431**	**670,700**

2022 Exco Members	Basic Salary	Travel allowance	Cellphone allowance	Pension and medical aid	Total
SL Ndlovu	275,863	104,348	28,592	10,446	419,249
VK Maluleka	275,863	104,348	28,592	36,499	445,302
MM Moetji	275,863	104,348	28,592	15,592	424,395
J Macheke	275,863	104,348	28,592	-	408,803
MG Molefe	285,040	104,348	28,592	44,456	462,436
CM Shai	285,040	104,348	28,592	44,456	462,436
FM Tsoku	275,863	104,348	28,592	15,592	424,395
BM Mangema	152,723	57,474	15,810	24,212	250,219
JM Makwela	152,723	57,474	15,810	24,212	250,219
NK Mleta	137,200	53,804	14,800	24,212	230,016
LA Motsepe	29,550	9,171	2,523	6,053	47,297
BD Sephelle	152,723	55,353	15,810	24,212	248,098
	2,574,314	**963,712**	**264,897**	**269,942**	**4,072,865**

29. Remuneration of councillors (continued)

2022 Councillors	Basic Salary	Travel allowance	Cellphone allowance	Pension and medical aid	Total
AI Zimba	116,399	44,032	28,592	4,409	193,432
PM Mabena	116,399	44,032	28,592	4,409	193,432
OM Mamabolo	116,399	44,032	28,592	9,135	198,158
DD Nkutshweu	116,399	44,032	28,592	-	189,023
TN Skosana	116,399	44,032	28,592	-	189,023
PK Letlape	116,399	44,032	28,592	6,581	195,604
LF Modise	116,399	44,032	28,592	2,554	191,577
ML Mosane	116,399	44,032	28,592	6,581	195,604
DK Motlhasedi	116,399	44,032	28,592	2,237	191,260
SM Ndlala	116,399	44,032	28,592	6,581	195,604
AD Tlhabane	116,399	44,032	28,592	2,237	191,260
JM Motaung	116,399	44,032	28,592	-	189,023
DS Sethole	116,399	44,032	28,592	-	189,023
FV Mashaba	116,399	44,032	28,592	-	189,023
GKT Mamadi	116,399	44,032	28,592	4,409	193,432
S Chauke	116,399	44,032	28,592	-	189,023
TM Sithole	116,399	44,032	28,592	6,581	195,604
PM Letebele	116,399	44,032	28,592	6,581	195,604
MS Selepane	116,399	44,032	28,592	4,409	193,432
RC Pete	275,863	104,348	28,592	15,592	424,395
JK Baloyi	116,399	44,032	28,592	-	189,023
JD Mathimbi	116,399	44,032	28,592	-	189,023
MG Baloyi	116,399	44,032	28,592	-	189,023
BL Sithole	116,399	44,032	28,592	-	189,023
ST Motshegoa	116,399	44,032	28,592	4,409	193,432
S Mashele	116,399	44,032	28,592	-	189,023
ED Segona	116,399	44,032	28,592	-	189,023
BW Baloyi	64,441	24,253	15,810	10,216	114,720
MM Chauke	64,441	24,253	15,810	10,216	114,720
PM Gwebu	64,441	24,253	15,810	10,216	114,720
TM Hlongwane	64,441	24,253	15,810	10,216	114,720
RME Kutumela	180,762	68,282	44,400	27,503	320,947
SA Kutumela	180,762	68,282	44,400	30,134	323,578
RC Lekalakala	180,762	68,282	44,400	30,134	323,578
LM Letebele	64,441	24,253	15,810	10,216	114,720
PS Letlhabi	180,762	68,282	44,400	30,134	323,578
MG Madumo	64,441	24,253	15,810	10,216	114,720
SR Magalefa	64,441	24,253	15,810	10,216	114,720
ET Mahlangu	64,441	24,253	15,810	10,216	114,720
PP Mahlangu	64,441	24,253	15,810	10,216	114,720
GM Makhathulela	64,441	24,253	15,810	10,216	114,720
J Makhubela	64,441	24,253	15,810	10,216	114,720
K Maluleka	64,441	24,253	15,810	10,216	114,720
MA Mathe	64,441	24,253	15,810	10,216	114,720
W Mavundla	64,441	24,253	15,810	10,216	114,720
DBS Mbekwa	180,762	68,282	44,400	30,134	323,578
MC Moatshe	180,762	68,282	44,400	30,134	323,578
GM Modiba	64,441	24,253	15,810	10,216	114,720
SJ Modisa	180,762	68,282	44,400	29,358	322,802
SL Moekeletsi	64,441	24,253	15,810	10,216	114,720
JM Mohomana	64,441	24,253	15,810	10,216	114,720
LK Mokadi	64,441	24,253	15,810	10,216	114,720
SI Mokgara	64,441	24,253	15,810	10,216	114,720
SP Molomo	64,441	24,253	15,810	10,216	114,720
KO Moraka	64,441	24,253	15,810	10,216	114,720
EL Moselane	180,762	68,282	44,400	30,134	323,578
MJ Mosetlhe	64,441	24,253	15,810	10,216	114,720

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

29. Remuneration of councillors (continued)

ME Mosipa	64,441	24,253	15,810	10,216	114,720
MR Motsepe	64,441	24,253	15,810	10,216	114,720
MC Mphande	64,441	24,253	15,810	10,216	114,720
TT Ngobeni	64,441	24,253	15,810	10,216	114,720
S Nkwana	180,762	68,282	44,400	23,063	316,507
WM Ntseke	64,441	24,253	15,810	10,216	114,720
ZS Raletjena	64,441	24,253	15,810	10,216	114,720
MA Ramadi	64,441	24,253	15,810	10,216	114,720
CM Shai	61,841	24,253	15,810	10,216	112,120
D Sono	180,762	68,282	44,400	30,134	323,578
NR Tseke	64,441	24,253	15,810	10,216	114,720
MV Mphaphudi	275,863	104,348	28,592	15,592	424,395
GN Soji	64,441	24,253	15,810	10,216	114,720
MG Molefe	61,841	24,253	15,810	10,216	112,120
MA Monaheng	129,196	44,032	28,592	19,918	221,738
MJ Kau	115,934	39,902	25,900	12,847	194,583
KJ Molefe	116,089	39,902	25,900	12,847	194,738
	7,868,292	**2,960,533**	**1,846,698**	**775,899**	**13,451,422**

Councillors are remunerated in terms of the public office bearers act as gazetted by the MEC responsible for local government.

30. Depreciation and amortisation

Property, plant and equipment	103,508,618	70,675,038

31. Impairment loss

Impairments		
Property, plant and equipment	4,584,064	1,265,578
Trade and other receivables	101,994,359	105,633,121
	106,578,423	**106,898,699**

32. Finance costs

Service concession arrangements	1,216,706	293,738

33. Bulk purchases

Water	59,347,514	53,805,729

Material losses

Purchased during the year	5,798,700	6,003,116
Sold during the year	(3,227,773)	(3,148,556)
Unaccounted - Normal distribution losses - % water (2023 -8%) (2022 - 12%)	2,570,927	2,854,560
Kilo litres	407,333	690,433
Loss (R): At cost	4,206,289	6,957,238
Total	-	-

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

34. Contracted services

Specialist Services	494,000	519,800
Outsourced Services		
Business and Advisory	1,158,073	3,089,568
Hygiene Services	26,179,557	24,659,124
Security Services	33,652,415	23,339,793
Consultants and Professional Services		
Business and Advisory	51,231,979	37,152,145
Laboratory Services	9,101,594	9,634,204
Legal Cost	3,721,212	5,954,872
Contractors		
Maintenance of Buildings and Facilities	-	145,690
Maintenance of Unspecified Assets	13,998,905	21,153,157
	139,537,735	**125,648,353**

35. General expenses

Auditors remuneration	5,858,506	4,771,315
Bank charges	186,090	184,416
Skills Development Fund Levy	1,326,641	1,274,531
Travel and subsistence	2,249,418	2,344,604
Operating Lease	976,369	701,617
Entertainment	2,469,382	1,495,141
Fines and penalties	447,089	470,278
Catering	53,306	33,300
Insurance	4,016,434	4,381,082
IT expenses	33,370	14,205
Promotions and sponsorships	318,985	121,950
Magazines, books and periodicals	233,846	157,708
Fuel and oil	3,917,183	2,562,579
Postage and courier	1,600	2,370
Repairs and maintenance	2,823,803	1,873,663
Royalties and license fees	111,904	159,521
Subscriptions and membership fees	2,088,208	3,495,554
Telephone and fax	4,433,970	3,954,621
Travel - local	4,913,762	1,328,889
Utilities	17,268,181	17,014,695
Indingent relief	7,647,538	13,016,808
Stipends	5,715,093	5,259,366
Other expenses	9,831,028	6,602,092
	76,921,706	**71,220,305**

Figures in Rand	2023	2022

36. Cash generated from operations

Surplus	65,740,215	53,889,786
Adjustments for:		
Depreciation and amortisation	103,508,618	70,675,038
Gain on sale of assets and liabilities	7,950,591	121,928
PPE Impairment	4,584,064	-
Impairment deficit	101,994,359	106,898,699
Bad debts written off	4,477,719	-
Movements in operating lease assets and accruals	33,557	(18,420)
Movements in retirement benefit assets and liabilities	600,000	639,000
Other non-cash items	-	(33,818)
Other non-cash items	(16,278,807)	-
Changes in working capital:		
Inventories	(101)	83,215
Receivables from exchange transactions	(91,398,691)	(91,958,950)
Other receivables from non-exchange transactions	3,193,095	9,025,176
WIP-Inventory	4,682,527	(3,668,679)
Payables from exchange transactions	3,385,828	29,696,949
VAT	(560,534)	5,902,896
Payables from (non-exchange) transactions	(3,754,193)	(2,046,369)
Unspent conditional grants and receipts	(13,211,596)	10,805,113
Decrease / (Increase) in other receivables from exchange	(1,076,983)	-
(Decrease) / Increase in consumer deposits	(30,476)	-
	173,839,192	**190,011,564**

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Approved and contracted for	111,383,145	21,097,547
Total capital commitments		
Already contracted for but not provided for	111,383,145	21,097,547

Authorised operational expenditure

Already contracted for but not provided for		
• Approved and contracted for	61,689,474	90,043,138
Total operational commitments		
Already contracted for but not provided for	61,689,474	90,043,138

Total commitments

Total commitments		
Authorised capital expenditure	111,383,145	21,097,547
Authorised operational expenditure	61,689,474	90,043,138
	173,072,619	**111,140,685**

This committed expenditure relates to capital and operations and will be financed by existing cash resources, funds internally generated and government grants.

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

Contingent liabilities incurred relating to interests in other entities

Contingent Liabilities	Nature	2023	2022
Bathini Security Services-Civil Matter (Against)- Matter still pending in court with possibility of liability	MLM filed its plea way back in 2009 which counter claim as a result of theft of MLM poperties (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 in Court	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 judgement in 2018.There 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.	15,000,000	11,314,851
T Nxumalo v MLM	Employee was dismissed for forging his superior's signature. CCMA ruled in favour of MLM, the employee applied for a review of the award	1,500,000	-
Mabotwane Security Services v MLM	Claim for unpaid invoices	1,000,000	-
		40,775,111	**34,589,962**

Other 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.

Figures in Rand	2023	2022

38. Contingencies (continued)

Contingent assets

	2023	2022
Sizwe Auctions / MLM, Claim for damages against Sizwe Auctions, PendingatPretoria High Court.	3,515,057	3,515,057

39. Related parties

Relationships	
Accounting officer	Refer to note 28
Members of key management and remuneration	Refer to note 29
Councillors	Refer to note 29
Councillor arrear balances	Refer to note 46

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

2022

	Note	As previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Inventories		222,691	-	-	-	222,691
Public toilet-Work in progress		4,682,527	-	-	-	4,682,527
Operating lease asset		83,470	-	-	-	83,470
Receivables from exchange transactions		34,658,213	-	-	-	34,658,213
Receivables from non-echange transactions		46,619,211	-	-	-	46,619,211
Cash and cash equivalents		256,506,847	-	-	-	256,506,847
Investment property	[a]	5,717,000	476,136	-	(308,000)	5,885,136
Property, plant and equipment	[b]	1,180,801,353	50,016,919	(18,850,885)	308,000	1,212,275,387
Intangible assets	[c]	1,955,280	355,533	-	-	2,310,813
Heritage assets		206,303	-	-	-	206,303
Payables from exchange transactions	[d]	(165,062,763)	9,300,736	-	-	(155,762,027)
Payables from non-exchange transactions		(4,256,319)	-	-	-	(4,256,319)
VAT payable	[e]	(13,521,059)	24,783	-	-	(13,496,276)
Employee benefit obligation: Short term		(528,000)	-	-	-	(528,000)
Unspent conditional grants and receipts		(14,076,570)	-	-	-	(14,076,570)
Employee benefit obligation: Long term		(6,468,000)	-	-	-	(6,468,000)
Accumulated surplus	[f]	(1,327,540,184)	(60,174,107)	18,850,885	-	(1,368,863,406)
		-	-	-	-	-

Figures in Rand	2023	2022

40. Prior-year adjustments (continued)

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Restated
Service charges		61,195,260	-	61,195,260
Rendering of services		11,394	-	11,394
Rental of facilities and equipment		172,198	-	172,198
Impairment reversal (Investments)		3,500,000	-	3,500,000
Sale of goods		260,112	-	260,112
Operating income		98,793	-	98,793
Interest received		23,796,785	-	23,796,785
Property rates		40,242,211	-	40,242,211
Government grants and subsidies		572,245,889	-	572,245,889
Fines, penalties and forfeits		647,595	-	647,595
Employee related costs		(134,850,336)	-	(134,850,336)
Remuneration of councillors		(20,507,272)	-	(20,507,272)
Depreciation and amortisation	[g]	(59,610,983)	(11,064,055)	(70,675,038)
Impairment loss	[h]	(114,055,978)	7,157,279	(106,898,699)
Finance costs		(293,738)	-	(293,738)
Bulk purchases	[i]	(63,106,465)	9,300,737	(53,805,728)
Contracted services	[j]	(126,188,654)	540,300	(125,648,354)
Loss on disposal of assets and liabilities	[k]	(757,726)	635,798	(121,928)
Actuarial losses		(1,586,707)	-	(1,586,707)
Public toilet distributed		(61,350,050)	-	(61,350,050)
Inventory consumed		(1,322,296)	-	(1,322,296)
General expenses	[l]	(71,418,305)	198,000	(71,220,305)
Surplus for the year		**47,121,727**	**6,768,059**	**53,889,786**

Cash flow statement

2022

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Suppliers	[o]	(329,125,172)	713,518	(328,411,654)
Cash flow from investing activities				
Purchase of property, plant and equipment	[p]	(104,261,458)	(350,300)	(104,611,758)
Purchase of Intangible assets	[p]	(164,782)	(363,217)	(527,999)
		(104,426,240)	**(713,517)**	**(105,139,757)**

[a] Investment Property

Investment property was restated as a result of fair value adjustments and transfers done from investment properties to property,plant and equipment.

[b] Property, plant and equipment

Property, plant and equipment was restated to correct effect of fully depreciated assets that were still in use in the prior year. Remaining useful lives of assets were revised and carrying amounts for assets was revised. Assets found on the floor and not on the asset register were included based on value of similar assets. Corrections were also made to disposals in order to reflect the correct carrying amounts of assets at year-end.

40. Prior-year adjustments (continued)

[c] Intangible assets

Investment property was restated due to some prior year additions that were expensed in error and are now being capitalised and amortised retrospectively.

[d] Payables from exchange

Payables from exchange were restated because of an invoice of R9 300 736 that was raised in error by Magalies water in the prior year and was later reversed in the current year. This resulted in the restatement of payables from exchange transactions and bulk water purchases by R9 300 736.

[e] VAT payable

VAT payable was restated due to an Intangible assets invoice that was incorrectly expensed without accounting for VAT correctly in the prior year .

[f] Accumulated Surplus

Opening balance	(1,327,540,184)
Investment property	(168,136)
Property, plant and equipment	(31,474,034)
Intangible assets	(355,533)
Payables from exchange transactions	(9,300,736)
Vat payable	(24,783)
Restated opening balance	**(1,368,863,406)**

Accumulated surplus balance is affected by the total movement of all restatements as shown in the table above.

[g] Depreciation and amortisation

Depreciation was restated due to changes in accounting policy for useful lives and restatement of items of property, plant and equiment. The change in useful lives was necessary to ensure that the Municipality does not have fully depreciated assets still in use. These are reflective of the correct pattern of usage and will be reassesed at the end of each financial period. Refer to explanation [b] above.

[h] Impairment loss

Impairment was incorrectly determined in the prior year. This was reassesed and recomputed to reflect the correct position.

[i] Bulk purchases

An invoice from Magalies water was reversed by the supplier therefore invalidating it. This resulted in the restatement of payables from exchange transactions and bulk water purchases by R9 300 736.

[j] Contracted services

This was restated because of Intangible assets that were incorrectly expensed in the prior year were capitalised.

[k] Loss on disposal of assets

Items of property, plant and equipment that could not be identified were written-off.

40. Prior-year adjustments (continued)

[l] General expenses

The restatements of general expenses was as a result of Intangible assets of R198 000 that were incorrectly expensed in the prior year were capitalised and an amount of R729 950 that was remapped from remuneration of councillors expenses to travel and local expenses

[m] Irregular expenditure

Irregular expenduture raised in the prior year was adjusted to include value added tax in accordance with MFMA Circular No 68.

	2023	2022
Opening balance as previously reported	-	885,576,226
Add: Prior period error - Vat adjustment for Irregular disclosed excluding vat	-	5,016,358
Restated opening balance	**-**	**890,592,584**

[n] Unauthorised expenditure

Unauthorised expenditure movements were adjusted with the effect of errors that were corrected in the prior year.

	Balance as previously stated	Correction of error	Total
Opening balance	678,426,437	-	678,426,437
Unauthorised expenditure identified during the year	138,998,578	(54,754,405)	84,244,173
Approved by council	(107,895,238)	54,753,947	(53,141,291)
	709,529,777	**(458)**	**709,529,319**

[o] Cashflow from operating activities

Payments to Suppliers

Payments to suppliers was reduced by an amount of R 713 517,83 which was reclassified from expenses to PPE and Intangible assets.

[p] Cashflows from Investing Activities

Purchase of Property, Plant and Equipment

Purchase of PPE increased by an amount of R 350 300,44 which was made up of amounts of R198 000 and R 152 300,44 which were reclassified (capitalised) from expenses to PPE.

Purchase of other Intangible Assets

Purchase of other Intangible Assets increased by R 363 217,39 due to intangible assets reclassified from expenses to intangible assets.

[q] Material losses

Water losses were overstated due to a use of an incorrect rate in the calculation.

	As previously stated	Correction of error	Total
Purchased during the year	6,003,116	-	6,003,116
Sold during the year	(590,916)	(2,557,639)	(3,148,555)
Unaccounted - Normal distribution losses - % water (2022 - 12%)	5,412,200	(2,557,639)	2,854,561

Notes to the Annual Financial Statements

Figures in Rand		2023	2022
40. Prior-year adjustments (continued)			
Kilo litres	3,248,072	(2,557,639)	690,433
Loss (R) : At cost	**32,729,630**	**(25,772,393)**	**6,957,238**

Notes to the Annual Financial Statements

Figures in Rand

41. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	34,541,602	34,541,602
Cash and cash equivalents	271,718,311	271,718,311
	306,259,913	**306,259,913**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	173,027,647	173,027,647

2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	34,658,213	34,658,213
Cash and cash equivalents	256,506,847	256,506,847
	291,165,060	**291,165,060**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	155,762,027	155,762,027

Financial instruments in Statement of financial performance

2023

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	36,564,348	36,564,348
Impairment loss	(4,477,719)	(4,477,719)
	32,086,629	**32,086,629**

2022

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	23,796,785	23,796,785

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.

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	173,027,647	-	-	-

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	155,762,027	-	-	-

42. Risk management (continued)

Credit risk

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 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 2022/23 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.t

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.

42. Risk management (continued)

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 high credit-ratings assigned by international credit-rating agencies

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

Financial instrument	2023	2022
Receivables from exchange transactions	34,541,602	34,658,213
Receivables from non-exchange transactions	43,426,116	46,619,211
Cash and cash equivalents	271,718,311	256,506,847

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 2020/21 financial year.

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

43. Unauthorised expenditure

	2023	2022
Opening balance as previously reported	709,529,319	678,426,437
Opening balance as restated	709,529,319	678,426,437
Add: Expenditure Identified - current	119,299,528	84,244,173
Less: Amount recovered - current	(119,299,528)	(53,141,291)
Closing balance	**709,529,319**	**709,529,319**

Figures in Rand	2023	2022

44. Fruitless and wasteful expenditure

Opening balance as previously reported	17,102,644	16,333,832
Add: Fruitless and wasteful expenditure identified - current	1,806,047	768,812
Closing balance	**18,908,691**	**17,102,644**

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest charged by Eskom		24,576	32,049
SARS interest and penalties		463,548	184,773
Interest on overdue account - Magalies		1,172,933	539,746
Overdue charge - Auditor General		2,738	12,244
315 licences for Antivirus Software were renewed at the cost of R 583 per license. Based on the Antivirus screen shot received only 71 of these licences were in use.		142,252	-
		1,806,047	**768,812**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

45. Irregular expenditure

Movement summary

Description						
Opening balance as previously reported	-	-	-	-	932,988,155	885,576,226
Prior period error adjustments: Vat adjustment for Irregular expenditure	-	-	-	-	-	5,617,861
Subtotal	-	-	-	-	932,988,155	891,194,087
Add: Irregular expenditure current	-	-	-	-	12,164,920	6,580,163
Add: Irregular expenditure identified during the audit	-	-	-	-	10,172,091	35,213,905
	-	**-**	**-**	**-**	**955,325,166**	**932,988,155**

A report has been sent tabled to council to recommend a to the council committee to investigate all incidents/cases listed below. 3 (2022:10) which are all related to non-compliance with the procurement process requirements.

Incident 2023	Disciplinary steps taken/criminal proceedings		
Tax non-compliant on CSD report	Consequence management not followed	-	8,024,823
Declaration of interest incomplete	Consequence management not followed	-	4,140,000
Predetermined requirements not met	Consequence management not followed	-	1,123,309
Bid Adjudication Quorum not met	Consequence management not followed	-	7,410,634
Preferential procurement - 16 January 2023 not applied on Quotations below R30,000.	Consequence management not followed	-	1,638,245
		-	**22,337,011**

Figures in Rand		2023	2022

45. Irregular expenditure (continued)

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

Incident 2022	**Disciplinary steps taken/criminal proceedings**		
Payments main in contravention of the supply chain management regulations which are included in irregular expenditure disclosed in note 39 to the financial state	Consequence management not followed	-	1,194,000
Award made to supplier whose Director's Municipal account not submitted	Consequence management not followed	-	1,620,000
Declaration of interest not complete	Consequence management not followed	-	1,288,749
Tax non-compliant on CSD report	Consequence management not followed	-	3,766,163
Inconsistent supporting documents supplied	Consequence management not followed	-	198,000
Three qoutations not obtained	Consequence management not followed	-	189,500
Payment made to an invoice not in the name of the municipality but in the name of the Contractor who was drilling the boreholes and had to apply to Eskom to connect them to pump water	Consequence management not followed	-	2,191
Predetermined requirements not met	Consequence management not followed	-	8,571,199
Error in employee costs	Consequence management not followed	-	264,540
Contract expired as it was based on the construction period	Consequence management not followed	-	24,699,726
		-	**41,794,068**

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2023	2022
Current year subscription / fee	2,007,612	1,721,464
Amount paid - current year	-	(1,721,464)
	2,007,612	**-**

Figures in Rand	2023	2022

46. Insurance fund (continued)

Audit fees

	2023	2022
Current year subscription / fee	5,860,648	4,771,315
Amount paid - current year	(5,860,648)	(4,771,315)
	-	-

PAYE and UIF

	2023	2022
Current year subscription / fee	27,191,852	28,100,453
Amount paid - current year	(32,673,120)	(30,968,837)
	(5,481,268)	**(2,868,384)**

Pension and Medical Aid Deductions

	2023	2022
Current year subscription / fee	13,834,468	22,605,987
Amount paid - current year	(13,834,468)	(22,605,987)
	-	-

Councillors' arrear consumer accounts

There was no councillors who had arrears as at 30 June 2023.

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr AL Zimba	-	600	600
Cllr DK Motlhasedi	-	4,706	4,706
Cllr ED Segona	-	4,706	4,706
Cllr JD Mathimbi	-	6,311	6,311
Cllr MJ Kau	-	146	146
Cllr PK Letlape	-	3,798	3,798
Cllr RC Pete	-	4,706	4,706
Cllr S Mashele	-	1,378	1,378
Cllr S MD Kodisang	-	3,798	3,798
Cllr DS Sethole	-	2,105	2,105
Cllr FM Tskoku	-	6,166	6,166
Cllr MM Moetji	-	337	337
Cllr NK Mleta	-	85	85
Cllr VK Maluleka	-	2,099	2,099
Cllr SM Ndlala	-	4,706	4,706
	-	**45,647**	**45,647**

VAT

	2023	2022
VAT payable	12,935,743	13,496,276

VAT output payables and VAT input receivables are shown in note .

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

47. Deviation from supply chain management regulations

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

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

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Incident		
Emergency	541,812	1,071,980
Sole supplier	339,484	214,912
Impractical or impossible	209,831	28,000
	1,091,127	**1,314,892**

48. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of seven major functional areas:Community and Social Services,Energy Sources,Road Transport, Sport and Recreation,Waste Water Management, Water Management and other which consists of executive and council, municipal manager, budget and treasury office, human resources and corporate services, infrastructure development services, community development services and local and economic development.. 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 operates in the 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.

48. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Community and Social Services	Energy Sources	Road Transport	Sports and Recreation	Waste Water Management	Water Management	Other	Total
Revenue								
Service charges	-	-	-	-	-	63,840,019	-	63,840,019
Rendering of services	-	-	-	-	-	7,217	716	7,933
Rental of facilities and equipment	-	-	-	-	-	-	172,730	172,730
Sale of goods	-	-	-	-	-	39,247	666,207	705,454
Fair value adjustment	-	-	-	-	-	-	16,278,807	16,278,807
Operating income	-	-	-	2,110	-	-	84,532	86,642
Interest received	-	-	-	-	-	-	36,564,348	36,564,348
Actuarial Gains	-	-	-	-	-	-	213,000	213,000
Property rates	-	-	-	-	-	-	29,779,147	29,779,147
Government Grants and Subsidies	1,190,955	-	-	115,408	-	66,997,999	549,837,234	618,141,596
Fines and penalties	-	-	650,291	-	-	-	-	650,291
Total segment revenue	**1,190,955**	**-**	**650,291**	**117,518**	**-**	**130,884,482**	**633,596,721**	**766,439,967**
Entity's revenue								**766,439,967**

Notes to the Annual Financial Statements

Figures in Rand

48. Segment information (continued)

	Community and Social Services	Energy Sources	Road Transport	Sports and Recreation	Waste Water Management	Water Management	Other	Total
Expenditure								
Employee related costs	15,306,471	-	10,091,373	3,255,516	-	2,659,558	113,055,466	144,368,384
Remuneration of councillors	-	-	-	-	-	-	21,555,866	21,555,866
Depreciation and amortisation	-	-	-	-	-	103,508,618	-	103,508,618
Impairment loss	-	-	-	-	-	106,578,423	-	106,578,423
Finance costs	-	-	-	-	-	-	1,216,706	1,216,706
Bad debts written off	-	-	-	-	-	4,477,719	-	4,477,719
Bulk purchases	-	-	-	-	-	59,347,514	-	59,347,514
Contracted services	-	848,581	68,358	-	-	21,813,426	116,807,373	139,537,738
Loss on disposal of assets	-	-	-	-	-	-	7,950,591	7,950,591
Public toilets distributed	-	-	-	-	33,932,881	-	-	33,932,881
Inventory Consumed	22,000	-	-	115,408	-	102,195	1,064,006	1,303,609
General Expenses	2,980,918	13,432,874	1,344,786	216,653	-	7,128,238	51,818,236	76,921,705
Total segment expenditure	**18,309,389**	**14,281,455**	**11,504,517**	**3,587,577**	**33,932,881**	**305,615,691**	**313,468,244**	**700,699,754**
Total segmental surplus/(deficit)								**65,740,213**

2022

	Executive and Council	Municipal Manager	Budget and Treasury Office	HR and Corporate Servicess	Infrastructure Development Services	Community Development Services	Local Economic Development	Total

48. Segment information (continued)

Revenue								
Revenue from exchange transactions	-	-	4,396,898	-	56,798,362	-	-	61,195,260
Rental	-	-	172,198	-	-	-	-	172,198
Other Income	-	-	365,986	-	-	4,313	-	370,299
Interest on investment and bank	-	-	10,813,000	-	-	-	-	10,813,000
Interest on outstanding debtor	-	-	12,275,937	-	-	707,848	-	12,983,785
Impairment reversal	-	-	3,500,000	-	-	-	-	3,500,000
Property rates	-	-	40,242,211	-	-	-	-	40,242,211
Government Grants and Subsidies	-	-	360,908,311	-	210,530,949	806,629	-	572,245,889
Fines and penalties	-	-	647,595	-	-	-	-	647,595
Total segment revenue	**-**	**-**	**433,322,136**	**-**	**267,329,311**	**1,518,790**	**-**	**702,170,237**
Entity's revenue								**702,170,237**
Expenditure								
Employee costs	23,221,090	10,656,949	29,722,208	31,986,153	18,347,389	19,109,573	1,806,975	134,850,337
Remuneration of councillors	20,507,272	-	-	-	-	-	-	20,507,272
Depreciation	-	-	-	-	59,610,983	-	-	59,610,983
Impairment of Assets	-	-	8,422,857	-	-	-	-	8,422,857
Finance Cost	-	-	293,738	-	-	-	-	293,738
Debt Impairment	-	-	105,633,121	-	-	-	-	105,633,121
Bulk purchases	-	-	-	-	63,106,465	-	-	63,106,465
Contracted services	1,087,461	138,273	8,651,295	56,549,921	29,440,043	1,957,608	28,364,053	126,188,654
General Expenditure	11,230,239	2,205,812	24,148,271	15,430,222	13,411,384	1,153,859	3,838,518	71,418,305
Public toilet	-	-	-	-	61,350,050	-	-	61,350,050
Inventory consumed	-	-	6,310	1,363,248	(47,262)	-	-	1,322,296
Total segment expenditure	**56,046,062**	**13,001,034**	**176,877,800**	**105,329,544**	**245,219,052**	**22,221,040**	**34,009,546**	**652,704,078**
Total segmental surplus/(deficit)								**49,466,159**
Loss on assets								757,726
Actuarial losses								1,586,707
Entity's surplus (deficit) for the period								**47,121,726**

49. 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

STATEMENT OF FINANCIAL PERFORMANCE

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

Service charges - The movement is with the acceptable threshold.

Rental of facilities and equipment - The rental budget was projected basic on previous year actuals but the demand for Rental was more after the adjustment budget. Rental depends on customers when they needs our assets for rental

Other Income - Other income is made up of sales of tender documents,sale of water by trucks and approval of building plans.In the current year, we sold more than we planned.

Interest received (Investment and bank) - This amount is more than the projected amount due to an unforeseen hike in interest rates by the South African Bank.

Interest Received from outstanding debtors - This amount is higher than budget due to an increase in the debtors balances.

Fines and penalties - Fines and penalties shows 62% performance lower than the projections, because less than budgeted came to pay their licences and traffic fines.

Property rates - The property rates actual were higher than the projected amount due to incorrect rates used in budgeting for this area.

Fair value adjustments for Investment property - This is due to the Fair value assessment done on the assets(Investment Properties) and was not budgeted for as it is done at the end of the financial year.

Actuarial Gains - These are purely a result of actuary assessments conducted on Long Service Awards.

Employee costs - Employee cost reflects unfavourable variance of 13% , this is due to vacant posts that were no filled

Councillors Remuneration - The movement is within the acceptable threshold.

Depreciation and Assets impairment - Depreciation and impairment reflects unfavourable variance of 63% and this is more than the acceptable norm of 5%. This was caused by more assets additions than budgeted which translated to a higher figure of depreciation.

Debts written off - The Indigents debt which were written off were not budgeted for.

Debt Impairment - Debt impairment was higher than budgeted because the actual debtors collections rates were less than the budgeted debtors collection rates.

Bulk Purchases - This amount was more than the budgeted because more water than anticipated was consumed.

Contracted Services - The movement is within the acceptable threshold.

Inventory Consumed - The movement is within the acceptable threshold.

General Expenditure - The movement is within the acceptable threshold.

Assets Write- off - The movement is within the acceptable threshold.

Public Toilets - Basic Sanitation was budgeted under Capital expenditure and it was expensed under operational , the toilets (assets) belongs to the community

STATEMENT OF FINANCIAL POSITION

49. Budget differences (continued)

Public Toilets - Basic Sanitation was budgeted under Capital expenditure and it was expensed under operational , the toilets (assets) belongs to the community

Inventories - The amount budgeted for inventories was more than the actual amount spent because the construction of public toilets which were later expenses during the year.

Operating Leases Assets - The budget did not take into account the operating lease assets.

Receivables from exchange - The difference between actual and budget is due to an incorrect amount debt impairment used during the budgeting process.

Receivables from non-exchange - The actual amount was less than the budget due to the reduction of rates for state departments from R0.60 to R0.20. since the Municipality was charging higher rates on state departments as compared to the other municipalities.

Cash and cash equivalents - The movement is within the acceptable threshold.

Investment property - The actual amount was more than the budgeted because there were additonal assets that were identified by the internal asset verification exercise that were taken on the Fixed Asset Register but were not budgeted for.

Property, Plant and Equipment - The movement is within the acceptable threshold.

Intangible assets - The actual amount is less than the budgeted amount because more intangibles were amortised as compared to the budgeted amount of assets that were expected to be amortised.

Heritage Assets - The movement is within the acceptable threshold.

Payables - The budget was more than the actual because the Municipality expected to make more payments than what was actually paid.

VAT payable - The Municipality did not budget for VAT payments.

Employee benefit obligations - Actuarial assumptions were done at the end of the financial year after the budgeting process.

Unspent conditional grants and receipts - The Municipality expected to spent all the grants receipt and hence it did not budget for unspent conditional grants.

CASHFLOW STATEMENT

Property rates and service charges -Actual is less than budgeted due to a price decrease of tariffs for Government properties which decreased from 0,06 to 0,02.

VAT Refund - The Municipality did not budget for VAT Refund

Grants : Operational and Capital - The amount received as Grants was less than the budgeted amount.

Interest - The Municipality received more money than the budgeted due to an increase in interest trates that was effected by the South African Reserve Bank.

Other Receipts - This was more than the budgeted due to the Municipality selling more goods than anticipated and an actruarial gain of R213 000 which was not anticipated.

Suppliers and Employee costs - This was more than the budgeted due to annual salary increases on employee costs and a a general rising costs of the CPI causing the Municipality to pay more for goods than anticipated.

Finance Costs - The Municipality did not budget for finance costs.

Notes to the Annual Financial Statements

49. Budget differences (continued)

Purchase of PPE & Intangible assets - The Municipality spent less on PPE and Intangible assets as compared to the budgeted amount.

50. 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.

51. Events after the reporting date

There are no significant events after the reporting date.