Madibeng Local Municipality
(Registration number NW372)
Annual Financial Statements
for the year ended 30 June 2023

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land use management, economic and environmental development and delivering general services to the community
Mayoral committee	
	Cllr. CK Montsho (Budget & Treasury)
	Cllr. EM Bopape (Corporate Support Services)
	Cllr. LL Nkhoma (Economic Development, Tourism & Agriculture)
	Cllr. PB Makhongela (Human Settlement & Planning)
	Cllr. LG Mhlambi (Community Development)
	Cllr. FJ Motepe (Public Safety & Facilities Management)
	Cllr. DM Molekoa (Infrastructure & Technical Services)
	Cllr. RL Maluleke (IDP, PMS & Legal)
	Cllr. M Masuku (Roads & Transport)
	Cllr JM Modipane (Intergovernmental Relations & Special Projects)
Executive Mayor	Hon. DS Maimane
Councillors	Cllr. IB Bhebe
	Cllr. MD Bodigelo
	Cllr. JB Chiya
	Cllr. G Clouston
	Cllr. A Dinga
	Cllr. M Du Plessis
	Cllr. CM Greenwood-Selby
	Cllr. EM Kgautle
	Cllr. TB Khutoane
	Cllr. JE Klopper
	Cllr. S Komape
	Cllr. SP Khungoane
	Cllr. PP Legong
	Cllr. EDF Lourens
	Cllr. NS Mabunda
	Cllr. TJ Makhubela
	Cllr. JM Mamabolo
	Cllr. PD Mamogwe
	Cllr. B Manne
	Cllr. MS Maphoru
	Cllr. AK Mashilo
	Cllr. RB Matlala
	Cllr. AT Matlou
	Cllr. KG Matlou
	Cllr. D Mbezi
	Cllr. TW Mhlanga
	Cllr. OR Modibane
	Cllr. S Mohale
	Cllr. TJ Mohlabane
	Cllr. RR Mohulatsi
	Cllr. PT Mokau

General Information

	Cllr. RM Mokoka
	Cllr. G Mokonoto
	Cllr. NF Mokwena
	Cllr. T Mokwena
	Cllr. MS Moloi
	Cllr. S Monnakgotla
	Cllr. RN Moraile
	Cllr. MD Morapedi
	Cllr. WK Morare
	Cllr. SS Moreki
	Cllr. PL Motaung
	Cllr. C Mphahlele
	Cllr. WJ Muller
	Cllr. NE Nkoane
	Cllr. KA Nthekiso
	Cllr. LM Ntobong
	Cllr. RP Padi
	Cllr. LSG Phaloane
	Cllr. J Pieterse
	Cllr. P Pretorius
	Cllr. NR Rakolle
	Cllr. J Ratloi
	Cllr. LA Ratlou
	Cllr. RS Riba
	Cllr. GJ Rossouw
	Cllr. LP Sedio
	Cllr. CS Sekhotho
	Cllr. MT Selialia
	Cllr. PM Sepuru
	Cllr. MI Sethe
	Cllr. A Sethole
	Cllr. JM Sibanda
	Cllr. LM Simango
	Cllr. JD Smith
	Cllr. PRD Songwane
	Cllr. L Stoltz
	Cllr. P Tsheola
	Cllr. E Van Der Schyff
	Cllr. JC Van Rhyn
	Cllr. MJ Ratele
Grading of local authority	Category B Local Municipality
Accounting Officer	Mr J Mashigo (Acting)
Chief Finance Officer (CFO)	Mr S Rikhotso (Acting)
Registered office	53 Van Velden street Brits North West 0250

General Information

Postal address	PO Box 106 Brits North West 0250
Primary Banker	First National Bank
Auditors	Auditor General of South Africa
Attorneys	Ngcingwana Attorneys Mpoyana Ledwaba Attorneys Marivate Attorneys ME Tlou Attorneys Gildenhuys Malatji Incorporated Vhonani Nemakanga Incorporated Malatji & Co Attorneys Matlala Von Metzinger Attorneys

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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
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
DORA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
INEP	Integrated Electrification Programme
IPSAS	International Public Sector Accounting Standards
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal System Improvement Grant
PIC	Public Investment Corporation
SALGA	South African Local Government Association
SARS	South African Revenue Services
SCM	Supply Chain Management
VAT	Value Added Tax
VBS	Venda Building Society (Mutual Bank)
WSIG	Water Sanitation Infrastructure Grant

Accounting Officer's Responsibilities and Approval

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

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

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

I, as the accounting officers acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable us to meet these responsibilities, we have 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.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. This assurance is further supported by the fact that all mSCOA versions and patch upgrades were implemented in line with National Treasury's requirements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I have reviewed the municipality's cash flow forecast for the year to 30 June 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 annual financial statements are prepared on the basis that the municipality is a going concern and that Madibeng Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although I am primarily responsible for the financial affairs of the municipality, I am supported by the municipality's senior management team, internal auditors, external auditors and oversight governance structures of Council.

I would like to bring the following material matters to your attention:
I certify that the salaries, allowances and benefits of councillors as disclosed in the financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of the Republic of South Africa, read together with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government determination in accordance with the Act.

The external auditors, being the Auditor General of South Africa, is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be presented for examination by the municipal internal auditors and external auditors.

The annual financial statements set out on pages 9 to 95, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

Mr J Mashigo
Acting Municipal Manager

Statement on Internal Financial Controls

The directors, whose names are stated below, hereby confirm that:

(a) the annual financial statements set out on pages 9 to 95, fairly present in all material respects the financial position, financial performance and cash flows of the municipality in terms of GRAP;

(b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading

(c) internal financial controls have been put in place to ensure that material information relating to the municipality has been provided to effectively prepare the annual financial statements of the municipality; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Mr J Mashigo
Acting Municipal Manager

Thursday, 31 August 2023

Mr S Rikhotso
Acting Chief financial officer

Thursday, 31 August 2023

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government: Municipal Demarcation Act, 1998 and operates principally in South Africa.

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

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 5 034 912 072 and that the municipality's total assets exceed its liabilities by R 5 034 912 073.

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

3. Subsequent events

All material subsequent events are disclosed within the notes of the annual financial statements.

4. Accounting Officers' interest in contracts

The Accounting Officers' had no interest in contracts awarded by the municipality.

5. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Corporate governance

General

Council has a very strict attitude towards legislative compliance, specifically the supply chain management principles, and also the proper functioning of Performance and Audit Committe, Municipal Public Accounts Committee (MPAC) and the Financial Disciplinary Board.

Internal audit

The municipality has an in-house internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

7. Primary Bankers

The primary bank account of the municipality as required by Section 8 of the MFMA is held with First National Bank

8. Auditors

Auditor General of South Africa will continue in office for the next financial period.

9. Non-compliance with applicable legislation

(1) The municipality has failed to comply with Section 65(2)(e) of the MFMA in terms of servicing suppliers invoices being paid within 30 days of receipt. This Non-compliance has resulted in fruitless and wasteful investment in some cases. The municipality's present cash flow constraints are the basis for non-compliance with the legislative provisions. A financial recovery plan is under development to restore the financial viability and sustainability of the municipality.

Accounting Officer's Report

. Non-compliance with applicable legislation (continued)

(2) The municipality has failed to comply with some grant conditions with regards to efficiency of spending and implementing capital grant programmes, as a result, there was a reduction on the amounts allocated to the municipality in terms of DORA.

(3) In prior audits, it was discovered that the municipality had violated Supply Chain Management Regulations by awarding commercial opportunities to state employees. In all these instances, the service providers deliberately concealed their relationship with the state by making false declaration on Municipal Bidding Documents (MBD) and the municipal internal processes, coupled with Central Supplier Database (CSD) of National Treasury, failed to detect such instances. The municipality is yet to devise an innovative strategy to identify and curb all instances of non-compliance from recurring.

The annual financial statements set out on pages 9 to 95, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

Mr J Mashigo
Acting Municipal Manager

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	35 123 611	22 010 298
Other financial assets	4	3 234 734	3 129 571
Other receivables	5	54 231 800	56 594 150
Receivables from non-exchange transactions	6	583 727 667	649 377 704
VAT receivable	56	61 054 035	-
Consumer debtors	7	1 167 500 672	806 461 182
Cash and cash equivalents	8	181 939 593	203 260 849
		2 086 812 112	**1 740 833 754**
Non-Current Assets			
Investment property	9	99 655 000	99 555 000
Property, plant and equipment	10	4 844 328 672	4 842 002 737
Intangible assets	11	2	2
Heritage assets	12	10 100	10 100
		4 943 993 774	**4 941 567 839**
Non-Current Assets		4 943 993 774	4 941 567 839
Current Assets		2 086 812 112	1 740 833 754
Total Assets		**7 030 805 886**	**6 682 401 593**
Liabilities			
Current Liabilities			
Other financial liabilities	13	325 279 924	325 279 924
Operating lease liability	14	-	14 784 950
Payables from exchange transactions	15	1 453 414 342	755 486 394
VAT payable	16	-	7 437 568
Consumer deposits	17	24 852 862	25 218 890
Employee benefit obligation	18	9 981 000	7 245 000
Unspent conditional grants and receipts	19	1 630 803	74 914 270
		1 815 158 931	**1 210 366 996**
Non-Current Liabilities			
Employee benefit obligation	18	163 537 011	168 108 011
Provisions	20	17 197 871	19 384 883
		180 734 882	**187 492 894**
Non-Current Liabilities		180 734 882	187 492 894
Current Liabilities		1 815 158 931	1 210 366 996
Total Liabilities		**1 995 893 813**	**1 397 859 890**
Assets		7 030 805 886	6 682 401 593
Liabilities		(1 995 893 813)	(1 397 859 890)
Net Assets		**5 034 912 073**	**5 284 541 703**
Accumulated surplus		5 034 912 073	5 284 541 703
Total Net Assets		**5 034 912 073**	**5 284 541 703**

* See Note 41

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	867 323 786	799 807 095
Rental of facilities and equipment	22	1 940 326	1 931 110
Agency services	23	17 663 691	14 180 025
Licences and permits	24	6 685 518	6 336 607
Other income	25	27 463 001	17 881 617
Interest received from debtors	26	56 239 747	76 520 003
Fair value adjustments		-	1 120 154
Actuarial gains		22 778 000	-
Gain on provision for land fill site		4 243 457	947 543
Interest received from investments	26	16 443 489	6 902 741
Total revenue from exchange transactions		**1 020 781 015**	**925 626 895**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	413 887 127	293 658 694
Interest from property rates	57	32 168 513	22 520 459
Transfer revenue			
Government grants & subsidies	28	1 263 646 256	1 067 393 323
Fines, Penalties and Forfeits	29	6 366 447	3 642 972
Total revenue from non-exchange transactions		**1 716 068 343**	**1 387 215 448**
		1 020 781 015	925 626 895
		1 716 068 343	1 387 215 448
Total revenue		**2 736 849 358**	**2 312 842 343**
Expenditure			
Employee related costs	30	(652 705 297)	(620 407 872)
Remuneration of councillors	31	(34 256 449)	(32 005 388)
Depreciation and amortisation	32	(316 127 681)	(340 325 919)
Impairment loss	33	(25 054 444)	(7 182 343)
Finance costs	55	(79 460 398)	(33 608 114)
Lease rentals on operating lease	34	-	(5 690 550)
Debt Impairment	35	118 316 810	(181 794 375)
Bulk purchases	36	(864 611 162)	(808 571 367)
Contracted services	37	(160 808 308)	(134 485 985)
Transfers and Subsidies		(416 183)	(611 297)
Loss on disposal of assets and liabilities		-	(580 665)
Fair value adjustments	38	(814 863)	-
Actuarial losses		-	(1 237 000)
General Expenses	39	(502 323 698)	(335 506 256)
Total expenditure		**(2 518 261 673)**	**(2 502 007 131)**
		-	-
Total revenue		2 736 849 358	2 312 842 343
Total expenditure		(2 518 261 673)	(2 502 007 131)
Operating surplus/deficit		-	-
Surplus (deficit) before taxation		218 587 685	(189 164 788)
Taxation		-	-
Surplus (deficit) for the year		**218 587 685**	**(189 164 788)**

* See Note 41

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2021	**5 473 706 487**	**5 473 706 487**
Changes in net assets		
Surplus for the year	(189 164 788)	(189 164 788)
Total changes	(189 164 788)	(189 164 788)
Restated* Balance at 01 July 2022	**5 284 541 702**	**5 284 541 702**
Changes in net assets		
Changes in net assets other adjustments ##	(468 217 315)	(468 217 315)
Net income (losses) recognised directly in net assets	(468 217 315)	(468 217 315)
Surplus for the year	218 587 685	218 587 685
Total recognised income and expenses for the year	(249 629 630)	(249 629 630)
Total changes	(249 629 630)	(249 629 630)
Balance at 30 June 2023	**5 034 912 072**	**5 034 912 072**

Note(s)

The accounting policies on pages 16 to 49 and the notes on pages 50 to 95 form an integral part of the annual financial statements.
Other adjustments relates to prior period MSCOA period 13 and period 14 adjustments. The financial system only allows adjustments in active current year periods.

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 283 151 239	1 095 396 899
Grants		1 190 362 789	1 135 784 069
Interest from exchange transactions		72 683 236	76 520 003
Dividends or similar distributions received		60 435 844	13 230 954
Interest from non-exchange transactions		32 168 513	22 520 459
		2 638 801 621	2 350 355 126
Payments			
Employee costs		(686 961 747)	(652 413 254)
Suppliers		(1 549 277 787)	(1 304 543 705)
Finance costs		(79 460 398)	(33 608 114)
Other payments		-	(611 305)
		(2 315 699 932)	(1 991 176 378)
Total receipts		2 638 801 621	2 350 355 126
Total payments		(2 315 699 932)	(1 991 176 378)
Net cash flows from operating activities	40	**323 101 689**	**359 178 748**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(343 508 060)	(265 552 861)
Purchase of investment property	9	(914 863)	(11 790 000)
Proceeds from sale of financial assets		-	(1)
Net cash flows from investing activities		**(344 422 923)**	**(280 259 789)**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**(21 321 256)**	**78 918 959**
Cash and cash equivalents at the beginning of the year		203 260 849	124 341 890
Cash and cash equivalents at the end of the year	8	**181 939 593**	**203 260 849**

The accounting policies on pages 16 to 49 and the notes on pages 50 to 95 form an integral part of the annual financial statements.

* See Note 41

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	938 705 434	5 000 000	**943 705 434**	867 323 786	**(76 381 648)**	N14
Rental of facilities and equipment	1 734 532	-	**1 734 532**	1 940 326	**205 794**	N1
Agency services	12 000 000	-	**12 000 000**	17 663 691	**5 663 691**	N2
Licences and permits	611 383	15 000	**626 383**	6 685 518	**6 059 135**	N2
Other income - (rollup)	6 030 961	500 000	**6 530 961**	27 463 001	**20 932 040**	N3
Interest received - outstanding debtors	131 166 366	-	**131 166 366**	56 239 747	**(74 926 619)**	N4
Interest received - investment	6 375 839	5 000 000	**11 375 839**	16 443 489	**5 067 650**	N5
Total revenue from exchange transactions	**1 096 624 515**	**10 515 000**	**1 107 139 515**	**993 759 558**	**(113 379 957)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	372 547 068	31 000 000	**403 547 068**	413 887 127	**10 340 059**	N15
Interest from property rates	-	46 416 551	**46 416 551**	32 168 513	**(14 248 038)**	
Transfer revenue						
Government grants & subsidies	1 315 358 000	(130 687 404)	**1 184 670 596**	1 263 646 256	**78 975 660**	N/A
Fines, Penalties and Forfeits	1 600	-	**1 600**	6 366 447	**6 364 847**	N6
Total revenue from non-exchange transactions	**1 687 906 668**	**(53 270 853)**	**1 634 635 815**	**1 716 068 343**	**81 432 528**	
'Total revenue from exchange transactions'	1 096 624 515	10 515 000	**1 107 139 515**	993 759 558	**(113 379 957)**	
'Total revenue from non-exchange transactions'	1 687 906 668	(53 270 853)	**1 634 635 815**	1 716 068 343	**81 432 528**	
Total revenue	**2 784 531 183**	**(42 755 853)**	**2 741 775 330**	**2 709 827 901**	**(31 947 429)**	
Expenditure						
Employee related costs	(690 490 687)	562	**(690 490 125)**	(652 705 297)	**37 784 828**	N16
Remuneration of councillors	(35 362 380)	-	**(35 362 380)**	(34 256 449)	**1 105 931**	N/A
Depreciation and amortisation	(350 000 000)	-	**(350 000 000)**	(316 127 681)	**33 872 319**	N7
Impairment loss/ Reversal of impairments	-	-	**-**	(25 054 444)	**(25 054 444)**	N8
Finance costs	(66 000 000)	(22 592 000)	**(88 592 000)**	(79 460 398)	**9 131 602**	N9
Debt Impairment	(220 000 000)	-	**(220 000 000)**	118 316 810	**338 316 810**	N8
Bulk purchases	(580 000 000)	(131 908 000)	**(711 908 000)**	(864 611 162)	**(152 703 162)**	N10
Contracted Services	(260 465 686)	(60 494 908)	**(320 960 594)**	(160 808 308)	**160 152 286**	N11
Transfers and Subsidies	(7 000 000)	300 000	**(6 700 000)**	(416 183)	**6 283 817**	N12
General Expenses	(154 551 372)	(87 723 996)	**(242 275 368)**	(502 323 698)	**(260 048 330)**	N13
Inventory consumed	(166 082 937)	-	**(166 082 937)**	-	**166 082 937**	N10
Total expenditure	**(2 529 953 062)**	**(302 418 342)**	**(2 832 371 404)**	**(2 517 446 810)**	**314 924 594**	
	2 784 531 183	(42 755 853)	**2 741 775 330**	2 709 827 901	**(31 947 429)**	
	(2 529 953 062)	(302 418 342)	**(2 832 371 404)**	(2 517 446 810)	**314 924 594**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Operating surplus	**254 578 121**	**(345 174 195)**	**(90 596 074)**	**192 381 091**	**282 977 165**	
Fair value adjustments	-	(1 108)	**(1 108)**	(814 863)	**(813 755)**	N14
Actuarial gains/losses	-	-	**-**	22 778 000	**22 778 000**	N14
Gain on biological assets and agricultural produce	-	(1 927 340)	**(1 927 340)**	4 243 457	**6 170 797**	N14
	-	**(1 928 448)**	**(1 928 448)**	**26 206 594**	**28 135 042**	
	254 578 121	(345 174 195)	**(90 596 074)**	192 381 091	**282 977 165**	
	-	(1 928 448)	**(1 928 448)**	26 206 594	**28 135 042**	
Surplus before taxation	**254 578 121**	**(347 102 643)**	**(92 524 522)**	**218 587 685**	**311 112 207**	
Deficit before taxation	254 578 121	(347 102 643)	**(92 524 522)**	218 587 685	**311 112 207**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**254 578 121**	**(347 102 643)**	**(92 524 522)**	**218 587 685**	**311 112 207**	

Material differences between budget and actual amount

Management considers all differences of 10% or more on budget versus actual as significant. Explanations for variances are provided below for variances above 10%.

Reference (Tick Legends)
N/A - The variance is below 10% and no explanation for variances are provided as the difference is not considered material.

N1 - The decline on rentals income arising from rental of facilities and equipment is as a direct decline in the use of municipal facilities by communities within the jurisdiction of the municipality.

N2 - The lifting of department of transport exemptions resulted in an increase in the prior year due to increased traffic of licencing and renewals. The municipality has experienced increased traffic for licensing and agency services. The municipality did not adequately provide for the increased traffic in the budget assumptions.

N3 - Significant increase in the new notices for electricity and the sale of tender documents.

N4 - Implementation of credit and debt collection policy of the municipality resulted in increased payments of accounts.

N5 - Additional interest earned on grant receipts ring-fenced for conditional purposes.

N6 - Effect on the lifting of covid restrictions which were not adequately provided for in the budget assumptions. The impact is consitent with prior year.

N7 - Overprovision of depreciation and amortisation (non-cash) expenses to ensure compliance with MFMA circulars with regards to budgeting for non-cash items. The depreciation amounts provided for in the budget were based largely on cost and not the carrying amounts as individual assets carry varying useful lives.

N8 - Not provided for as no impairment loss were expected during the year.

N9 - The increase in finance costs is as a direct result of continuing cash flow challenges of the municipality, with more interest being charged on Bulk accounts.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

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

N10 -Underprovision of bulk purchases expenses. In addition, the bulk water and bulk electricity accounts were split for budget purposes.

N11 - Contractual escalation clauses on new contracts. The municipality also entered into new contracts in the current financial year.

N12 - No expenditure incurred.

N13 - Significant increases in insurance premium paid in the current year, repairs and maintenance and increase on costs incurred to hire plant and machinery, i.e water tankers.
N14 - Under collection of service charges to non compliance with council's debt collection and credit collection policy.
N15 - Implementation of supplementary valuation roll resulted in increased revenue collection.
N16 - Normal salary increments were implemented, however the municipality had significant vacancies that remained unfilled at year end.

Accounting Policies

Figures in Rand	Note(s)	2023	2022

1. Significant accounting polices

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

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.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 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.

1.4 Materiality

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

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

1.5 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.

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

Receivables

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

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

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The municipality used the prime interest rate to discount future cash flows. Where a different interest rate is used, the rate used is stated in the specific Note.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

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. 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.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Accounting for adjustments to revenue

Determining whether an adjustment to revenue charged in terms of legislation or similar means is a correction of an error or a change in an accounting estimate requires the application of judgement by management. When adjustments to revenue already recognised arise from new information that becomes known to the municipality, the following considerations are applied to determine whether the adjustment to revenue already recognised is a correction of an error or a change in an accounting estimate:

(a) If information becomes known to the municipality, and the municipality could reasonably have been expected to know of the information and/or the information used was incorrect, the adjustment to revenue is likely to be a correction of an error.

(b) If information becomes known to the municipality, but the municipality could not reasonably have been expected to know of this information when the revenue was charged, the adjustment to revenue is likely to be a change in an accounting estimate.

Accounting for adjustments to revenue that correct an error or prior period error

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for an adjustment to revenue already recognised, including interest and penalties, as the correction of an error or prior period error where the entity:

(a) has not followed a proper due process to promulgate the tariff, basis, percentage or formula to charge the revenue; and/or

(b) incorrectly applied the tariff, basis, percentage or formula in charging revenue.

Errors discovered within the reporting period which relates to that period are corrected before the annual financial statements are authorised for issue. The principles in GRAP 3 are applied to account for the adjustment to revenue already recognised as a result of the correction of a prior period error.

Accounting for adjustments to revenue as a change in an accounting estimate

Following the outcome of the determination processes noted above, and assessing whether this is new information that becomes known to the municipality, the municipality accounts for any adjustment to revenue already recognised, including interest and penalties, as a change in an accounting estimate if changes occur in the circumstances that led to the recognition of the revenue.

The principles in GRAP 3 are applied to account for a change in an accounting estimate.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
  - Developing accounting policies
  - Deciding what information to disclose
  - Deciding how to present information
  - Assessing ommissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

Accounting Policies

1.6 Investment property (continued)

Fair value

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

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

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

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

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

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

1.7 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.

1.7 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.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	30 - 80 years
Plant and machinery	Straight-line	5 - 17 years
Furniture and fixtures	Straight-line	5 - 17 years
Motor vehicles	Straight-line	5 - 15 years
Office equipment	Straight-line	3 - 12 years
Computer equipment	Straight-line	3 - 12 years
Bins and containers infrastructure	Straight-line	7 - 15 years
Road surface layers	Straight-line	7 - 50 years
Road structural layers	Straight-line	7 - 50 years
Bridges	Straight-line	60 - 80 years
Calverts	Straight-line	15 years
Storm water	Straight-line	50 - 80 years
Electricity	Straight-line	30 - 50 years
Water assets	Straight-line	40 - 80 years
Sewer	Straight-line	80 years
Community		
Sports fields	Straight-line	7 - 15 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 depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

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

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

Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

1.8 Site restoration and dismantling cost

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

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.

1.9 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

1.9 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight-line	3 - 5 years

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

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

1.10 Heritage assets

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

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

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

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

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

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.

Initial measurement

Heritage assets are measured at cost.

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

Accounting Policies

1.10 Heritage assets (continued)

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.

Transfers

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

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

Derecognition

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

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

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

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

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

1.11 Financial instruments (continued)

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at amortised cost
Other financial assets	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
Public Investment Corporation	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at fair value

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

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument. The municipality recognises financial assets using trade date accounting.

Ínitial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instrument at cost

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

1.11 Financial instruments (continued)

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

1.12 Statutory receivables

Identification

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

1.12 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

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.

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

Derecognition

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

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

Accounting Policies

1.12 Statutory receivables (continued)

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.

1.13 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 municipality's incremental borrowing rate.

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

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

Operating leases - lessee

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

1.14 Inventories

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

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

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

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

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

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

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

The cost of consumable 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. However management accounts for water inventory using Weighted Average Cost method of valuation.

Accounting Policies

1.14 Inventories (continued)

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.

1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Bank overdrafts which are repayable on demand forms an integral part of the entity’s cash management activities, and as such are included as a component of cash and cash equivalents.

1.16 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Designation

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

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

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

Identification

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

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

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

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.

1.16 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.16 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.

1.17 Impairment of non-cash-generating assets

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

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

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

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

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

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

Accounting Policies

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

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

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

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

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

Designation

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

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

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

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

Identification

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

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

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

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

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.

1.17 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.

1.18 Employee benefits

Employee benefits are all forms of consideration given by an 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

1.18 Employee benefits (continued)

Post-employment benefits

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

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

1.18 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.

Accounting Policies

1.18 Employee benefits (continued)

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

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

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

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

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

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

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

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality 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.

1.18 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other long term employee benefits

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

The entitlement to long service award benefits is based on the employee remaining in service for a specified period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The 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.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.19 Provisions and contingencies

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

Accounting Policies

1.19 Provisions and contingencies (continued)

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurence or non-occurence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represents possible assets that arise from past events and whose existence will be confirmed only by an occurence or non-occurence of one or more uncertain future events not wholly within the control of the municipality.

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.

1.19 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.

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

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

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

1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.21 Revenue from exchange transactions

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

Accounting Policies

1.21 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

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

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

1.22 Revenue from non-exchange transactions

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

Property rates

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.

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

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

The taxable event for 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.

1.22 Revenue from non-exchange transactions (continued)

Transfers (including grants)

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

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

Debt forgiveness and assumption of liabilities

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

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

Fines

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

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

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

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.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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

1.23 Investment income

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

1.24 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).

Accounting Policies

1.24 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

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

Recognition

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

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

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

1.25 Comparative figures

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

1.26 Unauthorised expenditure

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

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

1.27 Fruitless and wasteful expenditure

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

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

1.28 Irregular expenditure

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

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

1.29 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.

Measurement

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

1.30 Budget information

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

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

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

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

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

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

1.31 Related parties

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

Accounting Policies

1.31 Related parties (continued)

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

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

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

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

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

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

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

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

1.32 Events after reporting date

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

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

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

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.

Figures in Rand	2023	2022

2. New standards and interpretations

2.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Not material
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Not material
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Not material

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Not material
• GRAP 103 (as revised): Heritage Assets	Not yet determined	Not material
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Not material
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Not material
• Guideline: Guideline on the Application of Materiality to Financial Statements	Not yet determined	Not material
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Not material

3. Inventories

	2023	2022
Consumable stores	34 469 358	21 394 051
Water for distribution	643 935	605 929
Unsold Properties Held for Resale	10 318	10 318
	35 123 611	**22 010 298**

Inventory pledged as security

None of the inventory was pledged as security.

Water for distribution

	2023	2022
Opening balance	605 929	646 465
Authorised consumption	38 006	(40 536)
Closing balance	**643 935**	**605 929**

4. Other financial assets

	2023	2022
Designated at fair value		
Listed shares-Sanlam Limited; Old Mutual Limited; Quilter PLC; Nedbank Group Limited	1 552 438	1 447 275
Other investments - Old Mutual Limited	1 682 296	1 682 296
	3 234 734	**3 129 571**
	3 234 734	3 129 571
	-	-
	-	-

Figures in Rand	2023	2022

4. Other financial assets (continued)

Current assets		
Designated at fair value	3 234 734	3 129 571
Non-current assets	-	-
Current assets	3 234 734	3 129 571

Financial assets pledged as collateral

None of the financial assets were pledged as security.

5. Other receivables

Third party refunds	12 428 212	13 801 226
Other receivables **	22 079 265	23 068 835
Unauthorised debit orders	19 724 323	19 724 089
	54 231 800	**56 594 150**

** - Other receivables mainly relates to unreconciled opening balances emanating primarily from system and bank conversion error(s) and unreconciled bank transactions.

6. Receivables from non-exchange transactions

Fines	28 437 911	22 680 874
Rates	1 034 662 407	945 155 697
Impairment for fines	(1 047 873)	(747 067)
Sundry debtors	21 940 940	25 096 349
Allowance for impairment	(500 265 718)	(342 808 149)
	583 727 667	**649 377 704**

Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Taxes	528 039 476	525 712 569
Fines	24 741 660	23 398 791
	552 781 136	**549 111 360**
Financial asset receivables included in receivables from non-exchange transactions above	**30 946 531**	**100 266 344**
Total receivables from non-exchange transactions	583 727 667	649 377 704

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

6. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Rates - Municipal Property Rates Act (MPRA) Section 2 states that a local municipality may levy a rate on property in it's area.

Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act (Act No. 93 of 1996)

Determination of transaction amount

Rates - Rates amount are determined in terms of Section 11 of the MPRA and the approved policy of the municipality

Fines - All fines are governed by the specific regulation which is applicable to the offense.

Interest or other charges levied/charged

Rates - Interest is raised on past due balances at the prime interest rate.

Fines - No interest or other charges are raised on outstanding fines.

Statutory receivables past due but not impaired

The municipality will assess at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

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

1 month past due	350 200	415 900
2 months past due	330 250	601 122
3 months past due	503 330	453 700

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security.

Credit quality of receivables from non-exchange transactions

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

Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

7. Consumer debtors

Gross balances		
Services	2 135 775 506	2 039 814 968
Less: Allowance for impairment		
Services	(968 274 834)	(1 233 353 786)
Net balance		
Services	1 167 500 672	806 461 182

Figures in Rand	2023	2022

7. Consumer debtors (continued)

Reconciliation of allowance for impairment

	2023	2022
Balance at beginning of the year	(1 368 783 504)	(984 966 369)
Contributions to allowance	375 015 079	(248 387 417)
Debt impairment written off against allowance	25 493 591	-
	(968 274 834)	**(1 233 353 786)**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2023	2022
Bank balances	57 767 066	43 166 661
Short-term deposits	124 172 527	160 094 188
	181 939 593	**203 260 849**

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2023	Bank statement balances 30 June 2022	Bank statement balances 30 June 2021	Cash book balances 30 June 2023	Cash book balances 30 June 2022	Cash book balances 30 June 2021
ABSA Cheque account - 640000376	3 294 295	6 890 520	22 782 625	3 294 295	6 890 520	33 714 769
FNB Cheque account - Primary account 62547261602	33 262 523	19 960 948	29 657 992	33 262 523	19 960 948	30 486 549
FNB Cheque account - Licensing 62547263103	21 209 949	15 618 174	4 405 264	21 210 249	15 618 473	4 405 563
FNB Cheque account - Electricity 62547274423	-	-	-	-	-	10 349 679
Investec account - 1400189013500	1 312 483	1 224 088	1 184 212	1 312 483	1 228 716	1 184 212
FNB EQS Call account - 62564475210	6 629 072	2 274 806	2 326 007	6 629 072	2 274 806	2 326 007
FNB EPWP Call account - 62564478016	7 373	6 927	2 816 576	7 373	6 927	2 816 576
FNB MIG Call account - 62576598323	84 946 070	119 201 408	30 587	84 946 070	122 175 865	30 587
ABSA Traffic	-	-	2 218 802	-	154 558	154 558
FNB MIG Retention call account - 62564479585	27 360 334	25 703 417	36 621 001	27 360 334	25 703 417	36 621 001
FNB INEP call account - 62559313003	1 328 104	9 246 619	105 588	1 328 104	9 246 619	105 588
FNB FMG 62550510153	2 589 090	2 432 297	2 218 802	2 589 090	-	-
Total	**181 939 293**	**202 559 204**	**104 367 456**	**181 939 593**	**203 260 849**	**122 195 089**

The municipality operated the following bank accounts during the year under review which all had zero balances at year end:-

FNB Business and Commercial - Account Number 62547269672
Nedbank Limited - Account Number 37881098570
Standard Bank - Account Number 48489409

Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	99 655 000	-	99 655 000	99 555 000	-	99 555 000

Reconciliation of investment property - 2023

	Opening balance	Additions	Fair value adjustments	Total
Investment property	99 555 000	930 000	(830 000)	99 655 000

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	98 285 000	1 270 000	99 555 000

Pledged as security

No portion of investment property has been pledged as security for liabilities.

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

10. 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	947 995 658	-	947 995 658	947 995 658	-	947 995 658
Buildings	152 462 431	(60 304 996)	92 157 435	152 462 431	(53 286 684)	99 175 747
Infrastructure	8 292 328 949	(5 247 888 440)	3 044 440 509	8 190 063 494	(4 959 121 976)	3 230 941 518
Community	212 344 431	(73 353 510)	138 990 921	212 344 431	(59 145 153)	153 199 278
Work in progress	509 121 786	-	509 121 786	320 902 473	-	320 902 473
Weapons systems	212 283 700	(100 661 337)	111 622 363	168 803 744	(79 015 681)	89 788 063
Total	**10 326 536 955**	**(5 482 208 283)**	**4 844 328 672**	**9 992 572 231**	**(5 150 569 494)**	**4 842 002 737**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	947 995 658	-	-	-	-	947 995 658
Buildings	99 175 747	-	-	(7 018 312)	-	92 157 435
Infrastructure	3 230 941 518	-	87 997 960	(274 498 969)	-	3 044 440 509
Community	153 199 278	-	-	(14 208 357)	-	138 990 921
Work in progress	320 902 473	299 960 476	(87 997 960)	-	(23 743 203)	509 121 786
Other property plant and equipment	89 788 063	43 547 584	-	(20 402 043)	(1 311 241)	111 622 363
	4 842 002 737	**343 508 060**	**-**	**(316 127 681)**	**(25 054 444)**	**4 844 328 672**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment loss	Total
Land	947 995 658	-	-	-	-	-	-	947 995 658
Buildings	105 503 186	-	-	-	-	(4 828 900)	(1 498 539)	99 175 747
Infrastructure	3 346 676 945	-	(580 665)	200 544 840	(947 543)	(312 353 663)	(2 398 396)	3 230 941 518
Community	146 159 133	-	-	13 769 015	-	(6 538 853)	(190 017)	153 199 278
Work in progress	337 588 835	197 627 493	-	(214 313 855)	-	-	-	320 902 473
Other property plant and equipment	40 861 729	67 925 368	-	-	-	(15 903 643)	(3 095 391)	89 788 063
	4 924 785 486	**265 552 861**	**(580 665)**	**-**	**(947 543)**	**(339 625 059)**	**(7 182 343)**	**4 842 002 737**

Pledged as security

None of the property, plant and equipment have been pledged as security.

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		
Property plant and equipment	142 343 170	69 253 564

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.

Figures in Rand

11. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	4 888 156	(4 888 154)	2	4 888 156	(4 888 154)	2

Reconciliation of intangible assets - 2023

	Opening balance	Total
Computer software, internally generated	2	2

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, internally generated	700 861	(700 859)	2

Pledged as security

None of the intangible assetswere pledged pledged as security.

Notes to the Annual Financial Statements

Figures in Rand

12. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	10 100	-	10 100	10 100	-	10 100

Reconciliation of heritage assets 2023

	Opening balance	Total
Art Collections, antiquities and exhibits	10 100	10 100

Reconciliation of heritage assets 2022

	Opening balance	Total
Art Collections, antiquities and exhibits	10 100	10 100

Pledged as security

None of the heritage assets were pledged as security.

13. Other financial liabilities

At amortised cost		
Public Investment Corporation Interest is charged at 10% which has been capped to the capital amount of R162 639 962.	325 279 924	325 279 924

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

13. Other financial liabilities (continued)

The municipality received bonds from PIC prior to 1994 and no repayment were made which led to legal dispute. The municipality has been accounting for this loan under contigent liabilities until it lost the case at Constitutional Court. This loan has been accounted for as loan in the statement of financial position. No payments were made against the loan.

Current liabilities		
At amortised cost	325 279 924	325 279 924

14. Operating lease asset (liability)

Current liabilities	-	(14 784 950)

15. Payables from exchange transactions

Trade payables	1 098 055 556	435 995 703
Payments received in advanced - contract in process	211 523 956	183 732 386
Retentions	78 814 107	75 340 572
Unallocated Deposits received	963 175	-
Other creditors	1 454 220	-
Bonus accrual	13 864 597	12 882 764
Leave accrual	48 738 731	47 534 969
	1 453 414 342	**755 486 394**

16. VAT payable

Tax refunds payables	-	7 437 568

17. Consumer deposits

Rates	24 852 862	25 218 890

18. Employee benefit obligations

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

Carrying value		
Post medical aid retirement plan	(139 828 000)	(154 762 000)
Long term service award	(33 690 000)	(20 591 011)
	(173 518 000)	**(175 353 011)**

Non-current liabilities	(163 537 011)	(168 108 011)
Current liabilities	(9 981 000)	(7 245 000)
	(173 518 011)	**(175 353 011)**

The municipality offers employees and continuation members an opportunity of belonging to any of the several medical aid schemes, most of which offer a range of options pertaining to cover.

Upon retirement, an employe continues membership of the medical scheme. Upon a member's death in service or death in retirement, the surviving dependents may continue membership of the scheme.

Figures in Rand	2023	2022

18. Employee benefit obligations (continued)

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

Opening balance	142 651 000	124 216 000
Net expense recognised in the statement of financial performance	(2 823 000)	18 435 000
	139 828 000	**142 651 000**

Net expense recognised in the statement of financial performance

Current service costs	7 375 000	6 767 000
Interest costs	17 040 000	13 716 000
Benefits paid	(4 460 000)	(4 068 000)
Actuarial (gain) losses	(22 778 000)	2 020 000
	(2 823 000)	**18 435 000**

Calculation of actuarial gains and losses

Key assumptions used

In estimating the liability for long service leave benefits and post-employment medical aid benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

Assumptions used at the reporting date:

Discount rates used	Yield Curve	Yield Curve
Normal salary increase rate	CPI + 1%	CPI + 1%
Net effective discount rate	Yield Curve based	Yield Curve based

The basis used to determine the overall expected provision is as follows:

The nominal and real zero curves as at 30 June 2023 supplied by the JSE were used to determine the discount rates and CPI assumptions at each relevant time period.

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years for males and 63 for females. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age
The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates
Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Spouses and Dependants
We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

18. Employee benefit obligations (continued)

Other assumptions

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

A percentage point change in assumed medical aid inflation assumption would have the following effects:

	One percentage point increase	**One percentage point decrease**
Total accrued liability	153 738 000	125 221 000
Interest cost	19 988 000	16 190 000
Service cost	7 083 000	5 262 000

Long Service Awards Provision

Opening Balance	32 702 000	30 546 000
Current service costs	2 792 000	2 721 000
Interest cost	3 849 000	3 312 000
Benefit paid	(2 666 000)	(3 094 000)
Actuarial Loss/(Gain)	(2 987 000)	(783 000)
	33 690 000	**32 702 000**

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

	2023 R	2022 R	2021 R	2020 R	2019 R
Post Employment Medical Aid Obligation	139 828 000	142 651 000	124 216 000	159 745 772	155 978 248
Long Service Awards	33 690 000	32 702 000	30 546 000	23 993 239	22 005 907

Sensitivity Analysis

The valuations of both post-employment medical aid benefits is only a estimate of the cost of providing such benefit. The actual cost to the municipality will be dependent on actual dependents on actual future levels of assumed variables for post-employment medical aid benefits. In order to illustrate sensitivity, the liabilities have been recalculated using the following assumptions:

- 20% increase/decrease in the assumed level of mortality
- 1% increase/decrease in medical aid inflation.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

18. Employee benefit obligations (continued)

Mortality rate	**-20% Mortality rate**	**Valuation Assumption**	**+20% Mortality rate**
Total accrued liability	151 365 000	139 828 000	130 226 000
Interest cost	19 660 000	18 135 000	16 865 000
Service cost	6 745 000	6 190 000	5 723 000
	-	-	-

The cost of subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

The effect of a 1% p.a change in the medical aid inflation assumption will have the following effect:

Medical aid inflation	**-1% Medical aid inflation**	**Valuation assumption**	**+1% Medical aid inflation**
Total accrued liability	125 221 000	139 828 000	153 738 000
Interest cost	16 190 000	18 135 000	19 998 000
Service cost	5 262 000	6 190 000	7 083 000
	-	-	-

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Financial Management Grant	635 760	105 527
Municipal Infrastructure Grant	892 547	73 604 332
Water Service Infrastructure Grant	-	932 107
Library grant	83 281	253 089
Integrated National Electrification Programme	19 215	19 215
	1 630 803	**74 914 270**

Movement during the year

Balance at the beginning of the year	74 914 270	6 523 524
Additions during the year	249 031 790	311 370 097
Income recognition during the year	(322 315 257)	(242 979 351)
	1 630 803	**74 914 270**

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

20. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Adjustment for interest	Change in discount factor	Total
Provision for restoration of landfill site	19 384 883	2 056 445	(4 243 457)	17 197 871

Reconciliation of provisions - 2022

	Opening Balance	Adjustment for interest	Change in discount factor	Total
Provision for restoration of landfill site	18 683 856	1 648 570	(947 543)	19 384 883

Figures in Rand	2023	2022

20. Provisions (continued)

The landfill rehabilitation provision is intended for the rehabilitation of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration is the Hartebeesfontein landfill situated on portion 37 (a potion of portion 3) of the farm Hartebeesfontein 445 JQ.

The valuation for the landfill site was performed by Mr Seakle Godschalk Pr Sci Nat, GIMFO and Dr Maryna Mohr, both from Environmental & Sustainability Solutions(ESS). Mr Godscchalk is a registered proffessional environmental scientist with the South African Council for Natural Scientific Professions (SACNASP) as well as the Southern African Institute of Ecologists and Environmental Scientists (SAIE&ES). He holds a Master's degree in Science as well as Master's Degree in Accounting. He is also a member of Chartered Institute of Government Finance, Audit and Risk Officers (CICFARO). Dr Mohr holds an MBA as well as a D Tech and is a member of the Institute of Directors South Africa (IoDSA).

ESS has developed a General Landfill Closure Costing Model (GLCCM) to estimate the final rehabilitation and closure costs for general landfills. The GLCCM is being updated in cooperation with Jones and Wagener Consulting Civil Engineers (Pty) Ltd, a company that is actively involved in rehabilitation and closure of landfill sites. The GLCCM is based on the minimum requirements for Waste Disposal by Landfill of the Department of Water Affairs (1998), as amended by more recent regulations. The GLCCM provides a reliable best possible estimate of closure costs in terms of paragraph .49 of GRAP 19.

Key assumptions used

Unit costs

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation.

Consumer Price Index (CPI)

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last three months amounted to 6.1716%.

Discount rate

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

The rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used. For this landfill the rate associated with the maximum period of 10 years was used, i.e. 5.25% above CPI.

Figures in Rand	2023	2022

21. Service charges

Sale of electricity	587 680 663	551 120 213
Sale of water	166 141 313	142 063 133
Sewerage and sanitation charges	52 420 165	48 520 559
Refuse removal	61 081 645	58 103 190
	867 323 786	**799 807 095**

Municipal Services are based on accurate records using actual meter readings. There are however intances wherein the municipality was not able to render service charges on actual meters read, and estimates were used to determine the amount of revenue. The below service charges amounts represent the total per area where estimates were used.

Estimated Service Charges by Area		
Brits	5 069 731	4 920 281
Elandsrand	1 023	-
Primindia	15 172	5 612
Oukasie	284 498	279 498
Letlhabile	14 382 926	13 092 994
Schoemansville	499 361	468 074
Melodie	357 560	355 221
Ifafi	19 611	17 710
Meerhof	56 295	55 456
Melodie Agricultural Holdings	93 049	60 684
Roodekopjes of Zwartkopjes	119 489	113 023
Krokodildrift	-	4 067
Hartbeespoort	79 895	53 647
Syferfontein	65 589	57 861
Harmonie	18 392	2 398
Damonsville	55 864	54 580
Lethlabong	6 917 439	6 725 444
Mothotlung	68 733	68 301
Kosmos	13 090	9 844
Eagles	8 311	15 430
Zandfontein	2 398	6 119
Blaauwbank	6 119	19 367
Buffelsfontein	19 367	-
	28 153 912	**26 385 611**

22. Rental of facilities and equipment

Facilities and equipment		
Rental of equipment	1 940 326	1 931 110
Premises	-	-
Garages and parking	-	-
Facilities and equipment	1 940 326	1 931 110

23. Agency services

Vehicle Registration	17 663 691	14 180 025

24. Licences and permits

Road and Transport	6 685 518	6 336 607

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

25. Other income

Cemetery fees	1 268 885	1 762 839
Town planning	2 149 949	2 243 309
Reconnection fees	3 635 974	3 818 438
Service connections	479 477	385 655
Gain on reversal of impairment loss	-	2 121 566
Other services	1 102 292	148 321
Tender document fees	1 588 770	283 451
Valuation fees	4 310 918	430 124
Bulk services	3 772 668	40 887
Development charges	172 720	189 442
Advertising	43 947	45 553
Sale of nursery plants	959	1 321
Notice fees	8 935 451	6 402 956
Aministrative handling fees	991	7 755
	27 463 001	**17 881 617**

26. Investment revenue

Dividend revenue		
Interest from call account	16 443 489	5 764 910
Interest from current account	-	1 137 831
	16 443 489	**6 902 741**
Interest revenue		
Interest charged on trade and other receivables	56 239 747	76 520 003
	16 443 489	6 902 741
	56 239 747	76 520 003
	72 683 236	**83 422 744**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

27. Property rates

Rates received

Residential	185 676 143	149 991 273
Commercial	58 841 925	49 042 790
State	116 979 761	51 059 090
Small holdings and farms	52 389 298	43 565 541
	413 887 127	**293 658 694**

Valuations

Residential	27 378 700	27 378 700
Commercial	7 573 725	8 141 553
State	817 036	817 036
Municipal	405 499	405 499
Small holdings and farms	12 788 787	12 220 979
	48 963 747	**48 963 767**

The valuation roll takes effect from the start of the financial year following completion of public inspection and remains valid for a period not exceeding four financial years.The current effective valuation roll was certified by Graham Mulligam, a registered Professional Valuer with the South African Council for the Property Valuers (PRN-3841) on the 29 March 2019, and came into effect on 01 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The valuation roll figures stated above are rounded to the neareast thousand

Figures in Rand	2023	2022

28. Government grants & subsidies

Operating grants		
Equitable share	941 331 000	818 913 000
Financial Management Grant	2 369 767	2 694 473
	943 700 767	**821 607 473**
Capital grants		
Expanded Public Works Programme (EPWP)	1 094 000	1 175 000
Municipal Infrastructure Grant	276 711 784	221 181 146
NAT: Water and Sanitation Grant	20 320 897	8 334 392
Energy Efficiency & Demand Side Management Grant	-	3 500 000
Library Grant	1 318 808	1 614 527
Intergrated National Electrification Programme	20 500 000	9 980 785
	319 945 489	**245 785 850**
	943 700 767	821 607 473
	319 945 489	245 785 850
	1 263 646 256	**1 067 393 323**

Financial Management Grant

Balance unspent at beginning of year	105 527	-
Current-year receipts	2 900 000	2 800 000
Conditions met - transferred to revenue	(2 369 767)	(2 694 473)
	635 760	**105 527**

Conditions still to be met - remain liabilities (see note 19).

This grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act. The conditions of the grants were met. No refunds have been withheld.

Expanded Public Works Programme

Current-year receipts	1 094 000	1 175 000
Conditions met - transferred to revenue	(1 094 000)	(1 175 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

This grant is intended for incentives to municipalities to expand efforts for work creation.

Municipal Infrastructure Grant

Balance unspent at beginning of year	73 604 332	5 656 478
Current-year receipts	204 000 000	294 785 000
Conditions met - transferred to revenue	(276 711 785)	(221 180 668)
Repayment of unspent	-	(5 656 478)
	892 547	**73 604 332**

Conditions still to be met - remain liabilities (see note 19).

The grant is intended to assist the municipality with infrastructure spend in order to promote service delivery.

NAT: Water and Sanitation Grant

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

28. Government grants & subsidies (continued)

Balance unspent at beginning of year	932 107	-
Current-year receipts	19 388 791	9 266 499
Conditions met - transferred to revenue	(20 320 898)	(8 334 392)
	-	**932 107**

Conditions still to be met - remain liabilities (see note 19).

The grant is intended to help the municipality with water services.

Library grant

Balance unspent at beginning of year	253 089	867 046
Current-year receipts	1 149 000	1 016 000
Conditions met - transferred to revenue	(1 318 808)	(1 614 527)
Repayment of unspent	-	(15 430)
	83 281	**253 089**

Conditions still to be met - remain liabilities (see note 19).

The grant is intended to assist in the operations of libraries within the municipality.

Intergrated National Electrification Programme

Balance unspent at beginning of year	19 215	-
Current-year receipts	20 500 000	10 000 000
Conditions met - transferred to revenue	(20 500 000)	(9 980 785)
	19 215	**19 215**

Conditions still to be met - remain liabilities (see note 19).

The grant is intended to assist the municipality with infrastructure spend in order to promote service delivery

29. Fines, Penalties and Forfeits

Law Enforcement Fines	6 366 447	3 642 972

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

30. Employee related costs

Basic	368 804 756	358 583 205
Bonus	30 208 510	28 586 561
Medical aid - company contributions	47 432 073	45 264 570
UIF	2 850 283	2 846 450
Leave pay provision charge	17 925 739	16 556 440
Provident and pension fund	77 170 947	73 114 117
Travel allowance	39 182 465	35 149 795
Overtime payments	50 519 557	42 154 365
Acting allowances	4 692 432	3 627 523
Telephone / Cellphone allowance	378 968	370 529
Housing benefits and allowances	3 400 736	3 161 006
Industrial council	5 203 122	5 006 874
Standby allowance	4 935 709	5 986 437
	652 705 297	**620 407 872**

Remuneration of Municipal Manager - B Gunqisa

Ms B Gunqisa was appointed as Acting Municipal Manager from 25 July 2022 to 24 January 2023. No remuneration was paid by the municipality.

Remuneration of Municipal Manager - J Mashigo

Acting allowance, travel allowance, subsistence and other allowances	49 461	-

Mr J Mashigo was appointed as Acting Municipal Manager from 06 February 2023 to 30 April 2023.

Remuneration of Municipal Manager - S Maroga

Mr S Maroga was appointed as Acting Municipal Manager from 01 May 2023 to 30 June 2023. No remuneration and/or allowance was paid by the municipality.

Remuneration of Chief Financial Officer - S Rikhotso

Acting allowance, travel allowance, subsistence and other allowances	121 884	-

Mr S Rikhotso was appointed as Acting Chief Financial Officer from 01 July 2022 to 20 November 2022. He was again appointed from 21 February 2023 to 30 June 2023.

Remuneration of Chief Financial Officer - B Sathekge

Acting allowance, travel allowance, subsistence and other allowances	60 519	-

Ms B Sathekge was appointed as Acting Chief Financial Officer from 21 November 2022 until 20 February 2023.

Remuneration of Director Community Services - Ms M Mmope

Annual Remuneration	414 273	709 735
Acting allowance, travel allowance, subsistence and other allowances	65 011	444 661
Performance bonus	25 402	58 802
Contributions to UIF, Medical and Pension Funds	103 678	243 398
Leave pay	223 481	22 580
	831 845	**1 479 176**

Ms M Mmope was appointed as Director of Community Services and resigned on 30 November 2022.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

30. Employee related costs (continued)

Remuneration of Director Community Services - L Motlhoki

Acting allowance, travel allowance, subsistence and other allowances	134 215	-

Mr L Motlhoki was appointed as Acting Director of Community Services from 21 November 2022 to 30 June 2023.

Remuneration of Director Corporate Support Services - Adv NE Mmbengwa

Acting allowance, travel allowance, subsistence and other allowances	188 301	-

Adv NE Mmberngwa was appointed as Acting Director Corporate Support Services from 01 July 2022 to 30 June 2023.

Remuneration of Director Public Safety - FB Komane

Acting allowance, travel allowance, subsistence and other allowances	249 332	-

Mr FB Komane was appointed as Acting Director Public Safety from 01 July 2022 to 20 November 2022.

Remuneration of Director Public Safety - B Mmutle

Acting allowance, travel allowance, subsistence and other allowances	125 559	-

Mr B Mmutle was appointed as Acting Director Public Safety from 21 November 2022 to 30 June 2023.

Remuneration of Director Infrastructure and Technical Services - L Motlhamme

Acting allowance, travel allowance, subsistence and other allowances	72 381	-

Mr L Motlhamme was appointed as Acting Director of Infrastructure and Technology Services from 01 July 2022 to 20 November 2022.

Remuneration of Director Infrastructure and Technical Services - T Hlabangwane

Acting allowance, travel allowance, subsistence and other allowances	148 813	-

Mr T Hlabangwane was appointed as Acting Director Infrastructure and Technology Services from 21 November 2022 to 30 June 2023.

Remuneration of Director Local Economic Development - T Sambo

Acting allowance, travel allowance, subsistence and other allowances	90 915	-

Mr T Sambo was appointed as Acting Director Local Economic Development from 01 July 2022 to 20 November 2022.

Remuneration of Director Local Economic Development - MJ Motswatswe

Acting allowance, travel allowance, subsistence and other allowances	152 528	-

Ms MJ Motswatswe was appointed as Acting Director Local Economic Development from 21 November 2022 to 30 June 2023.

Remuneration of Director Human Settlement - Mr DN Pule

Acting allowance, travel allowance, subsistence and other allowances	186 860	-

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

30. Employee related costs (continued)

Mr DN Pule is appointed as Acting Director Local Economic Development from 01 July 2022 to 30 June 2023.

31. Remuneration of councillors

	2023	2022
Executive Major	988 964	865 449
Chief Whip	755 222	689 259
Members of the mayoral committee	8 262 573	7 268 794
Speaker	801 940	732 354
Councillors	23 447 750	22 449 532
	34 256 449	**32 005 388**

Additional information

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

Councillor's remuneration - June 2023	**Basic salary**	**Travel allowance**	**Cellphone allowance**	**Other allowance**	**Total**
Executive Mayor	572 768	196 765	44 400	175 031	988 964
Speaker	509 748	157 412	44 400	90 380	801 940
Chief whip	563 248	147 574	44 400	-	755 222
Members of mayoral committee	5 662 127	1 613 475	488 400	498 571	8 262 573
Other councillors	15 431 394	4 037 957	3 022 900	955 499	23 447 750
	22 739 285	**6 153 183**	**3 644 500**	**1 719 481**	**34 256 449**

Councillor's remuneration - June 2022	**Basic salary**	**Travel allowance**	**Cellphone allowance**	**Other allowance**	**Total**
Executive Mayor	500 871	184 953	40 895	138 729	865 448
Speaker	442 807	151 790	42 814	94 943	732 354
Chief whip	465 498	142 304	42 814	38 643	689 259
Members of mayoral committee	4 765 391	1 484 392	472 405	546 607	7 268 795
Other councillors	14 171 671	4 081 578	3 018 469	1 177 814	22 449 532
	20 346 238	**6 045 017**	**3 617 397**	**1 996 736**	**32 005 388**

32. Depreciation and amortisation

	2023	2022
Property, plant and equipment	316 127 681	339 625 060
Intangible assets	-	700 859
	316 127 681	**340 325 919**

33. Impairment loss

	2023	2022
Reversal of impairments		
Property, plant and equipment	25 054 444	7 182 343
	-	-
	25 054 444	7 182 343

34. Lease rentals on operating lease

	2023	2022
Equipment		
Contractual amounts	-	5 690 550

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

35. Debt impairment

Contributions to debt impairment provision	(270 492 893)	181 794 375
Bad debts written off	152 176 083	-
	(118 316 810)	**181 794 375**

36. Bulk purchases

Electricity - Eskom	704 909 902	654 285 440
Water	159 701 260	154 285 927
	864 611 162	**808 571 367**

Electricity losses

	Number 2023	Number 2022		
Units purchased	392 967 953	760 180 845	704 909 902	654 285 440
Units sold	(203 483 837)	(264 711 085)	(587 680 663)	(551 120 213)
Total loss	**189 484 116**	**495 469 760**	**117 229 239**	**103 165 227**
Percentage Loss:				
Electricity distribution losses	48 %	65 %	16 %	16 %

Water losses

The distribution losses incurred for the distribution of water could not be ascertained as the municipality has a varied quantity and price mix of water. The largest quantity of water is purchased in raw form from the Department of Water and Sanitation, whilst purified and clean water is purchased from Rand Water and City of Tshwane.

37. Contracted services

Outsourced Services		
Information Technology Services	19 983 079	13 371 792
Security Services	93 816 232	73 879 482
Refuse removal	3 802 870	6 681 940
Accounting Support and Advisory Services	32 723 725	25 108 385
Internal audit services	-	683 722
Revenue Consultants	10 482 402	14 760 664
Presented previously	-	-
Outsourced Services	160 808 308	134 485 985
Consultants and Professional Services	-	-
Contractors	-	-

38. Fair value adjustments

Investment property (Fair value model)	(830 000)	1 270 000
Other financial assets		
• Other financial assets (Designated as at FV through P&L	15 137	(149 846)
	(814 863)	**1 120 154**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

39. General expenses

Advertising	3 616 602	2 547 631
Auditors remuneration	9 653 847	7 144 128
Bank charges	3 340 800	3 143 029
Assistance to indigents	33 113	45 590
Consulting and professional fees	140 854	15 734
Consumables	13 728 012	13 811 655
Discount allowed	414 594	40 416 070
Graphical design	466 429	221 461
Grant expenditure	140 414	97 485
Insurance	35 449 716	442 265
Community development and training	170 319	219 495
Bus hire	99 190	-
Geographical information system	604 400	237 484
Marketing	55 500	55 000
Commission to vendors	-	1 142 991
Motor vehicle expenses	997 711	670 601
Water and electricity	18 671 336	16 122 198
Postage and courier	-	6 515
Printing and stationery	1 059 027	131 127
Audit committee cost	759 251	377 511
Protective clothing	4 200 774	2 559 861
Repairs and maintenance	143 082 586	69 253 564
Creditors expensed	-	608 659
Subscriptions and membership fees	20 475	46 806
Telephone and fax	4 919 713	5 616 697
Valuation costs	1 209 424	947 901
Training	3 561 638	2 179 655
Travel and accomodation	4 529 870	1 418 193
Refuse	1 280 305	1 527 213
SALGA	6 673 997	6 530 196
Medical Expenses - Pensioners	4 434 010	4 089 246
Water resource Management charges	364 218	380 789
Licence fees	3 400	29 750
Write offs	1 991 911	37 347
Plant and machinery hire expenses	176 641 046	102 029 300
Other expenses	8 978 545	2 559 387
Attending of meetings and congresses	93 984	114 585
Legal fees	13 865 718	19 097 071
Project management costs	2 194 500	5 323 547
Social programmes	263 365	156 721
Ward committees expenses	6 115 200	2 652 900
Mayoral out-reach programme	1 499 709	2 176 487
Chemicals	22 422 681	14 023 745
Comunity participation	4 050 264	2 063 408
COVID 19 expenses	3 877	400 381
Mobille chemical toilets	521 373	2 834 877
	502 323 698	**335 506 256**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

40. Cash generated from operations

Surplus (deficit)	218 587 685	(189 164 788)
Adjustments for:		
Depreciation and amortisation	316 127 681	340 325 919
Gain on landfill site	(4 243 457)	(947 543)
Fair value adjustments	814 863	(1 120 154)
Impairment deficit	25 054 444	7 182 343
Debt impairment	(118 316 810)	181 794 375
Movements in retirement benefit assets and liabilities	(1 835 000)	19 808 010
Movements in provisions	2 056 445	1 648 570
Movement on accumulated surplus	(468 217 315)	724 959 136
Straight lining of operating lease expenses	(14 784 950)	(8 621 034)
Loss on disposal of assets	-	580 665
Changes in working capital:		
Inventories	(13 113 313)	366 366
Other receivables	2 362 350	(28 810 267)
Consumer debtors	(612 318 538)	(318 682 178)
Other receivables from non-exchange transactions	435 245 917	188 854 600
Prepayments	-	80 833
Other financial asset	(105 163)	-
Payables from exchange transactions	697 927 948	(635 726 153)
VAT	(68 491 603)	23 328 057
Unspent conditional grants and receipts	(73 283 467)	68 390 746
Consumer deposits	(366 028)	(15 068 755)
	323 101 689	**359 178 748**

41. 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

	As previously reported	Correction of error	Re-classification	Restated
Receivables from non-exchange transactions	196 056 244	473 045 783	(19 724 323)	649 377 704
Receivables from exchange transactions (Consumer debtors)	470 639 345	335 821 837	-	806 461 182
Other receivables	33 535 561	(14 570 942)	37 629 531	56 594 150
Cash and cash equivalents	224 843 799	614 160	(22 197 110)	203 260 849
Investment property	87 765 000	11 790 000	-	99 555 000
Property, plant and equipment	4 846 551 580	(3 921 885)	-	4 842 629 695
Finance lease obligation	4 647 470	-	(4 647 470)	-
Payables from exchange transactions	1 644 745 905	(893 906 981)	4 647 470	755 486 394
Unspent conditional grants and reeipts	75 276 363	(362 093)	-	74 914 270
Vat payables	19 575 392	(12 137 824)	-	7 437 568
	7 603 636 659	**(103 627 945)**	**(4 291 902)**	**7 495 716 812**

Statement of financial performance

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

41. Prior-year adjustments (continued)

2023

	As previously reported	Correction of error	Re-classification	Restated
Gain on provision of land fill site	-	947 543	-	947 543
Impairment loss	(6 992 326)	(190 017)	-	(7 182 343)
Depreciation and amortisation	(337 457 220)	(2 868 699)	-	(340 325 919)
Debt impairment	-	(181 794 375)	-	(181 794 375)
Mediacal expenses - Pensioners	-	-	(5 163 393)	(5 163 393)
Deficit for the year	**(344 449 546)**	**(183 905 548)**	**(5 163 393)**	**(533 518 487)**

Errors

The following prior period errors adjustments occurred:

Error 1 - Debt Impairment

The impairment allowance (debt impairment) for receivables from both exchange (consumer debtors) and receivables from non-exchange was not processed in the prior year annual financial statements. The allowances for impairment have been calculated in accordance with management policy and methodology and accordingly restated.

In the prior year, impairment loss for Fines were ommitted.

Error 2 - Other receivables

The salary control account expenses relating to payments for pensioner's medical expenses was incorrectly classified amd reported under other receivables. The error relating to prior year has been appropriately adjusted, and the reclassification of current year medical expenses has been disclosed adequately as expenses in the statement of financial performance.

Unreconciled bank account transactions emanating from system conversion error(s) were reclassified from cash and cash equivalent to other receivables as they could not be substantiated as valid cash items or transactions.

Unauthorised debit orders which comes from illegal unauthorised debit orders processed on the municipal accounts, were previously classified as non exchange transactions and reported under receivables from non exchange, and the amounts have been reclassified to other receivables.

Error 3 - Finance lease obligations (Payables from exchange transactions)

Contractual obligations relating to finance lease contracts expired in prior years. When no obligations or contractual relationship existed post the exflussion of the contracts, the leases were incorrectly still classified as finance leases instead of normal payables from exchange transactions.

The finance lease obligations as reported previously have been reclassifed to payables from exchange transactions. Payment towards these obligations has not been made post expiry of the contracts.

Error 4 - Property , plant and equipment and Investment proerty

Capitalisation of projects identified during verification which were completed in the past.

Error - Irregular expenditure

	2023	2022
Opening balance (previously stated)	-	2 833 417 922
Adjustments made	-	(163 552 418)
Restated opening balance	**-**	**2 669 865 504**

Adjustment made to opening balance of irregular expenditure is due to an omissions and errors on irregular expenditure.

Figures in Rand	2023	2022

41. Prior-year adjustments (continued)

Error - Unauthroised expenditure

Opening balance	-	2 458 040 563
Adjustments made	-	1 412 507 920
Restated opening balance	**-**	**3 870 548 483**

Adjustment made to opening balance ofUnauthorised expenditure is due to re-compilation of unauthorised expenditure register.

Error 5 - Payables from exchange transactions

Reclasification of expired lease contract, and the clearing of uncleared suspense account as per National Treasury's guidance.

Subsequent to year end, council approved write off of trade payables on differences that existed between trade payable listing and general accounts. The decision also affects prior year opening balances, and these balances have been adjusted accordingly to account for the error that previously existed in the accounts.

Error 6 - Vat Payables

correction of vat on payables not recorded at year end.

Error 7 - Unspent conditional grants and receipts

Grant movement not acounted for properly in the grant reconciliation note.

Error 8 - Gain on provision of landfill site

The actuarial gain on the revaluation of land fil site at year end was erreneously ommitted.

Error 9 - General expenses

Payments for pensoners medical expenses were incorrectly included in other receivables.

Error 10 - Cash and Cash Equivalents

Unreconciled and unallocated opening balance of R10 349 761.25 (FNB Consumer Account), R10 927 161.04 (ABSA Account) and R920 187.33 (FNB Main Primary Account) emanating from 2021 financial year. The unallocated amounts have been reclassified to other receivables as money received by the municipality was not allocated to various accounts for which funds were received for.

42. Commitments

Capital commitments

Authorised capital expenditure		
• Water	-	5 928 451
• Sanitation	7 766 626	24 461 036
• Roads and stormwater	341 986 429	96 453 394
• Other projects	-	9 520 820
	349 753 055	**136 363 701**

Total capital commitments		
approved and contracted for but not provided for	349 753 055	136 363 701

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

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

43. Contingencies

Contingent liabilities

	2023	2022
1. Sobeka Engineering *Claiming for services rendered and cancellation of contract*	-	8 721 323
2. Sechaba Traffic Solutions *Claiming damages for breach of contract*	-	1 102 902
3. Petros Rademan *The plaintiff is suing the municipality for medical expenses, pain, suffering and general damages he allegedly suffered when he was electrocuted by a meter installed by the municipality*	-	4 000 000
4. William Moeketsi *Claiming damages for falling into an open/uncovered manhole situated in Mayening, Mamba Section*	-	1 060 000
5. Kuhle General Consulting *The plaintiff is claiming for services alledgely rendered to the municipality*	-	1 837 641
6. Kuhle General Consulting *The plaintiff is claiming for breach of contract*	-	25 677 878
7. Treru Civil Construction *The Plaintiff is claiming for standing time*	-	3 670 695
8. Fantique *The plaintiff is claiming for damages suffered as a result of repudiation of contract*	-	2 291 359
9. Magalies Water *The plaintiff is claiming for breach of undertaking and damages incurred for rendering of additional services*	36 550 923	36 550 923
10. S Sechabela *The plaintiff is suing the municipality for damages incurred as a result of injuries sustained when she fell into a sewerage drain which was allegedly open and unattended to*	-	250 000
11. Donovan David Peter De Bryun *Claiming for loss suffered as a result of the municipality's alledged breach of its statutory and/or legal duty to erect a stop sign and/or to maintain the road signs and in particular to ensure visibility of warning signs*	400 000	250 000
12. SADC Directory Services (Pty) Ltd *The plaintiff issued summons against the municipality for alledged directory services in the form of a full colour page display advertorial in part verbal and part written contract entered into for a period of 12 months. The plaintiff has filed for summary judgement application following summons*	-	273 532
13. Andries Hendrik Vermaak *The plaintiff is suing for damages for car colliding with large pothole situated within the jurisdiction of te municipality.*	-	9 266
14. Telkom *The plaintiff is claiming for loss of copper cables allegedly caused by the municipality*	-	36 085
15. Telkom *The plaintiff is claiming for payment for cables allegedly damaged by the municipality in Mnakau, Sonop and Mothutlung*	-	39 827
16. Stephen Mphedi Madiro *The plaintiff is suing both Madibeng and Bojanala for raw sewer spillage in his property due to the municipalities failure to maintain sewer system*	16 842 500	16 842 500
17. Boss Directory Services *The plaintiff is claiming for services allegedly rendered*	683 724	683 724
20. Black Forum Africa/Morris Mahlangu Glory *The plaintiff is claiming for unlawful act of removing Beverly Hills Section under the municipality's jurisdiction without proper procedure*	-	2 800 000
21. Resilent Properties *Claiming for damages of former employees actions*	28 803 025	28 803 025
23. Bertobrite (Pty) Ltd *Claiming for damages suffered as a result of breach of contractTerms and conditions*	-	18 185 027

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
43. Contingencies (continued)		
24. LSO	4 810 747	4 810 747
The plaintiff alledges that the municipality failed to pay him three months of services rendered		
26. Ubane Salome Melabo	-	909 500
Claim for damages for falling into a 1 to 1.5 meter deep unmarked construction hole at Hebron intersection of M20 and Lucas Mangope Road		
27. Ngwenya River Estate	188 198	188 198
The plaintiff is claiming for damages for repair of substation and/or pump station		
28. Ikanyeng Kamogelo Masenamela	-	9 874
The plaintiff is claiming for damages suffered by colliding with a pothole at an unknown intersection in Brits		
29. Flame IT	54 604 678	54 604 678
Claiming for outstanding amount for services allegedly rendered		
30. Mosoma Pokisi Daniel	20 000 000	20 000 000
Claiming for damages for the death of a minor child who fell in a open hole at Thelele Section of Mmakau Village		
31. Leon Van Rhyn	1 064 849	1 064 849
The plaintiff claims for damages as a result of collusion caused by pothole		
32. Phillipus Hohanne Van Den Berg	-	65 609
Claim for damages caused by pothole		
33. Martin Jordan	5 928 000	5 928 000
Claim for damages due to a lack of road marking. The plaintiff drove his quardricycle into exposed building materials		
34. Stephen Velaphi Chauke	16 800	16 800
Claim for damages caused by a pothole		
35. Movundlela Consulting	-	327 838
Claim for the sum of R327 836.25 and interest of 7% per annum for services rendered to the municipality		
36. Kosmos Ridge Homeowners Association	-	20 000
Claim for municipality to implement 2014 court order		
37. Mok Development CC	6 893 012	-
Claim for alledged breach of contract		
38. Mosaza Civil Engineering	7 245 348	-
Claim for cessionary material supplied on Provincial project instituted against the municipality. The Province refused to pay for further work due to non compliance		
39. JJ Van Der Walt	340 131	-
Claim for alledged failure by the municipality to repair and maintain trafic light which alledgely caused the acident.		
40. SM Ubane	250 000	-
Claim for damages arising from the alledged failure by the municipality to cover a hole at a construction site.		
	184 621 935	**241 031 800**

44. Related parties

Relationships	
Accounting Officers	Refer to accounting officers' report note
Councillors	Refer to note 31
Post employment benefit plan for employees and/or other related parties	Refer to note 18
Members of key management	No other payments are made outside the contractual employment payments from employment.

45. Comparative figures

Certain comparative figures have been reclassified.

The effect of the reclassification are disclosed in the prior period error note.

46. Risk management

Financial risk management

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows.

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

Cash flow forecasts for the Medium-Term Revenue and Expenditure Framework (MTREF) are prepared in terms of the Municipal Budget and Reporting Regulations (MBRR), and monthly monitoring and returns performed in terms of Section 71 of the MFMA.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

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.

The municipality manages credit risk in its borrowing and investing activities by only dealing with well established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies.

Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to analysis of consumer debtors is given in the accounting policies and Note 7 to the annual financial statements.

The municipality does not have any significant credit risk exposure to any signle 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 is limited because the counterparties are banks with higher credit-ratings.

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

Financial instrument	2023	2022
Other financial assets	3 234 734	3 129 571
Receivables from exchange transactions (Consumer debtors)	1 167 500 672	806 461 182
Receivables from non-exchange transactions	583 727 667	649 377 704
Cash and cash equivalent	181 939 593	203 260 849
Payables from exchange transactions	1 453 414 342	755 486 394

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

46. Risk management (continued)

Maturity Analysis

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Other financial liabilities	325 279 924	-	-	-	325 279 924
Payables from exchange transaction (excl. bonus and leave accrual)	1 390 811 014	-	-	-	1 390 811 014
Consumer deposits	24 852 862	-	-	-	24 852 862
	1 740 943 800	**-**	**-**	**-**	**1 740 943 800**

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Other financial liabilities	325 279 924	-	-	-	325 279 924
Operating lease liability	14 784 950	-	-	-	14 784 950
Payables from exchange transaction (excl. bonus and leave accrual)	695 068 661	-	-	-	695 068 661
Vat Payable	7 437 568	-	-	-	7 437 568
Consumer deposits	25 218 890	-	-	-	25 218 890
	1 067 789 993	**-**	**-**	**-**	**1 067 789 993**

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs during the MTRE

47. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 5 034 912 072 and that the municipality's assetss exceed its total liabilities by R 5 034 912 073.

48. Unauthorised expenditure

	2023	2022
Opening balance as previously reported	4 205 501 249	3 870 548 483
Add: Unauthorised expenditure - current	408 242 169	334 952 766
Closing balance	**4 613 743 418**	**4 205 501 249**

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

	2023	2022
Non-cash	285 606 748	299 628 215
Cash	122 635 421	35 324 550
	408 242 169	**334 952 765**

Analysed as follows: non-cash

	2023	2022
Depreciation and amortisation	285 606 748	299 625 215

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

48. Unauthorised expenditure (continued)

Analysed as follows: cash

Bulk purchases	62 378 239	(6 262 914)
Contracted services	9 808 593	66 961 200
General expenditure	20 266 978	(6 675 575)
Employee related costs	18 271 657	8 821 324
Unauthorised debit orders	-	48 972
Finance charges	11 909 953	(27 568 457)
	122 635 420	**35 324 550**

Unauthorised expenditure: Budget overspending – per municipal department:

Vote 01: Council Administration	-	-
Vote 02: Municipal Manager	-	-
Vote 03: Corporate and Support Services	2 120 510	-
Vote 04: Budget and Treasury Office	-	-
Vote 05: Infrastructure and Technical Services	350 701 485	334 903 793
Vote 06: Community Services	-	-
Vote 07: Human Settlement and Planning	-	-
Vote 08: Economic Development, Tourism and Agriculture	-	-
Vote 09: Public Safety, Fleet & Facilities Management	55 420 174	-
Vote 10: Enterprise Risk Management	-	-
	408 242 169	**334 903 793**

49. Fruitless and wasteful expenditure

Opening balance as previously reported	121 186 376	103 442 029
Add: Fruitless and wasteful expenditure identified - current	60 365 013	17 744 347
Closing balance	**181 551 389**	**121 186 376**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

49. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

Eskom	Interest raised on late payment of accounts	-	56 878 715	12 978 132
Rand Water	Interest raised on late payment of accounts	-	877 181	87 894
Department of Water and Sanitation	Interest raised on late payment of accounts	-	1 920 845	1 865 517
Telkom -	Interest on late payment of accounts	-	-	11 666
Auditor General South Africa	Interest on late payment of accounts	-	198 284	398 240
SARS	Interest on late payment of accounts of PAYE and VAT	-	60 336	660 756
Eskom small accounts	Interest charged	-	157 457	-
Duplicates payments	Duplicate payments to various suppliers	-	272 195	1 742 142
		-	**60 365 013**	**17 744 347**

50. Irregular expenditure

Opening balance as previously reported	2 766 445 401	2 669 865 504
Add: Irregular expenditure - current	13 739 296	174 447 547
Add: Irregular expenditure - prior period	33 155 526	157 420 998
Add: Prior year correction	29 231 732	32 970 239
Less: Amount incorrectly classified	(178 705 852)	(69 456 374)
Less: error on limitation of scope inclusions	(159 145 065)	(198 802 513)
Closing balance	**2 504 721 038**	**2 766 445 401**

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

Competitive bidding not invited	11 139 281	-
Three written quotations not invited	447 138	-
Deviations	2 152 877	-
	13 739 296	**-**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

50. Irregular expenditure (continued)

Cases under investigation

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Opening balance	10 185 632	6 515 133
Current year subscription / fee	7 772 784	6 686 499
Amount paid - current year	(10 189 130)	(3 016 000)
	7 769 286	**10 185 632**

Audit fees

Opening balance	5 248 963	4 967 869
Current year subscription / fee	12 633 196	9 122 600
Amount paid - current year	(12 541 336)	(8 841 506)
	5 340 823	**5 248 963**

PAYE and UIF

Opening balance	8 082 185	5 537 651
Current year subscription / fee	104 602 306	101 510 321
Amount paid - current year	(104 204 787)	(101 014 366)
Prior period error	-	2 048 579
	8 479 704	**8 082 185**

Pension and Medical Aid Deductions

Opening balance	10 300 973	10 093 572
Current year subscription / fee	194 545 187	185 563 461
Amount paid - current year	(191 183 099)	(185 356 060)
	13 663 061	**10 300 973**

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2023:

30 June 2023	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
M Du Plessis	2 956	1 103	4 059
NR & FP Rakolle	6 550	10 955	17 505
JM Mamabolo	-	24 686	24 686
KS & TP Komape	1 824	24 272	26 096
HL Laurens	314	930	1 244
PM, EM & JM Maunatlala, Bopape & Sereme	-	23 904	23 904
DS Maimane	2 190	11 901	14 091
TW Mhlanga	-	111 733	111 733
J Ratloi	1 458	3 764	5 222
JC Van Rhyn	-	14	14
	15 292	**213 262**	**228 554**

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
DS Maimane	3 630	22 639	26 269
M Du Plessis	3 065	8 936	12 001
JM Mamabolo	5 669	26 472	32 141
KS Komape	9 357	5 857	15 214
HL Laurens	306	784	1 090
EM Bopape	1 930	21 297	23 227
MS Moloi	2 101	382	2 483
TW Mhlanga	4 730	99 998	104 728
JC Van Rhyn	-	14	14
	30 788	**186 379**	**217 167**

During the year the following Councillors’ had arrear accounts outstanding for more than 90 days.

Figures in Rand	2023	2022

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

Non-compliance with the Municipal Finance Management Act

1) Expenditure Management

Section 65(2)(e) of the MFMA requires the accounting officer to take all reasonable steps to ensure that all monies owing by the municipality is paid within 30 days of receiving the relevant invoice or statement.

During the financial year 2022/23, the municipality did not always pay the Eskom Bulk account for the purchase of electricity within 30 days of receiving the relevant invoice. The late and/or delayed Eskom bulk payments resulted in interest being charged on the outstanding amount.

The municipality did not always pay the Department of Water and Sanitation (DWS) for bulk purchase of water within 30 days of receiving the relevant invoice or statement.The late and/or delayed DWS bulk payment resulted in interest being charged on the outstanding invoice or statement.

The municipality did not always always pay the Rand Water account for the purchase of water within 30 days of receiving the invoice or statement. The late and/or delayed payment to Rand Water resulted in interest being charged on the outstanding invoice or statement.

The municipality did not always pay the Telkom account within 30 days of receiving the invoice or statement. The late and/or delayed Telkom account payment resulted in interest being charged on the outstanding invoice or statement

The amount of interest actually paid towards outstanding accounts has been classified as fruiless and wasteful expenditure in terms of Section 1 of the MFMA and related disclosures have been made in these annual financial statements. The disclosure relating to fruitless and wasteful expenditure is made in Note 49 of these financial statements.

2) General financial management functions (Document management)

Section 62(1)(b) of the MFMA requires that the accounting officer to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards. Some historical documents relating to accounts included in the Integrated Financial Manaement System were not maintained by the municipality. Some of the accounts which records have not been properly maintained were classified as suspense accounts during mSCOA migration and conversion. The suspense accounts were further reassessed at year end in line with the National Treasury guidelines, and where the definition of either an asset or liability was not met, the accounts were accordingly reclassified and reported under prior period error adjustment Note 41.

3) Revenue Management (Use of Estimates)

Section 64 of the MFMA requires that the accounting officer of the municipality must take reasonable steps to ensure that the municipality has an effective revenue collection system consistent with Section 95 of the Municipal Systems Act and the municipality's credit and debtors collection policy. The Act further requires that the municipality maintains a system of internal control in respect of both revenue and debtors.

The municipality did not always have adequate systems of internal control relating to revenue and debtors in that some accounts were billed using estimates due to a number of reasons, such as faulty or broken meters and refusal of acess to premises to take actual meter readings

The amount of revenue billed on estimates is presented in Note 21

Figures in Rand	2023	2022

52. 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.

Incident		
Emergency	28 883 633	37 562 334
Sole supplier	249 234	217 966
Impractical or impossible to follow normal process	99 245 446	20 864 665
	128 378 313	**58 644 965**

53. Segment information

General information

Identification of segments

The segments of the municipality are identified as those activities and/or votes of the municipality that generate economic benefit or service potential and whose results are regularly reviewed by management to make decisions about resources to be allocated to segments and in assessing segments performance and for which separate financial information is available. 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 is a local municipality within the Bojanala Platinum District Municipality, in the North West province of South Africa. The head office of the municipality is in Brits. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout local municipalities were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Reportable segment	**Goods and/or services**
Executive Council	Council administration and Municipal Manager
Community and public safety	Community services
Economic and environmental services	Human Settlement & planning and economic dev; Tourism & agriculture
Trading services	Infrastructure and technical services
Finance and administration	Corporate Support services and Budget and Treasury office

53. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Executive Council	Community and Public Safety	Economic and environmental services	Trading services	Finance and administration	Total
Revenue						
Service charges	-	59 740 556	-	807 654 074	(70 844)	867 323 786
Rental of facilitie and equipment	-	73 851	1 866 475	-	-	1 940 326
Other income	-	1 299 341	1 896 122	6 307 887	15 727 653	25 231 003
Interest received from debtors	-	7 343 821	-	43 748 491	37 315 948	88 408 260
Interest received from investments	-	-	-	-	16 443 489	16 443 489
Property rates	-	-	-	-	413 887 128	413 887 128
Government grants & subsidies	-	1 318 808	1 094 000	317 532 681	943 700 767	1 263 646 256
Agency services	-	-	-	17 663 691	-	17 663 691
Fines, penalties and forfeits	-	-	-	6 366 447	-	6 366 447
Lincences and permits	-	-	-	6 685 518	-	6 685 518
Actuarial gains	-	-	-	-	22 778 000	22 778 000
Gain on provision of landfill site	-	4 243 457	-	-	-	4 243 457
Total segment revenue	**-**	**74 019 834**	**4 856 597**	**1 205 958 789**	**1 449 782 141**	**2 734 617 361**
Entity's revenue						**2 734 617 361**

53. Segment information (continued)

	Executive Council	Community and Public Safety	Economic and environmental services	Trading services	Finance and administration	Total
Expenditure						
Employee related costs	53 641 825	141 076 707	46 031 914	311 932 102	100 022 753	652 705 301
Finance costs	-	-	-	59 501 953	19 958 445	79 460 398
General expenditure	19 850 617	10 389 280	2 538 975	382 936 637	85 868 774	501 584 283
Bulk purchases	-	-	-	864 611 162	-	864 611 162
Contracted services	-	3 802 870	-	93 816 232	63 189 206	160 808 308
Debt impairment	-	-	-	-	(106 089 272)	(106 089 272)
Depreciation and amortisation	-	-	-	-	315 432 188	315 432 188
Remuneration of Councillors	34 256 449	-	-	-	-	34 256 449
Transfer and subsidies	-	-	-	-	416 183	416 183
Fair value adjustments	-	-	-	830 000	(15 137)	814 863
Impairment loss	-	-	-	-	25 054 443	25 054 443
Total segment expenditure	**107 748 891**	**155 268 857**	**48 570 889**	**1 713 628 086**	**503 837 583**	**2 529 054 306**
Total segmental surplus/(deficit)	**(107 748 891)**	**(81 249 023)**	**(43 714 292)**	**(507 669 297)**	**945 944 558**	**205 563 055**

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

Notes to the Annual Financial Statements

Figures in Rand

53. Segment information (continued)

2022

	Executive Council	Community and Public Saety	Economic and environmental services	Trading services	Finance and administration	Total
Revenue						
Service charges	-	56 870 293	-	743 028 463	(91 662)	799 807 094
Rental of facilities and equipment	-	30 335	1 900 775	-	-	1 931 110
Income from agency services	-	-	-	14 180 025	-	14 180 025
Licences and permits	-	-	-	6 336 607	-	6 336 607
Other income	-	1 800 975	2 243 309	4 443 061	9 394 272	17 881 617
Interest received from debtors	-	12 095 258	-	61 464 568	25 480 637	99 040 463
Fair value adjustments	-	-	-	1 270 000	(149 846)	1 120 154
Interest received from investments	-	-	-	-	6 902 741	6 902 741
Property rates	-	-	-	-	293 658 694	293 658 694
Fines, penalties and forfeits	-	-	-	3 642 972	-	3 642 972
Government grants and subsidies	-	1 614 527	1 175 000	242 996 323	821 607 473	1 067 393 323
Gain on landfill site rehabilitation	-	947 543	-	-	-	947 543
Total segment revenue	**-**	**73 358 931**	**5 319 084**	**1 077 362 019**	**1 156 802 309**	**2 312 842 343**
Entity's revenue						**2 312 842 343**

53. Segment information (continued)

	Executive Council	Community and Public Saety	Economic and environmental services	Trading services	Finance and administration	Total
Expenditure						
Employee related costs	56 442 556	134 769 519	45 186 669	294 090 443	89 918 684	620 407 871
Remuneration of Councillors	32 005 387	-	-	-	-	32 005 387
Depreciation and amortisation	-	-	-	336 756 361	700 859	337 457 220
Contracted services	683 722	6 681 940	-	73 879 482	53 240 840	134 485 984
Actuarial losses	-	-	-	-	1 237 000	1 237 000
Bulk purchases	-	-	-	808 571 367	-	808 571 367
Debt impairment	-	-	-	-	383 817 135	383 817 135
Finance cost	-	-	-	14 931 543	18 676 571	33 608 114
Lease rentals on operating lease	-	-	-	5 690 550	-	5 690 550
Loss on disposal of assets	-	-	-	580 665	-	580 665
Other operational expenses	10 417 477	10 592 010	5 369 645	229 099 002	75 938 875	331 417 009
Reversal of impairments	-	6 992 326	-	-	-	6 992 326
Transfers amd subsidies	-	-	-	-	611 297	611 297
Total segment expenditure	**99 549 142**	**159 035 795**	**50 556 314**	**1 763 599 413**	**624 141 261**	**2 696 881 925**
Total segmental surplus/(deficit)	**(99 549 142)**	**(85 676 864)**	**(45 237 230)**	**(686 237 394)**	**532 661 048**	**(384 039 582)**

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

54. Accounting by principals and agents

The entity is a party to a principal-agent arrangement.

54. Accounting by principals and agents (continued)

Details of the arrangment(s) is|are as follows:

The municipality acts on behalf of the department to issue licenses to and collect money from motorists, i.e there are three parties to the arrangement, principal (department of Transport), agent (Madibeng Local Municipality) and third party (motorists).

As the Department of Transport is responsible to issue licences, the transaction is however between the Department of Transport and the motorist, i.e the municipality is not a party to the transaction with the third parties. The municipality facilitates the issuing of these licenses and the collection of the prescribed fees.

The Municipality receives a fee of 20% of the transaction amount and there were no charges that occurred during the reporting period.

Entity as agent

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is disclosed in Licence and Permits Note .

Resources (including assets and liabilities) of the entity under the custodianship of the agent

The resources have been recognised/have not been recognised by the agent in its financial statements. [Choose as appropriate]

The remittance of resources during the period [State details].

The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].

The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

Fee paid

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

Notes to the Annual Financial Statements

55. Finance costs

Figures in Rand	2023	2022
Late payment charges	59 501 953	14 931 544
Interest cost on landfill site provision	2 056 445	1 648 570
Defined benefit obligation	17 902 000	17 028 000
	79 460 398	**33 608 114**

56. VAT receivable

Figures in Rand	2023	2022
VAT	61 054 035	-

Vat is accounted for on an accrual basis in the annual financial statements whilst VAT submissions to SARS are accounted for on a cash basis. All VAT returns have been submitted throughout the year.

Due to the accrual basis of accounting applied, the amount disclosed for VAT includes the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.

57. Interest from non-exchange receivables

Figures in Rand	2023	2022
Interest from property rates	32 168 513	22 520 459

58. Change in estimate

Property, plant and equipment

The useful life of buildings was estimated to be between 30 to 80 years. In the current period management have revised their estimate to be between 10 to 80 years. The effect of this revision has increased the depreciation charges for the current and future periods by R2 273 498.

The useful life of certain community assets was estimated to be between 7 to 80 years. In the current period management have revised their estimate to be between 8 to 50 years. The effect of this revision has increased the depreciation charges for the current and future periods by R 7 415 909.

59. Events after the reporting date

Trade Payables

The municipality has been qualified for several years due to a lack of adequate records supporting disclosures and assertions made for trade payables. The municipal manager commissioned an investigation into the differences on trade payables listing and the control accounts in order to restate the trade control account to amounts as per creditors listing.

A report to this effect was submitted for Council consideration, however Council did not consider the report prior to the submission of these statements. The effect of the report is that the amounts included in payables will be restated to reflect actual amounts supported by creditors listing.

Figures in Rand	2023	2022
The carrying amount of trade payables not fully supported	1 533 399 249	1 107 509 809
The amount of trade payables to be reflected post Council decision - fully supported	1 108 922 244	435 995 703

Council approved the write off prior to the finalization of the audit, and the amounts in the face of the financials has been accordingly adjusted.

Notes to the Annual Financial Statements

Figures in Rand	2023	2022

59. Events after the reporting date (continued)

Unauthorised, Fruitless and Wasteful; Irregular Expensiture

The accounting officer commissioned review on the amounts of unauthorised, fruitless and wasteful and irregular expenditure in an effort to institute consequence management and to deal decisivley with cases of non-compliance. A report containing the reviews undertaken was submitted for Council consideration, however Council could not meet to discuss and resolve on the reports prior to submission of these statements.