Lekwa Teemane Local Municipality
Annual Financial Statements
for the year ended 30 June 2022

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998)
	Local Government: Municipal Finance Management Act (Act no.56 of 2003)
	Local Government: Municipal Structures Act (Act 117 of 1998)
	Municipal Property Rates Act (act of 6 2004)
	Division of Revenue Act (Act 1 of 2007)
Mayoral committee	
Mayor	Councillor - S.M Mothlabi
	Councillor J.M Dabampe - Portfolio Committe Chairperson - Finance
	Councillor L. D. Legabe - Portfolio Committee Chairperson - Community Services
Councillors	Councillor M.E Mongalane
	Councillor E.G Letebele
	Councillor M.A Seneke
	Councillor T.H Setsetse
	Councillor A. Nel
	Councillor M.M Pilane
	Councillor K.L Duiker
	Councillor W. Adams
	Councillor T. Gerber
	Councillor M.S Hussain
	Councillor T. Komane
Grading of local authority	Grade 3
Chief Finance Officer	Mr. TC Moseki (Acting)
Accounting Officer	Mrs. N Mbonani
Registered office	Cnr Robyn & Dirkie Uys Street Christiana 2680
Business address	Cnr Robyn & Dirkie Uys Street Christiana 2680
Postal address	P. O. Box 13 Christiana 2680
Bankers	ABSA NEDBANK
Auditors	Auditor General of South Africa (AGSA) Registered Auditors

General Information

Legal representative	Lizel Venter Attorneys De Swartdt Vegel Kgomo Attorneys Inc. KNT Attorneys Modiboa Attorneys Russia Langa Attorneys

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
LGSETA	Local Government Services Sector Education & Training Authority
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
mSCOA	Municipal Standard Chart of Accounts
ME's	Municipal Entities
SRAC	Sports, Recreation, Arts & Culture
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal System Improvement grant
NDPG	Neighbourhood Development and Partnership Grant
SALGA	South African Local Government Association

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors. I would like to bring to your attention the following material matters to your attention: I certify that the salaries, allowances and benefits of councillors as disclosed in note 31 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government’s determination in accordance with the Act.

The external auditors, being the Auditor-General of South Africa, are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved on 31 August 2022 and were signed on its behalf by:

Accounting Officer
Date

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
	Note(s)		
Assets			
Current Assets			
Inventories	7	1 075 340	436 149
Investments	8	41 662	48 360
Receivables from exchange transactions	9	21 058 100	17 830 332
Receivables from non-exchange transactions	10	21 990 861	19 401 103
Consumer debtors	11	55 482 947	38 910 987
Long-term debtors		832 911	1 053 791
Cash and cash equivalents	12	857 131	410 326
		101 338 952	**78 091 048**
Non-Current Assets			
Investment property	2	448 594 294	445 548 605
Property, plant and equipment	3	305 258 433	296 705 823
Intangible assets	4	459 783	55 267
Heritage assets	5	170 000	170 000
Investments in controlled entities	6	20 100	20 100
Long-term debtors		3 567 178	4 191 220
		758 069 788	**746 691 015**
Total Assets		**859 408 740**	**824 782 063**
Liabilities			
Current Liabilities			
Other Financial liabilities	13	9 710 561	5 395 606
Financial liabilities	14	16 305 896	13 685 312
Payables from exchange transactions	15	621 863 666	500 190 259
VAT payable	16	15 921 250	14 893 033
Consumer deposits	17	1 695 774	1 641 737
Employee benefit obligation	18	1 297 829	1 888 879
Unspent conditional grants and receipts	19	9 535 549	6 021 083
Provisions	20	1 679 729	1 688 627
		678 010 254	**545 404 536**
Non-Current Liabilities			
Financial liabilities	14	-	824 945
Employee benefit obligation	18	27 299 739	25 060 235
Provisions	20	14 581 860	14 054 528
		41 881 599	**39 939 708**
Total Liabilities		**719 891 853**	**585 344 244**
Net Assets		**139 516 887**	**239 437 819**
Accumulated surplus		173 323 631	287 142 380
Total Net Assets		**173 323 631**	**287 142 380**

* See Note 45

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		308 835	300 029
Service charges	21	112 999 708	141 878 183
Rendering of services		601 895	1 231 526
Rental of facilities and equipment	22	17 864	39 240
Agency services	23	2 680 243	3 015 918
Licences and permits	24	524 911	654 076
Other income		803 667	776 390
Fair Value Adjustments		3 684	19 183
Interest received	25	50 471 765	45 340 972
Total revenue from exchange transactions		**168 412 572**	**193 255 517**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	28 122 494	28 484 773
Property rates - Interest received	26	26 578 232	68 033 404
Transfer revenue			
Government grants & subsidies	27	96 421 819	81 382 617
Traffic fines	28	176 450	365 700
Actuarial gains		301 141	233 477
Fair Value adjustments		3 045 689	107 906 924
Total revenue from non-exchange transactions		**154 645 825**	**286 406 895**
Total revenue	29	**323 058 397**	**479 662 412**
Expenditure			
Employee related costs	30	(75 041 300)	(72 891 739)
Remuneration of councillors	31	(6 071 319)	(6 181 106)
Depreciation and amortisation	32	(23 972 215)	(22 019 359)
Impairment losses on assets	33	(809 304)	(56 309 334)
Finance costs	34	(31 502 776)	(36 619 142)
Debt impairment	35	(157 875 765)	(234 234 613)
Bulk purchases	36	(82 586 031)	(74 974 059)
Contracted services	37	(31 357 081)	(33 064 727)
Loss on disposal of assets		(33 049)	(456 619)
Consumables		(3 022 745)	(7 429 535)
General expenses	38	(24 605 561)	(23 914 765)
Total expenditure		**(436 877 146)**	**(568 094 998)**
Deficit for the year		**(113 818 749)**	**(88 432 586)**

* See Note 45

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	328 040 928	328 040 928
Adjustments		
Deficit for the year	31 919 781	31 919 781
Balance as at 30 June 2021 previously reported	**359 960 709**	**359 960 709**
Adjustments		
Prior period errors adjustments	(72 818 329)	(72 818 329)
Restated* Balance at 01 July 2021	**287 142 380**	**287 142 380**
Deficit for the year	(113 818 749)	(113 818 749)
Total changes	(113 818 749)	(113 818 749)
Balance as at 30 June 2022	**173 323 631**	**173 323 631**

Note(s)

* See Note 45

Cash Flow Statement

Figures in Rand	2022	2021 Restated*
Cash flows from operating activities		
Receipts		
Receipts from customers	112 999 708	99 982 161
Grants	87 679 280	72 896 907
Interest income	77 049 997	18 061
Rates received	28 122 494	-
Other receipts	2 524 097	1 558 274
	308 375 576	174 455 403
Payments		
Employee costs & Councillor remuneration	(81 112 619)	(79 072 845)
Suppliers	(196 741 966)	(48 046 178)
Finance costs	(31 502 776)	(34 876 667)
	(309 357 361)	(161 995 690)
Net cash flows from operating activities	**(981 785)**	**12 459 713**
Cash flows from investing activities		
Purchase of property, plant and equipment	(712 760)	(13 857 845)
Proceeds from sale of property, plant and equipment	1 219 364	-
Purchase of other intangible assets	(1 914 150)	(181 748)
Financial Assets	1 040 497	-
Net cash flows from investing activities	**(367 049)**	**(14 039 593)**
Cash flows from financing activities		
Repayment of/ Proceeds from other financial liability	1 795 639	(2 124 377)
Finance lease payments	-	(570 827)
Repayment of financial liability	-	(1 463 200)
Net cash flows from financing activities	**1 795 639**	**(4 158 404)**
Net increase/(decrease) in cash and cash equivalents	**446 805**	**(5 738 284)**
Cash and cash equivalents at the beginning of the year	410 326	6 148 610
Cash and cash equivalents at the end of the year	**857 131**	**410 326**

* See Note 45

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	893 542	-	**893 542**	910 730	**17 188**	
Service charges	161 666 277	-	**161 666 277**	112 999 708	**(48 666 569)**	Refere to note 55
Rental of facilities and equipment	187 321	-	**187 321**	17 864	**(169 457)**	Refer to note 55
Interest received (trading)	91 983 522	(25 488 167)	**66 495 355**	50 471 765	**(16 023 590)**	Refer to note 55
Agency services	3 002 809	-	**3 002 809**	2 680 243	**(322 566)**	
Licences and permits	-	-	**-**	524 911	**524 911**	
Other income	178 232	-	**178 232**	803 667	**625 435**	Refer to note 55
Fair Value adjustments	-	-	**-**	3 684	**3 684**	
Total revenue from exchange transactions	**257 911 703**	**(25 488 167)**	**232 423 536**	**168 412 572**	**(64 010 964)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	30 124 000	-	**30 124 000**	28 122 494	**(2 001 506)**	Refer to note 55
Property rates - penalties imposed	-	-	**-**	26 578 232	**26 578 232**	Refer to note 55
Transfer revenue						
Transfers recognised - Capital	15 394 000	15 388 000	**30 782 000**	11 879 533	**(18 902 467)**	Refer to note 55
Government grants & subsidies - Operational	61 054 000	-	**61 054 000**	84 542 286	**23 488 286**	Refer to note 55
Traffic Fines	1 490 285	-	**1 490 285**	176 450	**(1 313 835)**	Refer to note 55
Actuarial gains	-	-	**-**	301 141	**301 141**	Refer to note 55
Fair Value adjustments	-	-	**-**	3 045 689	**3 045 689**	Refer to note 55
Total revenue from non-exchange transactions	**108 062 285**	**15 388 000**	**123 450 285**	**154 645 825**	**31 195 540**	
Total revenue		**365 973 988**	**(10 100 167)**	**355 873 821**	**323 058 397**	**(32 815 424)**
Expenditure						
Employees related costs	(76 772 299)	-	**(76 772 299)**	(75 041 300)	**1 730 999**	Refer to note 55
Remuneration of councillors	(5 753 165)	-	**(5 753 165)**	(6 071 319)	**(318 154)**	Refer to note 55
Depreciation and amortisation	(21 970 380)	-	**(21 970 380)**	(23 972 215)	**(2 001 835)**	Refer to note 55

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand		Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Impairment loss/ Reversal of impairments	-	-	**-**	(809 304)	**(809 304)**	Refer to note 55
Finance costs	(2 096 657)	-	**(2 096 657)**	(31 502 776)	**(29 406 119)**	Refer to note 55
Debt Impairment	(69 096 105)	-	**(69 096 105)**	(157 875 765)	**(88 779 660)**	Refer to note 55
Bulk purchases	(57 687 798)	-	**(57 687 798)**	(82 586 031)	**(24 898 233)**	Refer to note 55
Contracted Services	(19 984 788)	3 880 000	**(16 104 788)**	(31 357 081)	**(15 252 293)**	Refer to note 55
Transfers and Subsidies	(500 000)	-	**(500 000)**	-	**500 000**	Refer to note 55
Consumables	(1 337 732)	26 000	**(1 311 732)**	(3 022 745)	**(1 711 013)**	Refer to note 55
Loss on disposal of assets	-	-	**-**	(33 049)	**(33 049)**	
General Expenses	(10 458 350)	(4 340 468)	**(14 798 818)**	(24 605 561)	**(9 806 743)**	Refer to note 55
Total expenditure	**(265 657 274)**	**(434 468)**	**(266 091 742)**	**(436 877 146)**	**(170 785 404)**	
Surplus for the year		**100 316 714**	**(10 534 635)**	**89 782 079**	**(113 818 749)**	**(203 600 828)**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement		**100 316 714**	**(10 534 635)**	**89 782 079**	**(113 818 749)**	**(203 600 828)**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	673 796	-	**673 796**	1 075 340	**401 544**	
Investments	46 445	-	**46 445**	41 662	**(4 783)**	
Receivables from exchange transactions	9 882 506	-	**9 882 506**	21 058 100	**11 175 594**	Refer to note 55
Receivables from non-exchange transactions	-	-	**-**	21 990 861	**21 990 861**	Refer to note 55
Consumer debtors	260 531 222	-	**260 531 222**	55 482 947	**(205 048 275)**	Refer to note 55
Long-term debtors	-	-	**-**	832 911	**832 911**	Refer to note 55
Cash and cash equivalents	2 365 808	(1 793 642)	**572 166**	857 131	**284 965**	Refer to note 55
	273 499 777	**(1 793 642)**	**271 706 135**	**101 338 952**	**(170 367 183)**	
Non-Current Assets						
Investment property	144 268 680	-	**144 268 680**	448 594 294	**304 325 614**	Refer to note 55
Property, plant and equipment	372 597 040	15 388 004	**387 985 044**	305 258 433	**(82 726 611)**	Refer to note 55
Intangible assets	644 996	-	**644 996**	459 783	**(185 213)**	
Heritage assets	170 000	-	**170 000**	170 000	**-**	
Investments in controlled entities	20 100	-	**20 100**	20 100	**-**	
Long-term debtors	12 635 916	-	**12 635 916**	3 567 178	**(9 068 738)**	Refer to note 55
	530 336 732	**15 388 004**	**545 724 736**	**758 069 788**	**212 345 052**	
Total Assets		**803 836 509**	**13 594 362**	**817 430 871**	**859 408 740**	**41 977 869**
Liabilities						
Current Liabilities						
Other Financial liabilities	12 896 996	-	**12 896 996**	9 710 561	**(3 186 435)**	Refer to note 55
Financial liabilities	-	-	**-**	16 305 896	**16 305 896**	Refer to note 55
Payables from exchange transactions	457 221 402	-	**457 221 402**	621 863 666	**164 642 264**	Refer to note 55
VAT payable	-	-	**-**	15 921 250	**15 921 250**	Refer to note 55
Consumer deposits	1 582 998	-	**1 582 998**	1 695 774	**112 776**	Refer to note 55
Employee benefit obligation	-	-	**-**	1 297 829	**1 297 829**	
Unspent conditional grants and receipts	-	-	**-**	9 535 549	**9 535 549**	Refere to note 55
Provisions	4 016 892	-	**4 016 892**	1 679 729	**(2 337 163)**	Refere to note 55
	475 718 288	**-**	**475 718 288**	**678 010 254**	**202 291 966**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand		Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Non-Current Liabilities						
Financial liabilities	4 573 729	-	**4 573 729**	-	**(4 573 729)**	Refere to note 55
Employee benefit obligation	-	-	**-**	27 299 739	**27 299 739**	Refere to note 55
Provisions	32 677 039	-	**32 677 039**	14 581 860	**(18 095 179)**	Refere to note 55
	37 250 768	**-**	**37 250 768**	**41 881 599**	**4 630 831**	
Total Liabilities		**512 969 056**	**-**	**512 969 056**	**719 891 853**	**206 922 797**
Net Assets		**290 867 453**	**13 594 362**	**304 461 815**	**139 516 887**	**(164 944 928)**
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus		290 867 453	13 594 362	**304 461 815**	139 522 838	**(164 938 977)**

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

In the process of applying its accounting policies, and in preparing the annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the annual financial statements and as well as related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade and other receivables

The municipality assesses its trade and other 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 and other reeivables is calculated based on the collection rate of the amount due per individual debtor, as required by GRAP Standard. Further, debtors with a significantly low risk of collection such as government debtors are not provided for unless there is significant information that may require such a provision.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Available-for-sale financial assets

The municipality follows the guidance of GRAP Standard to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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 valuein-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that key assumptions considered may change which may then impact our estimations and may then require a material adjustment to the carrying value of the 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. 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 service delivery assets are inherently uncertain and complex. Thus, they could materially change over time and entails consideration of some information that may be subjective in nature. They are significantly affected by a number of factors such as the political environment and direction taken by provincial or national government, prevailing social conditions and needs, together with economic factors such as inflation and interest rates.

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.

Expenditure

The municipality recognises the expenses incurred on an accrual basis.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for movable and immovable assets based on the information available at each reporting date. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. Thus, management considers such changes as change in accounting estimates as the useful lives, residual values (if any) and depreciation would have been based on information available at the previous reporting dates. Should the information show that there was an error at inception in considering the available facts, such changes are considered as a change in accounting policy thus a prior period error.

Regarding fully depreciated assets, management usefull live versus the economic life principle to determine whether there is need to reassess the usefull life of such assets. If the assets have reached their economic life, fully depreciated assets continue to be measured as such and assesses whether disclosure of the fact that it has fully depreciated assets still in use is necessary

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, which include discount rates, expected rates of return on assets future salary increases, mortality rates and future pension increases. Due to long-term nature of these plans, such estimates are subject to signiaficant uncertainty. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

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

Effective interest rate

The municipality uses the prime interest rate plus a reasonable adjustment to discount future cash flows, where necessary.

In addition to this, where Investment Certificates were not received, management estimated the amount of interest due or earned on the investment, based on the available data

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Classification as investment property

The municipality regulary reviews its property portolio and determine which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and building fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio have either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Depreciation and Carrying Value of items of Property, Plant and Equipment

The estimation of useful lives of assets is based on management's judgement. Management considers the impact of factors such as technology, service requirements and /or required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to thge end of the useful lives, and what their condition will be at that time.

Further, when the municipality fully complied with GRAP Standards to determine the value of the assets, where the cost amounts were not available, management use the current market values of similar assets and adjusted that using condition assessment. Condition assessment is based on management's judgement.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Water Inventory and Cost of Purifying Water

Water Inventory: The amount of water in the municipality's reserviors is based on management judgement. Management make use of engineers to perform these estimates.

Cost of Purifying Water: This is also based on management judgement by reference to the market researches available adjusted by inflation rates (CPI), if the research was conducted more than a year ago. Reference is also made to Water Processing Bodies.

Consumables - Allowance for slow moving, damaged and obsolete inventory 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.

1.5 Investment property

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

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

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

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

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

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

Fair value

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

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

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

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

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

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.

1.5 Investment property (continued)

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

When classification is difficult, further criteria is used to distinguished investment property form owner-occupied property and from property held for sale in the ordinary course of operations,depending on the nature of the scenarion.

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Buildings	Straight-line	15 - 40 years
Plant and machinery	Straight-line	3 -15 years
Furniture and fixtures	Straight-line	5 -10 years
Motor vehicles	Straight-line	6 -7 years
Office equipment	Straight-line	3 -10 years
IT equipment	Straight-line	2 -10 years
Electrical Infrastructure	Straight-line	15 - 70 years
Roads, Pavements, Bridges and Storm water networks	Straight-line	3 - 80 years
Sanitation & Other Community assets	Straight-line	6 - 11 years
Graveyard sites	Straight-line	15 - 40 years
Recreational facilities	Straight-line	10 - 40 years
Sports facilities	Straight-line	15 - 50 years
Landfill Sites	Straight-line	20 - 30 years

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

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

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

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

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

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

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

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

1.7 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.

1.7 Site restoration and dismantling cost (continued)

Management measures the asset using the cost model. Changes in the liability are treated as follows:

(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.

1.8 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.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, not internally generated	Straight-line	3 - 5 years

1.8 Intangible assets (continued)

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

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

1.9 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.

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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.

1.9 Heritage assets (continued)

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).

1.10 Investments in controlled entities

In the municipality's separate financial statements, investments in controlled entities are carried at cost;

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

1.11 Financial instruments

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

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

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

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

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

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

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

Accounting Policies

1.11 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.11 Financial instruments (continued)

Classification

The entity 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 and non-ecxhange transactions	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at amortised cost
Money Market Investments	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at amortised cost
Held to Maturiry Investments	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft and borrowings	Financial liability measured at amortised cost
Concessionary loan	Financial liability measured at amortised cost
Ordinary Loan	Financial liability measured at amortised cost
Other financial liability	Financial liability measured at amortised cost

Class	Category

Initial recognition

The municpality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municpality recognises financial assets using trade date accounting.

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.12 Leases

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

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

Finance leases - lessor

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

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

Accounting Policies

1.12 Leases (continued)

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 .

Each lease payment is allocated between the liability and finance charges so as to achive a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balalnce of the liability for each period. The property plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. The municipality will not incur a foreign currency lease liability other than that allowed by the MFMA (Act 56 of 2003).

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 Inventories

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

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

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

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

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

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

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

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.13 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.

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Identification

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

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

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

Value in use

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

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

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.14 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.

1.14 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.

1.15 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.16 Employee benefits

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

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

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

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

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

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-employment benefits

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

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

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

1.16 Employee benefits (continued)

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

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

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a 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, a entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

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

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

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

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

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

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

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

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

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.16 Employee benefits (continued)

Termination benefits

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

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.17 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

1.17 Provisions and contingencies (continued)

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Long Service Award

Long service awards are provided to employees who achieve certain pre-determine milestones of service within the municipality

The municipality's net obligation in respect of long service awards is the amount of future benefist that employees have earned in return for their services in the current and prior periods less an amounts paid during the current period. The benefit is discounted to determine its present value

1.18 Capital 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.

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

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.

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest, royalties and dividends

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

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

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

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

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

1.20 Revenue from non-exchange transactions

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

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

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

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

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

1.20 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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.

1.20 Revenue from non-exchange transactions (continued)

Taxes

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

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

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

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

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

Fines

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

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

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

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

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

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.

Concessionary loans received

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

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

1.21 Value Added Tax

The municipality accounts for Value Added Tax (VAT) in its financial records on an accrual basis (invoice basis). However, payments to SARS are accounted for on a cash or payment basis. The municipality is liable to account for VAT at the standard rate of 15% in terms of section 7(1) of the VAT Act in respectr of supply of goods or services, except where the suppliers are specifically zero-rated in terms of section 11, exempted in terms of section 12 of VAT Act or scoped out for VAT purpose. The municipality accounts for VAT on a monthly basis.

1.22 Finance income and expenses

Finance income is recognised on a time proportion basis using the effective interest method. If is recognised as it accrues in the surplus or deficit for the year. Dividends income is also recognised in the surplus or deficit on the date the municipality has a right to receive payment, which in the case of quoted shares is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit and loss and imapirment losses recognised on financial assets.

1.23 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.24 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).

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.

Recognition

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

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

Accounting Policies

1.25 Comparative figures

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

When accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. When there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year camparatives are restated accordingly.

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.

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

1.27 Fruitless and wasteful expenditure

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

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

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

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

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

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

1.29 Segment Information

A segment is an activity of a Municipality:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and

1.29 Segment Information (continued)

- 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.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.30 Gratuities

The muncipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.31 Budget information

Municipality is 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 2020/07/01 to 2021/06/30.

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.

1.32 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.

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

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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.

Accounting Policies

1.32 Related parties (continued)

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.

1.33 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.

1.34 Donations and Contributions

Revenue from donations is recognised as revenue when: (1) it is probable that the economic benefits or services potential associated with the transaction will flow to the municipality, (2) the amount of revenue can be measured reliably, (3) any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the considerations received or receivable which is the cash amount received or where the donation is in the form of Property, Plant and Equipment, the fair value of the property, plant and equipment received or receivable.

1.35 Consumer deposit

Consumer deposits are charged when new water and/or electricity accounts are opened. The amounts vary per consumer and are approved by Council as part of the tariff structure.

The consumer deposits are refunded to the the customers when the water and/or electricity accounts are closed with the municipality.

Notes to the Annual Financial Statements

Figures in Rand

2. Investment property

	2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying v
Investment property	448 594 294	-	448 594

2. Investment property (continued)

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	445 548 605	3 045 689	448 594 294

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	337 641 681	107 906 924	445 548 605

Details of valuation

The effective date of the revaluations was The valuations were performed by an independent valuer , Mr MM Mbangatha of TESA Properties . The valuer is not connected to the municipality and has recent experience in location and category of the investment properties being valued.:

The valuation was performed based on the nature of the properties. the following represents methods used for each of the properties revalued:

The valuer opted for the comparable sales approach for all properties. The function of the valuer is to determine the behavioural pattern of the seller and buyer in a marketplace and endeavor to take cognisance of the most probable considerations that would play the most important decision of the prospective buyer in establishing the price to be paid. In adopting this approach, it is necessary to assume that both the seller and buyer are willing participant to the transactions and are informed of the existing conditions at the time. For this reasons, similar properties that have changed hands and have been exposed to the market have been used. Necessary pertinent adjustments have been allowed.

The valuer had applied an adjustment rate to the base property values as per the 2017 general valuation roll, due to among other reasons, the fluctuating prices in recent property sales on the local market as well as other market factors/forces which had a direct impact on the comparable sales approach.

During the current year a fair value adjustment was recognised amounting to R3,045,689.00 (2021: R107,906,924.00) have been recognised in the statement of financial performance.

A register of all investment properties is kept at the premises of the municipality for inspection.

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	18 794 609	-	18 794 609	18 794 609	-	18 794 609
Buildings	7 290 132	(3 887 433)	3 402 699	7 290 132	(3 622 741)	3 667 391
Infrastructure - Roads, Pavement, Bridges and Storm Water	292 991 832	(167 078 675)	125 913 157	276 156 531	(157 137 252)	119 019 279
Plant and machinery	708 739	(506 602)	202 137	691 939	(467 285)	224 654
Office furniture and equipment	6 703 106	(5 365 891)	1 337 215	6 772 380	(4 966 718)	1 805 662
Motor vehicles	12 523 630	(8 824 593)	3 699 037	12 534 941	(7 677 617)	4 857 324
IT equipment	1 700 425	(1 053 819)	646 606	1 638 502	(892 829)	745 673
Infrastructure - Electricity	160 013 152	(70 547 185)	89 465 967	160 013 152	(62 538 836)	97 474 316
Community Assets	31 841 810	(10 826 441)	21 015 369	31 626 218	(9 750 291)	21 875 927
Landfill sites	14 226 818	(7 125 829)	7 100 989	14 939 587	(6 070 626)	8 868 961
WIP - Roads, Pavements & Stormwater	25 120 690	-	25 120 690	16 347 675	-	16 347 675
Work In Progress - Community Assets	2 300 236	-	2 300 236	1 245 381	-	1 245 381
WIP - Electricity	4 530 466	-	4 530 466	-	-	-
Water Infrastructure	1 789 731	(60 475)	1 729 256	1 789 731	(10 760)	1 778 971
Total	**580 535 376**	**(275 276 943)**	**305 258 433**	**549 840 778**	**(253 134 955)**	**296 705 823**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	18 794 609	-	-	-	-	-	-	18 794 609
Buildings	3 667 391	-	-	-	-	(264 692)	-	3 402 699
Infrastructure - Roads,pavement,bridges and stormwater	119 019 279	-	(457 104)	18 102 722	-	(10 734 200)	(17 540)	125 913 157
Plant and machinery	224 654	16 800	-	-	-	(39 317)	-	202 137
Office furniture and equipment	1 805 662	-	(8 950)	-	-	(459 497)	-	1 337 215
Motor vehicles	4 857 324	-	-	-	-	(1 146 976)	(11 311)	3 699 037
IT Equipment	745 673	231 533	(72 266)	-	-	(258 334)	-	646 606
Infrastructure - Electricity	97 474 316	-	-	-	-	(7 227 896)	(780 453)	89 465 967
Community Assets	21 875 927	367 525	(1 324)	-	-	(1 226 759)	-	21 015 369
Landfill Site	8 868 961	-	(712 769)	-	-	(1 055 203)	-	7 100 989
WIP - Roads, Pavements & StormWater	16 347 675	26 875 738	-	-	(18 102 723)	-	-	25 120 690
WIP - Community Assets	1 245 381	1 054 855	-	-	-	-	-	2 300 236
WIP - Electricty	-	4 530 466	-	-	-	-	-	4 530 466
Water Infrastructure	1 778 971	-	-	-	-	(49 715)	-	1 729 256
	296 705 823	**33 076 917**	**(1 252 413)**	**18 102 722**	**(18 102 723)**	**(22 462 589)**	**(809 304)**	**305 258 433**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	18 794 609	-	-	-	-	-	-	18 794 609
Buildings	4 205 818	-	(28 345)	-	-	(296 021)	(214 061)	3 667 391
Infrastructure - Roads,pavement,bridges and stormwater	183 128 465	-	-	-	-	(10 375 609)	(53 733 577)	119 019 279
Plant and machinery	303 097	-	(19 244)	-	-	(59 199)	-	224 654
Office furniture and equipment	2 439 978	10 776	(81 469)	-	-	(563 623)	-	1 805 662
Motor vehicles	5 890 132	-	(4 904)	-	-	(1 027 904)	-	4 857 324
IT Equipment	1 032 850	54 448	(112 654)	-	-	(228 971)	-	745 673
Infrastructure - Electricity	104 702 211	-	-	-	-	(7 227 895)	-	97 474 316
Community Assets	22 573 289	-	(210 002)	2 986 661	-	(1 112 373)	(2 361 648)	21 875 927
Landfill site	7 651 925	1 948 033	-	-	-	(730 997)	-	8 868 961
WIP - Roads, Pavements & Stormwater	11 108 268	7 029 139	-	-	(1 789 732)	-	-	16 347 675
WIP - Community Assets	384 553	3 847 489	-	-	(2 986 661)	-	-	1 245 381
Water network	-	-	-	1 789 731	-	(10 760)	-	1 778 971
	362 215 195	**12 889 885**	**(456 618)**	**4 776 392**	**(4 776 393)**	**(21 633 352)**	**(56 309 286)**	**296 705 823**

Pledged as security

Land

The municipality has land that is registered in its name at the deeds office as at 30 June 2022. There is a total of 7 887 stands still registered in the name of the municipality but occupied by private individuals, these stands are in the process of being transferred to the occupants, with the majority being RDP houses.

Figures in Rand	2022	2021

3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Less than two years	Less than one year	Total
Roads Infrastructure	25 120 663	-	25 120 663
Community Assets	1 687 281	612 955	2 300 236
Electricity	-	4 530 466	4 530 466
	26 807 944	**5 143 421**	**31 951 365**

The roads infrastructure projects are funded by the Municipal Infrastructure Grant and Provincial Infrastructure Grant . The community assets are all funded by the Municpal Infrastrure Grant.

1. There are no projects that are halted or stopped.

The followig is the list of projects taking longer than expected to complete:

a) Construction of Boitumelong taxi rank;

- Project affected by the funds deducted by SARS from the municipality's bank account and the rise in the price of steel.

b) Construction of Boitumelong taxi rank;

 - Project affected by the funds deducted from the municipality's bank account by SARS and the rise in the price of steel;

Expenditure incurred to repair and maintain property, plant and equipment

	2022	2021
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
General expenses	2 126 262	2 332 133

4. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 208 268	(1 748 485)	459 783	365 821	(310 554)	55 267

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, other	55 267	1 828 300	(1 423 784)	459 783

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	237 015	204 257	(386 005)	55 267

Pledged as security

There are no intangible assets pledged as security:

Notes to the Annual Financial Statements

Figures in Rand

5. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	170 000	-	170 000	170 000	-	170 000

Reconciliation of heritage assets 2022

	Opening balance	Total
Historical monuments	170 000	170 000

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical monuments	170 000	170 000

Figures in Rand	2022	2021

6. Investment in controlled entities

Investments in controlled entities

Name	Jurisdiction	Determination of ownership interest	% ownership interest 2022	% ownership interest 2021	Carrying amount 2022	Carrying amount 2021
Lekwa Teemane Development Agency	Lekwa Teemane Local Municipality	100	- %	100,00 %	20 100	20 100
					20 100	20 100
					20 100	20 100

The carrying amounts of controlled entities are shown at cost, net of impairment losses, if any.

7. Inventories

	2022	2021
Consumable stores	986 269	347 330
Water for distribution	89 071	88 819
	1 075 340	**436 149**

7.1 Non - Financial information - Quantities of each Reservoir as at 30 June

	2022	2021
Christiana Big Reservoir	6 160	5 600
Christiana Small (old) Reservoir	968	880
Bloemhof Big Reservoir	2 745	3 947
Bloemhof Small (old) Reservoir	1 586	2 280
Bloemhof Tower	30	421
	11 489	**13 128**

	2022	2021
Inventories recognised as an expense during the year	2 635 552	7 429 535

Inventory pledged as security

There were no inventories pledged as security during the year under review and prior year.

Water for distribution

	2022	2021
Opening balance	88 819	76 201
Water valuation adjustments	252	12 618
Closing balance	**89 071**	**88 819**

8. Investments

	2022	2021
Designated at fair value		
Sanlam limited listed shares	41 662	48 360

Lekwa Teemane Local Municipality holds 788 shares in Sanlam Limited, as at 30 June 2021 the shares were trading at R61,37 (2020: R58,94). The decrease in share price resulted in recognising a fair value adjustment (loss) for the current year in the statement of financial position of R6 6985.00 (2020: gain R1 915). The nature of the investment is not speculative but to keep the investment for more than twelve months.

	2022	2021
Current assets		
Designated at fair value	41 662	48 360

Figures in Rand	2022	2021

9. Receivables from exchange transactions

Eskom Deposits	438 451	438 451
Other receivables - Prepaid Electricity CiGICELL	17 249 118	17 218 617
Other receivables	152 166	159 645
Receivables - Traffic Agency	3 204 393	-
Operating lease asset - Straight lining	13 972	13 619
	21 058 100	**17 830 332**

Trade and other receivables pledged as security

There were no trade and other receivables pledged as security during the year under review and prior year.

Credit quality of trade and other receivables

The credit quality of trade and other receivables 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:

10. Receivables from non-exchange transactions

Traffic Fines	771 149	575 999
Consumer debtors - Property Rates	21 219 712	18 825 104
	21 990 861	**19 401 103**

There were no trade and other receivables pledged as security during the year under review and prior year.

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:

Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2022, 11 363 791 (2021: 21 601 801) were past due but not impaired.

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

1 month past due	3 920 152	7 417 791
2 months past due	3 767 862	7 138 844
3 months past due	3 675 777	7 045 166

Receivables from non-exchange transactions impaired

As of 30 June 2022, receivables from non-exchange transactions of 215 707 892 (2021: 182 645 258) were impaired and provided for.

The amount of the provision was 206 427 307 as of 30 June 2022 (2021: 191 431 100).

The ageing of these loans is as follows:

3 to 6 months	206 427 307	191 431 100

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

10. Receivables from non-exchange transactions (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	191 431 100	209 790 384
Provision for impairment	14 996 207	-
Reversal of the impairment	-	(18 359 284)
	206 427 307	**191 431 100**

11. Consumer debtors

Gross balances		
Electricity	153 485 118	98 080 858
Water	164 847 225	169 764 598
Waste Management	86 514 176	89 941 676
Waste water	112 010 023	71 560 019
Sundry	5 020 201	5 246 806
	521 876 743	**434 593 957**

Less: Allowance for impairment		
Electricity	(137 171 186)	(89 299 274)
Water	(147 325 615)	(154 564 875)
Waste Management	(77 318 586)	(81 888 827)
Waste water	(100 104 478)	(65 152 955)
Sundry	(4 473 931)	(4 777 039)
	(466 393 796)	**(395 682 970)**

Net balance		
Electricity	16 313 932	8 781 584
Water	17 521 610	15 199 723
Waste Management	9 195 590	8 052 849
Waste water	11 905 545	6 407 064
Sundry	546 270	469 767
	55 482 947	**38 910 987**

Rates		
Current (0 -30 days)	10 198 849	10 450 433
31 - 60 days	3 767 862	7 417 791
61 - 90 days	3 675 777	7 138 844
91 - 120 days	3 618 589	7 045 166
121 - 365 days	208 413 527	175 600 092
	229 674 604	**207 652 326**

Electricity		
Current (0 -30 days)	12 861 669	5 546 712
31 - 60 days	4 156 813	2 756 296
61 - 90 days	3 868 444	3 955 867
91 - 120 days	3 906 473	6 728 795
121 - 365 days	127 825 642	77 878 524
	152 619 041	**96 866 194**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

11. Consumer debtors (continued)

Water		
Current (0 -30 days)	5 872 133	6 574 718
31 - 60 days	2 131 249	1 226 259
61 - 90 days	2 272 049	1 504 158
91 - 120 days	2 159 240	992 214
121 - 365 days	151 482 365	157 364 832
	163 917 036	**167 662 181**

Waste Management		
Current (0 -30 days)	4 032 820	868 971
31 - 60 days	1 632 985	890 243
61 - 90 days	1 608 139	867 111
91 - 120 days	1 571 940	840 536
121 - 365 days	77 180 115	67 206 936
	86 025 999	**70 673 797**

Sewerage		
Current (0 -30 days)	5 203 513	1 155 884
31 - 60 days	2 113 646	1 131 612
61 - 90 days	2 063 542	1 102 423
91 - 120 days	2 026 923	1 077 735
121 - 365 days	99 970 355	84 360 156
	111 377 979	**88 827 810**

Sundry		
121 - 365 days	4 977 773	5 181 828

Reconciliation of allowance for impairment		
Balance at beginning of the year	(587 114 071)	(862 993 753)
Debt impairment written off against allowance	(85 707 032)	-
Reversal of allowance	-	275 879 682
	(672 821 103)	**(587 114 071)**

Consumer debtors pledged as security

No consumer debtors were pledged as security.

Credit quality of consumer debtors

The credit quality of consumer debtors 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:

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

11. Consumer debtors (continued)

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2022, 30 276 843 (2021: 23 135 351) were past due but not impaired.

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

1 month past due	10 429 976	6 030 897
2 months past due	10 034 693	7 445 875
3 months past due	9 812 174	9 658 580

Consumer debtors impaired

As of 30 June 2022, consumer debtors of 466 393 797 (2021: 395 682 971) were impaired and provided for.

Reconciliation of allowance for impairment of consumer debtors

Opening balance	395 682 971	653 203 370
Reversal of impairment	70 710 826	(257 520 399)
	466 393 797	**395 682 971**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	2 611
Bank balances	399 128	243 477
Short term deposits - Call Accounts and Fixed Deposits	458 003	164 238
	857 131	**410 326**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
ABSA BANK - Current - 181-000-0884	399 128	243 477	(642 212)	399 128	243 477	(642 212)
ABSA BANK - Current Account - 405924-4467	331 088	41 598	6 124 396	331 088	41 598	6 124 396
ABSA BANK - Petty Cash - 405-305-6975	2 611	2 611	3 351	2 611	2 611	3 351
NEDBANK - Fixed Deposit - 9145212	25 366	24 680	24 092	25 366	24 680	24 092
NEDBANK - Fixed Deposit - 8586573	19 358	18 828	18 402	19 358	18 828	18 402
NEDBANK - Fixed Deposit - 8779207/9998	73 537	71 069	68 915	73 537	71 069	68 915
NEDBANK - Call Account - 8779207/9997	-	2 021	1 985	-	2 021	1 985
ABSA BANK - Call Account - 9064509639	6 044	6 042	8 454	6 042	6 044	8 454
Total	**857 132**	**410 326**	**5 607 383**	**857 130**	**410 328**	**5 607 383**

13. Other Financial Liabilities

Designated at Amortised cost

Dr Ruth Mompati District Municipality The amount relates to funds advanced by Dr Ruth Mompati District Municipality (DRMDM) in relation to the payment of salaries.The municipality is to pay the loan in three equal instalments of R1 000 000 from 30 April until 30 June 2017. Failure to pay the loan at the end of 30 June 2017 will accrue cumulating interest at 15% per annum. As at 30 June 2021 the municipality have failed to honour the terms and conditions of the agreement, a cumulative interest has been accrued amounting to R3 204 943 (2021: R2 395 605). There are no repayment terms agreed with the District Municipality to recover from the defaulted periods and no plans to repay the loan togerher with accrued interest. Another loan was received from Dr Ruth Mompati District municipality on the 23 June 2022 amounting to R 3 500 000 at no interest. The interest expense of (R 5 614,58) was accrued using the prime rate in the cuurent year. The funds were advanced to the municipality with no terms.t	(9 710 561)	(5 395 606)

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

14. Financial Liabilities

Designated at fair value		
Concessionary Loan - Short term portion	16 305 896	13 685 312

This relates to a performance guarantee that was awarded to Lekwa Teemane local municipality by CIGICELL. The performance guarantee is interest free and is payable in 18 equal monthly instalments of R1,222,222.00 commencing on the 30 April 2019. The amount received was discounted at an imputed interest rate taking into account the applicable terms and conditions. As at 30 June 2021 the municipality defaulted in repaying the agreed monthly instalmements which resulted in a cumulative interest charged amounting to R2 581 990 (2020: R1 759 744). There are no renegotiated terms to remedy the default situation by the municipality. The municipality will make repayment terms in consideration of the available funds.

At amortised cost		
Concessionary Loan - Long term Portion	-	824 945

This relates to a performance guarantee that was awarded to Lekwa Teemane local municipality by CIGICELL. The performance guarantee is interest free and is payable in 18 equal monthly instalments of R1,222,222.00 commencing on the 30 April 2019. The amount received was discounted at an imputed interest rate taking into account the applicable terms and conditions. As at 30 June 2021 the municipality defaulted in repaying the agreed monthly instalmements which resulted in a cumulative interest charged amounting to R2 581 990 (2020: R1 759 744). There are no renegotiated terms to remedy the default situation by the municipality. The municipality will make repayment terms in consideration of the available funds.

Non-current liabilities		
At amortised cost	-	824 945
Current liabilities		
At amortised cost	16 305 896	13 685 312

Financial liabilities at amortised cost

Nominal value of concessionary loans

15. Payables from exchange transactions

Trade payables	566 460 463	453 922 336
Accrued leave pay	6 341 473	6 749 082
Deposits received	32 685 743	-
Council Upperlimits Provision	1 140 494	1 140 494
Debtors with credit balances	8 648 169	7 986 025
Retention	3 547 867	2 758 617
Other Creditors	3 039 457	27 633 705
	621 863 666	**500 190 259**

16. VAT payable

VAT Liability payables	15 921 250	14 893 033

17. Consumer deposits

Electricity	1 657 399	1 604 693
Water	21 929	20 598
Housing rental	16 446	16 446
	1 695 774	**1 641 737**

Figures in Rand	2022	2021

18. Employee benefit obligations

Defined benefit plan

The defined benefit plan, is a post employment medical benefit plan.

Post retirement benefit plan

The municipality operates a funded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of Bonitas, Keyhealth and SAMWUMED medical aid schemes.

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' postemployment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary pensioner.The municipality is commited to pay any existing (pensioners) and their dependents will continue to receive a 60% or 70% (per month per member) as at 30 June 2022 amounting to an average of R4,440 (2021: R4,129). Any future pensioners and their dependents will continue to receive a 60% or 70% (per month per member) as at 30 June 2022 amounting to an average of R3,522 (2021: R3,249). No other post-employment benefits are provided to these employees. As at the balance sheet date, the members of the medical aid entitled to the post employment medical scheme subsidy were 111 (2021: 103) in service members and 20 (2021: 21) pensioners.

The most recent actuarial valuation of the plan assets and the present value of the defined obligations were carried out at 30 June 2022 by One Pangaea. The present value of the defined benefits obligation, and the related current services cost and past services costs, were measured using the Projected Unit Credit Method.

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

	2022	2021
Carrying value - Post employment medical benefit plan		
Present value of the defined benefit obligation-wholly unfunded	(22 971 477)	(21 024 737)
Present value of the defined benefit obligation-partly or wholly funded	(789 238)	(817 521)
Fair value of plan assets	(2 463 624)	(2 593 483)
Fair value of reimbursement rights	1 068 203	1 045 781
Actuarial gains/losses	223 364	418 483
	(24 932 772)	**(22 971 477)**

	2022	2021
Carrying value - Long Service Award		
Present value of the defined benefit obligation-wholly unfunded	(3 977 637)	(3 923 501)
Present value of the defined benefit obligation-partly or wholly funded	(310 217)	(310 096)
Fair value of plan assets	(275 395)	(278 680)
Fair value of reimbursement rights	820 676	719 646
Actuarial gains/losses	77 777	(185 006)
	(3 664 796)	**(3 977 637)**

	2022	2021
Non-current liabilities	(27 299 739)	(25 060 235)
Current liabilities	(1 297 829)	(1 888 879)
	(28 597 568)	**(26 949 114)**

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of GRAP 25. As such no value has been ascribed to the fair value of plan assets and no other disclosure has been done relating to plan assets.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Employee benefit obligations (continued)

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

Opening balance	26 949 114	24 948 238
Benefits paid	(1 888 879)	(1 765 427)
Net expense recognised in the statement of financial performance	3 537 333	3 766 303
	28 597 568	**26 949 114**

Net expense recognised in the statement of financial performance

Current service cost	1 099 455	1 127 617
Interest cost	2 739 019	2 872 163
Actuarial (gains) losses	(301 141)	(233 477)
	3 537 333	**3 766 303**

Key assumptions used

Post employment medical benefit plan

Assumptions used at the reporting date:

Discount rates used	12,49 %	10,98 %
Consumer price inflation	7,53 %	6,13 %
Health care cost inflation	9,03 %	7,63 %

Long Service Award

Discount rate	10,22 %	7,72 %
CPI	6,71 %	4,33 %
Salary increase rate	7,71	5,33
Normal Retirement age (years)	65	65
Fully Accrued Age (years)	63	63
Age between husband and wife (Active members) (years)	5	5
Mortality (Active members) SA	85	85
Pensioner PA	90	90

The foregoing are key assumptions used at the reporting dates.

The actuarial valuation of the long service award was performed by Tatenda Mhonde (Fellow of the Actuarial Society of South Africa), on behalf of One Pangaea.

The long service bonus award provision consist of an obligation to pay out bonus to qualifying employees in the year the employee attains the required service period. The obligation represents a liability to Lekwa-Teemane Local Municipality and the value is represented by the present value of long service bonus awards expected to be paid in future. The valuation is thus an estimate of the cost of providing long service awards. The actual cost to the municipality will be dependent on the future levels of assumed variables and the demographic profile of the membership. The municipality is required to pay bonuses to its employees for every 5 years of service completed form 10 years to 45 years. This will be in the form of leave days accumulated, that will be encashed immediately.

Valuation assumptions made include Discount Rate of 10.22% (2021: 7.72%), Consumer Price Inflation of 6.71% (2021:4.33%, Normal Salary Increase of 7.71% (2021: 5.33%) and Net Effective Discount Rate of 2.82% (2021: 2.27%)).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	3 915 465	4 422 654
Effect on defined benefit obligation	33 020 093	30 482 771

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [111]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

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

Multi-Employer and State plan

The following are the defined plans that the municipality's employees belong to:
- SAMWU Provident Fund
- Metropolitan Pension Fund
- South African Local Authorities (SALA) Pension Fund
- Municipal Graduaity Fund

These are not treated as define benefit plans as define by GRAP 25, but are accounted for as define contribution plans. This is in line with the exemption in GRAP 25 Paragrph 30 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plan, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan.

In terms of contributions to the fund, the municipality and employees contributions are as follows: -
- SALA Pensin Fund - Employee (8.6%); Employer (20.78%);
- SAMWU Pension Fund - Employee (8.6%); Employer (18.6%);
- Metropolitan Pension Fund - Employee (8.6%); Employer (18.06);
- Municipal Graduity Fund - Employee (8.6%); Employer (18.6%)

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2022	2021
Unspent conditional grants and receipts		
Municipal Infrastracture Grant (MIG)	9 461 746	5 947 280
Energy Efficiency Demand Side Management	73 803	73 803
	9 535 549	**6 021 083**

Movement during the year

	2022	2021
Balance at the beginning of the year	6 021 083	2 072 791
Additions during the year	47 894 286	23 119 503
Income recognition during the year	(44 379 820)	(19 171 211)
	9 535 549	**6 021 083**

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

Figures in Rand	2022	2021

19. Unspent conditional grants and receipts (continued)

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.

20. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	14 054 528	(712 769)	1 240 101	14 581 860
Bonus Provision	1 688 627	(8 898)	-	1 679 729
	15 743 155	**(721 667)**	**1 240 101**	**16 261 589**

Reconciliation of provisions - 2021

	Opening balance	Additions	Utilised during the year	Interest charges	Total
Enviromental rehabilitation	13 546 266	(495 611)	-	1 003 873	14 054 528
Bonus provision	1 816 569	-	(127 942)	-	1 688 627
	15 362 835	**(495 611)**	**(127 942)**	**1 003 873**	**15 743 155**

	2022	2021
Non-current liabilities	14 581 860	14 054 528
Current liabilities	1 679 729	1 688 627
	16 261 589	**15 743 155**

Council operates two disposal sites. In terms of the Environmental Conservation Act No. 73 of 1989, the municipality is supposed to rehabilitate such land upon closure of the dumping sites. Provision based on engineering estimates has been provided.

Environmental rehabilitation provision

The operation of landfill sites results in an obligation to rehabilitate the landfill sites and prevent any further pollution after closure thereof in terms of section 28 of the National Environmental Management Act, 107 of 1998., Environmental Conservation Act, Act number 73 of 1989 or the Waste Management licenses issued under section 50 of the National Environmental Management: Waste Act, No 59 of 2008. GRAP 19 provides fpor the recognition, measuremet and disclosure of provision or assets.

The municpality's landfill sites have an estimated remaining useful life of 7 (2021: 8 years) (Bloemhof) and 12 (2021: 13 years) (Christiana). An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61. The estimated costs of closure and rehabilitation of the landfill sites is R7,179,517 (2021: R6,919,880) for the Bloemhof landfill site and R7,402,344 (2021: R7,134,648) for the Christiana landfill site which have been discounted at a net discount rate of 4%.(2021:4.38%)

21. Service charges

	2022	2021
Sale of electricity	78 836 738	86 609 576
Sale of water	8 368 549	29 978 839
Waste Management	11 340 057	11 126 761
Sewerage and sanitation charges	14 454 364	14 163 007
	112 999 708	**141 878 183**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

22. Rental of facilities and equipment

Premises		
Rental of farms and municipality properties	14 296	39 240

23. Agency services

Agency Services - North West department of transport	2 680 243	3 015 918

24. Licences and permits (exchange)

Road and Transport	524 911	654 076

25. Interest received

Interest revenue		
Bank	84 653	54 626
Interest Received - Water	17 288 715	21 618 238
Interest Received - Electricity	13 678 839	9 453 869
Interest Received - Waste Management	8 462 213	6 259 667
Interest Received - Waste Water	10 957 345	7 954 572
	50 471 765	**45 340 972**

26. Property rates

Rates received

Business and Commercial	10 318 899	10 735 705
Organs of State	83 376	82 745
Small holdings and farms	25 908 290	24 701 152
Less: Income forgone	(8 188 071)	(7 034 829)
	28 122 494	28 484 773
Property rates - penalties imposed	26 578 232	68 033 404
	54 700 726	**96 518 177**

Figures in Rand	2022	2021

27. Government grants and subsidies

Operating grants		
Equitable share	52 042 000	60 798 000
Disaster Grant	4 570 000	-
Sports, Arts, Culture and Library Grant	816 000	2 029 406
Government grant (PIG)	22 939 286	5 949 502
Expanded Public Works Programmes (EPWP)	1 075 000	1 013 000
Finance Management Grant (FMG)	3 100 000	3 000 000
	84 542 286	**72 789 908**
Capital grants		
Municipal Infrastructure Grant (MIG)	11 879 533	8 592 709
	96 421 819	**81 382 617**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	44 379 819	20 584 617
Unconditional grants received	52 042 000	60 798 000
	96 421 819	**81 382 617**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	5 947 280	1 998 988
Current-year receipts	15 394 000	12 541 000
Transferred to revenue	(11 879 534)	(8 592 708)
	9 461 746	**5 947 280**

Energy Efficiency Demand Side Management Grant (EEDSM)

Balance unspent at beginning of year	73 803	73 803

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

Integrated National Electricty Programme (INEP)

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

Expanded Public Works Programme (EPWP)

Current-year receipts	1 075 000	1 013 000
Transferred to revenue	(1 075 000)	(1 013 000)
	-	-

Municipal Disaster Relief Grant (MDRG)

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

27. Government grants and subsidies (continued)

Current-year receipts	4 570 000	-
Transferred to revenue	(4 570 000)	-
	-	-

Finance Management Grant

Current-year receipts	3 100 000	3 000 000
Transferred to revenue	(3 100 000)	(3 000 000)
	-	-

Sports, Arts, Culture and Library Grant

Current-year receipts	816 000	2 029 406
Transferred to revenue	(816 000)	(2 029 406)
	-	-

Government Grant (PIG)

Current-year receipts	22 939 286	5 949 502
Conditions met - transferred to revenue	(22 939 286)	(5 949 502)
	-	-

28. Fines, Penalties and Forfeits

Municipal Traffic Fines	176 450	365 700

29. Revenue

Sale of goods	308 835	300 029
Rendering of services	601 895	1 231 526
Service charges	112 999 708	141 878 183
Rental of facilities and equipment	17 864	39 240
Agency services	2 680 243	3 015 918
Licences and permits	524 911	654 076
Other income	803 667	776 390
Fair value Adjustment	3 684	19 183
Interest received - investment	50 471 765	45 340 972
Property rates	28 122 494	28 484 773
Property rates - penalties imposed	26 578 232	68 033 404
Government grants & subsidies	96 421 819	81 382 617
Fines, Penalties and Forfeits	176 450	365 700
Actuarial gains	301 141	233 477
Fair Value adjustments	3 045 689	107 906 924
	323 058 397	**479 662 412**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

29. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	308 835	300 029
Service charges	112 999 708	141 878 183
Rendering of services	601 895	1 231 526
Rental of facilities and equipment	17 864	39 240
Agency services	2 680 243	3 015 918
Licences and permits	524 911	654 076
Other income	803 667	776 390
Fairvalue adjustments	3 684	19 183
Interest received	50 471 765	45 340 972
	168 412 572	**193 255 517**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	28 122 494	28 484 773
Property rates - penalties imposed	26 578 232	68 033 404
Transfer revenue		
Government grants & subsidies	96 421 819	81 382 617
Fines, Penalties and Forfeits	176 450	365 700
Actuarial gains	301 141	233 477
Fair Value adjustments	3 045 689	107 906 924
	154 645 825	**286 406 895**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Employee related costs

Basic	40 313 369	37 862 116
Medical aid - company contributions	9 741 264	9 521 505
UIF	363 000	306 733
WCA	2 718	2 336
Other payroll levies	-	2 952
Leave pay provision charge	164 308	811 936
Defined contribution plans	1 310 413	1 244 676
Travel, motor car, accommodation, subsistence and other allowances	1 402 273	1 353 928
Overtime payments	3 363 380	3 718 740
Long-service awards	271 773	(101 207)
13th Cheques	2 962 308	2 896 511
Acting allowances	200 510	369 361
Car allowance	3 282 588	3 262 710
Housing benefits and allowances	8 586 169	8 432 140
Cellphone allowance	10 200	14 450
	71 974 273	**69 698 887**

Remuneration of municipal manager

Annual Remuneration	702 397	58 568
Subsistence Allowance	5 000	1 350
Contributions to UIF, Medical and Pension Funds	40 773	3 325
Housing Allowance	367 570	30 631
Cellphone Allowance	18 000	1 500
Travelling Allowance	14 110	1 704
Salary for the previous municipal manager as per the court judgement	996 289	-
	2 144 139	**97 078**

Remuneration of chief finance officer

Annual Remuneration	464 994	548 542
Back pay	-	54 331
Car Allowance	100 000	120 000
Subsitence Allowance	3 700	9 300
Contributions to UIF, Medical and Pension Funds	104 173	122 492
Housing Allowance	106 164	123 120
Travelling Allowance	24 749	24 983
Cellphone Allowance	12 000	14 400
Leave encashment	107 108	119
	922 888	**1 017 287**

Remuneration of Corporate Services Director

Annual Remuneration	-	500 743
	-	54 331
Car Allowance	-	300 691
Performance Bonuses	-	98 570
Contributions to UIF, Medical and Pension Funds	-	35 306
Other	-	13 200
Other	-	2 658
	-	109
	-	**1 005 608**

Remuneration of Community Services Director

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Employee related costs (continued)

Annual Remuneration	-	546 623
	-	57 526
Car Allowance	-	228 933
Performance Bonuses	-	133 590
Contributions to UIF, Medical and Pension Funds	-	1 813
Other	-	14 400
Other	-	120
	-	**983 005**

31. Remuneration of councillors

Executive Mayor	99 528	272 430
Mayoral Committee Members	1 342 171	2 114 421
Councillors	4 629 620	3 794 255
	6 071 319	**6 181 106**

In-kind benefits

The Mayor full-time. He is provided with an office and secretarial support at the cost of the Council.

32. Depreciation and amortisation

Property, plant and equipment	22 462 581	21 633 353
Intangible assets	1 509 634	386 006
	23 972 215	**22 019 359**

33. Impairment of assets

Impairments		
Property, plant and equipment	809 304	56 309 334
This is the impairment of Infrastructure - Roads		

34. Finance costs

Trade and other payables	28 754 109	31 557 950
Financial liability Instruments	2 748 667	5 061 192
	31 502 776	**36 619 142**

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to 2 748 667 (2021: 3 318 717).

35. Debt impairment

Contributions to debt impairment provision	131 799 500	(226 263 318)
Bad debts written off	26 076 265	460 497 931
	157 875 765	**234 234 613**

36. Bulk purchases

Electricity - Eskom	52 466 199	49 159 951
Water	30 119 832	25 814 108
	82 586 031	**74 974 059**

Distribution loss - Electricity

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

36. Bulk purchases (continued)

The municipality incurred a distribution loss for during the current year mainly due to illegal connections of the network and bridging of meters by consumers. During the year a total 2 656 492 (2021: 4 586 613) kilowatts per hour were lost, amounting to R 4038 938 (2021:R6 272 611). This represents 8% (2021: 13%) of total electricity purchases for the year. The amount is included in bulk purchases for electricity.

Distribution loss - Purified Water

The municipality incurred a distribution loss during the current year during distribution processes to its consumers. Most of this is caused by burst pipes as greater component of the municipality's water infrastructure is relatively old. During the year, the losses amounted to 7 027 070 Kl (2021: 1 108 278) kilolitres, amounting to R 11 437 345 (2021: R 4 687 145). This represents 37% (2021: 19%) losses of total purified water purchases for the year. The amount is included in bulk purchases for water.

37. Contracted services

Outsourced Services		
Burial Services	77 896	63 100
Business and Advisory	5 169 084	4 511 465
Connection/Dis-connection	-	8 018 778
Security Services	7 459 351	5 892 197
Consultants and Professional Services		
Business and Advisory	870 839	59 366
Infrastructure and Planning	1 794 724	24 500
Legal Cost	11 252 201	7 496 112
Contractors		
Aerial Photography	(199 933)	3 144 038
Building	29 688	-
Catering Services	438 450	168 521
Distribution of Electricity by Others	3 542 112	-
Prepaid Electricity Vendors	-	702 690
Transportation	-	18 650
Removal of Hazardous Waste	922 669	2 965 310
	31 357 081	**33 064 727**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

38. General expenses

Advertising	184 013	125 266
Auditors remuneration	5 126 187	3 341 619
Bank charges	371 603	418 958
Hire	518 758	102 285
Insurance	1 587 691	1 768 689
Conferences and seminars	24 000	-
IT expenses	580 418	376 770
Fleet	54 939	-
Motor vehicle expenses	1 430 020	2 724 531
Fuel and oil	1 415 765	1 195 101
Postage and courier	2 995	-
Printing and stationery	367 660	194 363
Protective clothing	4 855 718	633 388
Staff welfare	265 000	-
Subscriptions and membership fees	832 214	1 636 383
Telephone and fax	1 871 584	2 829 430
Travel - local	824 584	924 759
Electricity	738 947	5 007 055
Bursaries to employees	564 682	311 999
Remuneration to Ward committe	163 585	335 500
Development Agency Assistance	993 478	950 000
Skills Development Levy	571 760	272 288
Computer consumables	1 259 960	766 381
	24 605 561	**23 914 765**

39. Cash used in operations

Deficit	(113 818 749)	(88 432 586)
Adjustments for:		
Depreciation and amortisation	23 972 215	22 019 359
Loss (gain) on sale of assets and liabilities	33 049	27 903 891
Fair value adjustments	(3 045 689)	(58 256 617)
Finance costs	-	13 209 239
Impairment deficit	809 304	56 309 334
Debt impairment	-	234 234 613
Movement in employee benefit liability	1 648 454	-
Movements in provisions	518 434	3 997 462
Interest received	14 253 655	(113 319 750)
Actuarial gains	(301 141)	(233 477)
Changes in working capital:		
Inventories	(639 191)	237 647
Receivables from exchange transactions	-	(9 567 879)
Consumer debtors	(16 571 960)	(213 605 664)
Receivables from non-exchange transactions	(2 589 768)	430 849
Payables from exchange transactions	86 068 008	62 098 883
VAT	1 028 217	(12 984 223)
Unspent conditional grants and receipts	3 514 466	(1 220 822)
Consumer deposits	54 037	18 069
Long term receivables	(175 395)	-
Decrease in liabilities	4 260 268	-
	(981 785)	**(77 161 672)**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

39. Cash used in operations (continued)

40. Capital and Operational Commitments

Authorised capital expenditure

	2022	2021
Already contracted for but not provided for		
• Property, plant and equipment	1 844 160	7 648 535

	2022	2021
Total capital commitments		
Already contracted for but not provided for	1 844 160	7 648 535

Authorised operational expenditure

	2022	2021
Already contracted for but not provided for		
• Security services	7 478 306	1 164 760
• Procurement of Turnkey Solution of ICT Infrastructure	6 304 819	5 419 786
• Systems and accounting support	2 010 189	-
	15 793 314	**6 584 546**

	2022	2021
Total operational commitments		
Already contracted for but not provided for	15 793 314	6 584 546

Total commitments

	2022	2021
Total commitments		
Authorised capital expenditure	1 844 160	7 648 535
Authorised operational expenditure	15 793 314	6 584 546
	17 637 474	**14 233 081**

This committed capital expenditure relates to property, plant and equipmentand will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

41. Auditors' remuneration

	2022	2021
Audit Fees	5 126 187	3 341 619

42. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At fair value	At amortised cost	Total
Investments - Sanlam shares	41 662	-	41 662
Investments in controlled entities	-	20 100	20 100
Trade and other receivables from exchange transactions	20 619 296	438 451	21 057 747
Receivables from non-exchange transactions	-	21 982 161	21 982 161
Consumer debtors	-	55 468 767	55 468 767
Cash and cash equivalents	-	857 132	857 132
	20 660 958	**78 766 611**	**99 427 569**

Financial liabilities

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

42. Financial instruments disclosure (continued)

	At amortised cost	Total
Financial Liabilities	9 710 561	9 710 561
Other financial liabilities	16 305 896	16 305 896
Trade and other payables from exchange transactions	610 912 375	621 863 666
	636 928 832	**647 880 123**

2021

Financial assets

	At fair value	At amortised cost	At cost	Total
Investments - Sanlam shares	48 360	-	-	48 360
Investments in controlled entities	-	20 100	-	20 100
Trade and other receivables from exchange transactions	17 391 881	438 451	-	17 830 332
Other receivables from non-exchange transactions	-	38 910 098	-	38 910 098
Consumer debtors	-	55 468 767	-	55 468 767
Cash and cash equivalents	-	-	410 326	410 326
	17 440 241	**94 837 416**	**410 326**	**112 687 983**

Financial liabilities

	At amortised cost	Total
Financial Liabilities	13 685 312	13 685 312
Other financial liabilities	5 395 606	5 395 606
Trade and other payables from exchange transactions	500 190 259	500 190 259
	519 271 177	**519 271 177**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

43. Contingencies

In terms of the Environmental Act, The municipality is responsible for a number of environmental related transactions that may take place in its jurisdiction. This gives rise to contingent liabilities. However the nature of such transactions cannot be estimated both financially and the number of occurrence, if any are to occur. Whilst the municipality is not aware of such liabilities, the following are the key transactions:

(a) Contingent liabilities relating to fines that may be imposed by the Department of Environmental Affairs as a result of illegal dumping by the municipal residents.
(b) Penalties relating to raw sewerage or sewerage not properly treated being released to the nearby rivers or dams.
(c) penalties relating to lack of proper security at the municipal's dumping site or lack of monitoring waste being dumped there as some waste should be dumped in certain specified ways so as to avoid related health hazards. Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

The litigation claims are in progress against the municipality relating to various matters who alleges that the municipality have infringed on certain laws and regulations, and they are seeking damages totaling amount of R181,163,237.00 (2021: 221,688,161.00). The municipal lawyers and management considers the likelihood of the actions against the municipality being successful is unlikely, and the cases should be resolved within the reasonable period possible.

The following is the nature and financial implication of the cases:

Contingent liabilities

	2022	2021
Ikgopoleng Elvin Tlhabaki OBO GONTALFETSE SHADEY BUFFEL// MEC FOR EDUCATION NORTH WEST - The plaintiff is suing both the Education Department and the Municipality for R5 MIILION after a school child allegedly during school hours fell in an open water reservoir adjacent to the school	5 000 000	-
PD Yanta//Lekwa-Teemane Local Municipality - Arbitration-employee referred the matter to the Bargaining Council for unfair dismissal. Arbitration award issued in favour of applicant, but matter currently on review at the labour court.	370 000	-
Henry Bhiko – (lawsuit against the municipality - suing the municipality for delictual damages after his son was allegedly bitten by a dog on the municipal property. The dog was allegedly owned by the caretaker. The municipality filed its plea in response to their claim and the pre-trial conference will be held soon.	1 900 000	1 900 000
	-	-
Vec Electrical - The supplier claimed monies owed to him for electrical supplies to the municipality after the municipality allegedly failed to pay. Default judgement was granted due to the fact that the attention of the Municipal Manager. The legal manager applied for rescission and to oppose the matter.	-	412 000
Eskom Holdings - launched an application to the municipality for the monies owed to Eskom. The matter is still new and instructions have been issued to the municipality lawyers.	-	45 482 924
AGRI Credit Solutions - Urgent application to interdict Municipality not to cut off electricity supply as they were disputing amounts owed.	-	-

Figures in Rand	2022	2021

43. Contingencies (continued)

	-	-
Minister of Water and Sanitation - Civil Case - The department sued Lekwa Teemanemunicipality for abstraction of water from Vaal River. The matter have been referred to North West High Court on the 09 December 2019 and still ongoing.	173 893 237	173 893 237
	181 163 237	**221 688 161**

Contingent assets

The municipality has litigation claim in progress relating to various matters and the municipality is seeking damages totaling amount of R 66,000,000.00 (2021: R66 000 000.00). The municipal lawyers and management considers the likelihood of the actions by the municipality being successful is unlikely, and the cases should be resolved within the reasonable period possible.

The following is the nature and financial implication of the cases:

Sedibeng Water – The municipality sued Sedibeng water for the electricity bill owed to the municipality.	66 000 000	66 000 000
	66 000 000	**66 000 000**

Figures in Rand	2022	2021

44. Related parties

Relationships	
Controlled Agency	Lekwa Teemane Develoment Agency

Related party balances

There are no terms and conditions, the loan is not secured and there are no fixed terms of repayment or there is no known period of repayment of the funds advanced to the municipality.

	2022	2021
Investments in controlled entities		
Lekwa Teemane Development Agency	20 100	20 100

Related party transactions

	2022	2021
Administration fees paid to on behalf of the Agency		
Lekwa Teemane Development Agency (Pty) Ltd	993 478	350 000

This relates to funding provided to Lekwa Teemane Development Agency (Pty) Ltd as the municipality's contribution towards the agency's operations. The funding was at an arms lenghth basis/transaction.

Lekwa Teemane Development Agency - The agency is benefiting from the municipality in terms of a free use of a property owned by the municipality, provision of free water, electricity and assessement rates.

Key management information

Class	**Description**	**Number**
Chief Financial Officer (Acting)	Moseki T.C	1
Portfolio committee members	Refer below/mayoral committee on genernal information	3
Mayor	S.M Mothlabi	1
Councillors	Refer below/mayoral committee on genernal information	14
Municipal Managers	Mbonani N	1

44. Related parties (continued)

Remuneration of management

Municipal Manager and Chief Financial Officer

2022

Name	Basic salary	Bonuses and performance related payments	Post-employment benefits	Total
Mbonani N	702 397	404 680	40 773	1 147 850
Thokoane M	464 994	353 720	104 173	922 887
	1 167 391	**758 400**	**144 946**	**2 070 737**

2021

Name	Basic salary	Bonuses and performance related payments	Post-employment benefits	Total
Mbonani N	559 311	406 174	40 123	1 005 608
Thokoane M	548 542	346 133	122 611	1 017 286
	1 107 853	**752 307**	**162 734**	**2 022 894**

Councillors/Mayoral committee members

2022

	Basic salary	Bonuses and performance related payments	Car Allowance	S&T	Total

44. Related parties (continued)

Name					
Motlhabi SM	518 876	25 900	-	1 350	546 126
Palagangwe KG	99 528	14 800	-	1 499	115 827
Majahe SK	99 528	14 800	-	-	114 328
Pilane MM	543 361	40 700	-	39 663	623 724
Majikela EM	99 528	14 800	-	-	114 328
Segola LM	96 575	14 800	29 718	-	141 093
Tshweu LW	126 292	14 800	-	20 169	161 261
Duiker KL	480 652	40 700	-	19 388	540 740
Joseph J	77 244	14 800	22 283	-	114 327
Kwena MR	99 528	14 800	-	-	114 328
Gerber T	275 094	40 700	-	556	316 350
Lephoi LL	100 236	14 800	-	-	115 036
Van Biljon E	99 528	14 800	-	-	114 328
Fortuin S	99 528	14 800	-	786	115 114
Moseswa MW	99 528	14 800	-	-	114 328
Dabampe JM	503 030	40 700	-	18 298	562 028
Legabe LD	503 030	40 700	-	21 437	565 167
Hossan SM	236 091	25 900	-	11 470	273 461
Setsetse TH	207 773	25 900	-	12 740	246 413
Seneke MA	175 566	25 900	-	-	201 466
Nel A	123 063	25 900	52 500	21 242	222 705
Adams W	175 438	25 900	-	23 602	224 940
Mongalane ME	176 972	25 900	-	7 948	210 820
Komane T	175 566	25 900	-	8 713	210 179
Letebele EG	175 910	25 900	-	1 152	202 962
	5 367 465	**599 400**	**104 501**	**210 013**	**6 281 379**

2021

Name	Basic salary	Bonuses and performance related payments	S & T	Total
Palagangwe KG	299 882	44 400	-	344 282

44. Related parties (continued)

Majahe SK	285 877	44 400	2 722	332 999
Pilane MM	685 875	44 400	32 867	763 142
Majikela EM	342 929	44 400	5 163	392 492
Segola LM	273 912	133 553	20 510	427 975
Tshweu LW	305 946	44 400	15 485	365 831
Duiker KL	543 658	44 400	1 639	589 697
Joseph J	216 558	111 250	2 993	330 801
Kwena MR	282 908	44 400	-	327 308
Gerber T	282 908	44 400	-	327 308
Lephoi LL	279 482	44 400	-	323 882
Van Biljon E	282 908	44 400	396	327 704
Fortuin S	282 908	44 400	1 532	328 840
Moseswa MW	282 908	44 400	21 677	348 985
Dabampe JM	305 946	44 400	797	351 143
Legabe LD	360 096	44 400	-	404 496
	5 314 701	**866 403**	**105 781**	**6 286 885**

Executive management

2022

Name	Other short-term employee benefits	Total
Corporate Services	107 162	107 162

2021

Name	Basic salary	Other short-term employee benefits	Post-employment benefits	Total
Corporate Services	500 743	469 450	35 414	1 005 607
Community Services	546 623	541 611	1 932	1 090 166

44. Related parties (continued)

	1 047 366	**1 011 061**	**37 346**	**2 095 773**

45. Prior-year adjustments

1. Land; Accumulated Surplus Opening Balance - During the current financial year, it was identified that the land that was classsified correctly under investment property was also incorrectly included in the land account of PPE. Therefore, a reversal amounting to R 4, 478,939.00 relating to the 2019/20 financial year processed in the PPE account and Accumulated surplus..

2.Work-In-Progress - Water Infrastructure; General expenses - During the current financial year, it was identified that the cost capitalised to Work in progress Water Infrastructure account related to the repairs and maitenance of the pump station and not capital expenditure.Therefore, the WIP-Water infrastructure account was decreased and the repairs and maitemence account under general expenses account was increased by R 581,911.00 in the 2020/21 financial year.

3. Investment Property, Accumulated Surplus and Fair Value adjustment - During the current year, it was identified that the investment property for 2019/20 financial year was over valued by R 45,337,297.00. As a result, the Investment property opening balance was reduced by R45,337,297, the accumulated opening balance decreased by R 45,337,297.00 and the fair value adjustment gain recognsised in the 2020/21 increased by R 48, 273,584.

4. Interest Received; Interest Received-Rates - During the current year, it was identified that the interest received disclosure was not disclosed per service. A reclassification adjustment was processed to correct the classification.

5. Provision for doubtful debts, Receivables from non-exchange transactionns, consumer debtors and Debt impairment - During the current year, the management of the municpality identified that the provision for doubtful debt was not calculated correctly in terms of GRAP 104. Therefore an adjustment amouting to R 38,045,718 was processed in receivables from non-exchange transactions and R 78,639,483 was processed in the consumer debtors the 2020/21 to correct the provision of doubtful debt.

6. Provisions and Finance costs - During the current year, it was also identified that the provision for enviromental rehabilitation was understated as per the new provisions working. The interest expense and the provison was increased by R 2,196,790

7.Property rates - Interest received - During the current year, the management of the municpality identified that the interest income from rates was incorrectly classified under interest from bank. The interest income was reclassified correctly to property rates - Interest received.

Statement of financial position

2021

	As previously reported	Correction of error	Restated
Property,Plant and Equipment	301 737 325	(5 031 502)	296 676 475
Accumulated Surplus	359 960 709	(4 478 939)	355 481 770
Investment Property	442 612 318	2 936 287	445 548 605
Receivables from non-exchange transactions	57 446 821	(38 045 718)	19 401 103
Consumer debtors	117 550 470	(78 639 483)	38 910 987
Provisions	11 857 738	2 196 790	14 054 528
	1 291 165 381	**(121 062 565)**	**1 170 073 468**

Statement of financial performance

45. Prior-year adjustments (continued)

2021

	As previously reported	Correction of error	Re-classification	Restated
Fair value Adjustment	59 633 340	48 273 584	-	107 906 924
Interest received - Rates	67 746 628	-	286 776	68 033 404
Interest Received	45 627 748	-	(45 627 748)	-
Interest Received - Electricity	-	-	9 453 869	9 453 869
Interest Received - Waste Water	-	-	13 350 178	7 954 572
Interest Received - Water	-	-	21 618 238	21 618 238
Interest Received - Waste Management	-	-	(1 205 463)	6 259 667
Interest -Bank	286 776	-	(232 150)	54 326
Deficit for the year	**173 294 492**	**48 273 584**	**(2 356 300)**	**226 676 906**

46. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Council has the overall responsibility for the determination for the determination of the municipality's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Accounting Officer. The Accounting Officer receives regular reports from the Directors through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policiesit sets. The municipality's internal auditors also review the risk management policies and processes and reporttheir findings to the Audit Committee. The overall objective of Council is to set policies that seek to reduce risks as far as possible without unduly affecting the Municipality's competitiveness and flexibility.

46. Risk management (continued)

Liquidity risk

Liquidity risk arises from the municipality's management of working capital, finance charges and principal repayments on its debt instrument. It is the risk that the municipality will encounter difficulty in meeting its financial obligations as they fall due. The municipality's policy is to ensure that it will always have sufficient cash to allow it to meetits liabilities when thgey become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period long enough to cover the obligations. The municipalityt also seeks to reduce liquidity risk by using floating interest rates (and hence cash flows) on all its long-term borrowings. This is further discussed in the 'interest rate risk" section. Council receives cash flow projections on a regular basis as well as information regarding cash balances and (as noted above) the value of the municipality's investments. At the end of the financial year, these projections indicated that the municipality expected to have sufficient liquid resources to meet its obligations under all reasonable expected circumstances and will not need to draw down on its agreed R 1 000 000 overdraft facility. However, in the prior periods, the municipality did not have enough reserves to meet all its obligations. The liquidity risk of the municipal entity is also managed by the parent municipality. Where the municipal entity need facilities, approval must be sought from the Accounting Officer. Where the amount of the facility is above a certain level, agreement of the board is needed.

The table below analyses the municipality’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For trade payables, they are due and payable on receipt of the invoice. Thus in the absence of any other arrangements, all balances due as at year end are disclosed in the 'Less than 1 Year' column.

The table below analyses the municipality’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For trade payables, they are due and payable on receipt of the invoice. Thus in the absence of any other arrangements, all balances due as at year end are disclosed in the 'Less than 1 Year' column.

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	9 710 561	-	-	-
Financial Liabilities	16 305 896	-	-	-
Trade and other payables	621 863 666	-	-	-

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	5 395 606	-	-	-
Financial Liabilities	13 685 312	-	824 945	-
Trade and other payables	500 190 259	-	-	-

46. Risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the municipality if a customer or counterparty to a financial instrument fails to mee its contractual obligations. The municipality is mainly exposed to credit risk form credit sales and placement with financial institutions. It is the municipality's policy to assess the credit rist of new counterparts, where possible, before entering contract. Due to the nature of most our customers, credit limits and rating for such customers cannot be done

To mitigate some of the credit risks relating to our consumers, disconnections and restricting the flow of water are used as mechanisms to encourage the consumers to settle their debt. Consumers accounts are monitored on a monthly basis. In terms of the existing legislation, the municipality has limited option in this regards.

The municipality has assessed the credit risk on its customers' ability to pay their debts when due.A provison has been raised in this regard..

The municipality does not request for cerdit ratings when dealing with customers.

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

Financial instrument	2022	2021
Receivables from exchange transactions	21 058 100	17 830 332
Receivables from non-exchange transactions	21 990 861	19 401 103
Consumer Debtors	55 482 947	38 910 987
Sanlam shares	41 662	48 360
Cash and Cash Equivalents	857 132	410 326
Investments in controlled entities	20 100	20 100

Cash and cash equivalents: A significant amount of cash is held with ABSA, who are the municipality's main bankers.

47. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus of 173 323 631(2021: 239 437 819) and that the municipality's total assets exceed its liabilities by 173 323 631 (2021: 287 142 380)

The municipality had a deficit of 113 818 748(2021: 88 432 585)

The following represent currently known to contribute to the loss

(a) There has been a decline in the revenue collection and this significantly lead to the Revenue of the Municipality been reduced during the adjustment budget.

(b) Impairments of receivables and the impairment of creditors due to customers not servicing their accounts as the accounts were not delivered and movements were restricted

(c) The sharp increase in the operating costs.

(d) The Municipality bank account was attached by South African Revenue Services and the amount of R17 Million was seized for the outstanding PAYE submission but the Municipality Manage to recover from the situation and the agreement was duly reached with SARS and operation restored.

In response to these matters, the entity has taken the following actions:

(a) The municipality embarked on the process of installing prepaid electricity meters to improve the collection or revenue.
(b) The mucipality has put cost containment measures to manage the increasing operating costs.

(b) The muncipalilty has committed to honour the debts arrangement with SARS to avoid the seizing of funds.

Although it is not certain that these efforts will be successful, management has determined that the actions that it has taken are sufficient to mitigate the uncertainty and has therefore prepared the financial reporting on a going concern basis and furthermore it must be noted that municipality is only 15% Grant funded.

Figures in Rand	2022	2021

47. Going concern (continued)

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality for the municipality to remain in force for so long as it takes to restore the solvency of the municipality.

The municipality has going concern challenges. However, the annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Thus, the municipality's ability to continue as a going concern is dependent on the fact that, inter alia, the accounting officer continue to procure both internal and external funding for the ongoing operations of the municipality.

48. Events after the reporting date

On the 04 July 2022, the hall belonging to the munciaplity was destroyed by fire. The muncipality is still conducting an assessment of the damages with the insurance company

49. Unauthorised expenditure

Opening balance as previously reported	681 402 688	373 952 128
Correction of prior period error	-	87 338 107
Opening balance as restated	**681 402 688**	**461 290 235**
Add: Expenditure identified - current	94 405 394	220 112 453
Closing balance	**775 808 082**	**681 402 688**

Unauthorised expenditure relates to depreciation, mainly due to the unbundling exercise and has not yet been condoned by the Council. A full report was submitted to MPAC and Council for considerations.Council recommendations will then be taken into account when the deliberations and/or investigations are concluded.

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

Non-cash	43 411 663	84 592 442
Cash	44 114 657	135 520 011
	87 526 320	**220 112 453**

The over expenditure can be attributable to the following categories

Employee related cost	2 578 084	3 999 021
Operational costs	4 261 318	8 733 443
Consumables	26 310 686	951 300
Contracted Services	10 964 569	15 634 351
Loss on disposal of assets	-	2 475 184
Bulk purchases	-	14 558 667
Finance costs	21 875 035	32 858 711
Depreciation and Amortization	3 879 668	5 635 570
Impairment of Assets	-	56 309 334
Bad debts Written off	17 656 960	78 956 872
	87 526 320	**220 112 453**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Fruitless and wasteful expenditure

Opening balance as previously reported	43 826 784	40 669 850
Opening balance as restated	**43 826 784**	**40 669 850**
Add: Expenditure identified - current	28 754 109	31 557 950
Less: Expenditure removed as per the MFMA Exemption Notice	-	(28 401 016)
Closing balance	**72 580 893**	**43 826 784**

This relates to interest charged on late payments of the South African Revenue Services (SARS) amounts (PAYE, UIF & SDL), Auditor General of South Africa (AGSA), Eskom, Department of Water & Sanitation,Telkom and other creditors. During the year, the municpality managed to enter into payment plans with the major creditors and also to settle the balances. Further, AGSA debt was significantly reduced as well. Such measures and other cash flow generation activities will signifcantly reduce this type of expenditure.

51. Irregular expenditure

Opening balance as previously reported	176 649 549	98 131 668
Correction of prior period error	-	(40 058)
Opening balance as restated	**176 649 549**	**98 091 610**
Add: Irregular Expenditure - current	2 495 902	28 442 471
Add: Irregular Expenditure - prior period	-	50 115 468
Closing balance	**179 145 451**	**176 649 549**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

51. Irregular expenditure (continued)

Details of irregular expenditure - Current Year

	Disciplinary steps taken/criminal proceedings		
Overvaal Motors	No Contract/SLA and Not registered on CSD	1 101 732	-
Execl Topstop T/A Dessert General Trading	No Contract/SLA and Not registered on CSD	777 372	-
H2 Enterprise	1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	163 254	-
Setshabelo Trading 720 BK	No Contract/SLA and Not registered on CSD	47 840	-
Hydraulic 2000cc	1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	11 098	-
A J INGENIEURSWERKE	Not registered on csd	2 370	-
Grace Funeral Parlour	Paupers Funeral, 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	12 500	-
Nonki C Travels	3 quotations sourced out for more than 30 000.00	41 920	-
ST Naledi Funerals CC	Paupers Funeral, 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	4 000	-
Thabethe & Co	Car Rental, No contact or SLA	314 717	-
OAGENG FUNERAL SERVICES	Paupers Funeral, 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	12 500	-
MOJALEFA PHOOFOLO FUNERAL HOME	Paupers Funeral, 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	3 200	-
Rekathusa funeral Ganyesa	Paupers Funeral, 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out	3 400	-
ALUMINUM BAR CODES FOR C12601- C13601	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	43 000
Basadzi Personnel and Media (Pty) Ltd	SCM processes were not followed - the suppliers is not having a Contract/SLA and not registered on CSD	-	104 523
Bayviews Trading 116	SCM tender processes not follwed	-	68 995
Bertie diesel	SCM Processes not followed - 3 quotations not obtained as prescribed by SCM policy	-	8 692
Bsure brokers	SCM processes were not followed - the suppliers is not tax compliant	-	503 173
Bsure brokers	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	475 793

Notes to the Annual Financial Statements

51. Irregular expenditure (continued)

Figures in Rand		2022	2021
Canopy land	SCM Processes not followed - 3 quotations not obtained as prescribed by SCM policy	-	18 500
Christiana Tyres	SCM Processes not followed - 3 quotations not obtained as prescribed by SCM policy	-	26 040
Cigicell Credit Control	SCM Processes not followed - 3 quotations not obtained as prescribed by SCM policy	-	5 025 158
DCH Truck Engineering	SCM Processes not followed - 3 quotations not obtained as prescribed by SCM policy	-	35 645
De Swardt Vogel Myambo	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	2 455 397
DSH Holdings (PTY) LTD	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	487 932
Engineering Aces Consulting Engineers	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	790 476
Excel Topstop	SCM processes were not followed - the suppliers is not having a Contract/SLA and not registered on CSD	-	348 478
Fix Trade 1682 CC	SCM processes were not followed - the suppliers is not having a Contract/SLA and not registered on CSD	-	250 000
Gaomphe tent hire	SCM Processes not followed - 3 quotations not obtained as prescribed by SCM policy	-	8 750
Gotsilemang General Sales	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	631 498
H2 Enterprise	SCM Processes not followed - 3 quotations not obtained as prescribed by SCM policy	-	80 955
H2 Enterprise	SCM processes were not followed - the suppliers is not having a Contract/SLA and not registered on CSD	-	105 585
Hinterland Holdings (Pty)Ltd	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	3 646
Ikgo Logistics (PTY) LTD	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	87 605

Notes to the Annual Financial Statements

51. Irregular expenditure (continued)

Figures in Rand		2022	2021
Kgomo Attorneys Inc	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	604 751
Khabowed Travel Agency	SCM processes were not followed - the suppliers is not having a Contract/SLA and not registered on CSD	-	40 447
Khabowed Travel Agency	SCM processes were not followed - the suppliers is not having a Contract/SLA and not registered on CSD	-	35 171
Laposhsky (Pty)Ltd	SCM processes was not followed. 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out.	-	7 500
Lesika Larona	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	104 515
Matlosana books & Stationery	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	119 818
MEG Security	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	7 822 459
MODIBOA ATTORNEYS INC	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	73 930
Mofato Enterprise (Pty)Ltd	SCM tender processes not follwed	-	67 789
Northern Lights Trading	SCM processes was not followed. 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out.	-	7 770
NRB Piping Systems (PTY)LTD	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	100 373
Oranje Toyota Klerksdorp	Exceptional case where it is impractical to follow SCM process	-	928 382
Oranje Toyota Klerksdorp	Exceptional case where it is impractical to follow SCM process	-	4 438
Pakiso Leshage	SCM processes was not followed. 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out.	-	11 447
pitstop Ingenieurswerke	SCM processes was not followed. 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out.	-	2 875
Pule Ramasimong Development Consultants	SCM processes was not followed. 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out.	-	1 245 381
Sempro Consulting	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	4 033 044
Setshabelo Trading 720 BK	SCM processes was not followed. 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out.	-	34 641
STEVEN MURRAY & ASSOCIATES	SCM processes was not followed. 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out.	-	34 431
Supreme Spares Christiana	SCM processes was not followed. 1 quotation sourced out, more than R2000.00 3 quotes should be sourced out.	-	3 105

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

51. Irregular expenditure (continued)

Thabethe & Co	SCM processes were not followed - the suppliers is not having a Contract/SLA and not registered on CSD	-	36 000
Tiger Morope Developers (Pty)Ltd	SCM processes were not followed - the suppliers is not having a Contract/SLA and not registered on CSD	-	184 000
TT Resources CC	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	941 400
Wonga and Jeffrey Construction	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	145 702
Zela Holdings (pty) Ltd	SCM processes were not followed - 3 Years contracts advertised for less than 30 days	-	293 261
		2 495 903	**28 442 471**

Figures in Rand	2022	2021

52. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	2 560 117	1 017 256
Current year subscription / fee	5 126 187	3 842 861
Amount paid - current year	(1 600 000)	(2 300 000)
	6 086 304	**2 560 117**

PAYE and UIF

Opening balance	27 359 216	26 926 571
Current year subscription / fee	11 134 517	13 338 628
Amount paid - current year	(8 930 758)	(12 905 983)
Amount paid - previous years	(12 902 015)	-
	16 660 960	**27 359 216**

Pension and Medical Aid Deductions

Opening balance	1 653 283	1 345 581
Current year subscription / fee	18 028 869	18 129 057
Amount paid - current year	(15 246 377)	(16 471 736)
Amount paid - previous years	-	(1 349 619)
	4 435 775	**1 653 283**

VAT

VAT payable	(15 921 250)	(14 893 033)

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

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

52. 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 2022:

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Pilane	4 721	112 832	117 553
Councillor Dabampe	2 889	33 915	36 804
Councillor Duiker	1 766	2 672	4 438
Councillor Setsetse	16	877	893
Councillor Seneke	11	300	311
Councillor Komane	9	474	483
Councillor Nel	10 209	17 169	27 378
Councillor Hossian	11	399	410
Councillor Letebele	6 050	119 606	125 656
Councillor Motlhabi	50	1 137	1 187
Councillor Adams	7 547	146 832	154 379
Councillor Greber	5 483	2 434	7 917
	38 762	**438 647**	**477 409**

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Joseph	3 996	-	3 996
Councillor Majahe	5 783	78 912	84 695
Councillor Tshweu	431	-	431
Councillor Dabampe	2 991	26 941	29 932
Councillor Pilane	4 554	99 315	103 869
Councillor Duiker	1 004	-	1 004
Councillor Lephoi	1 973	31 654	33 627
Councillor Legabe	1 298	40 578	41 876
Councillor Moseswa	1 862	576	2 438
	23 892	**277 976**	**301 868**

53. Deviation from supply chain management regulations

Supplier	Project	Amount	Date approved	Reason
JVR Enterprise Pty Ltd	Hiring of high pressure Jet Cleaner	238 800	01/04/2022	Exceptional Cases where it is impractical to follow SCM process
Westvaal Motors Holdings T/a Isuzu Trucks	Removal and replacement of Diff on Refuse Truck	105 695	05/04/2022	Sole supplier
Oranje Toyota Klerksdorp	Repair of Mayors Car	12 413	06/04/2022	Sole supplier
CMS Water Engineering	Cleaning of the existing sewer pump at the N12 sewer pimp station	169 568	06/04/2022	Exceptional Cases where it is impractical to follow SCM process
CMS Water Engineering	replacement of pump at sewer pump station	270 250	06/04/2022	Exceptional Cases where it is impractical to follow SCM process
Gijima Technology People	Screening of candidates for Director Technical and Community Services Post	28 980	08/04/2022	Sole Supplier
Ayanda Mbanga Communications	Advert for Corporate Service Director, Expenditure Manager and Building Inspector on City Press Newspaper	72 761	21/04/2022	Exceptional Cases where it is impractical to follow SCM process
Gijima Technology People	Vetting of candidates for Director Technical and comunnity Service Post	54 740	21/04/2022	Sole Supplier
DCH Truck Engineering	Weld bracket and replacement of wheels Pivot- KJR 108 NW	4 041	13/04/2022	Exceptional Cases where it is impractical to follow SCM process
Agrectic	Procurement of water pipes and cascades	72 639	17/05/2022	Exceptional Cases where it is impractical to follow SCM process
Kamata promotions	Advert for CFO Position on City Press newspaper	49 283	18/05/2022	Exceptional Cases where it is impractical to follow SCM process
NPNF Construction and Projects	Hiring of TLB in Bloemhof	31 497	18/05/2022	Exceptional Cases where it is impractical to follow SCM process
Big 2 Civils CC T/A UD Trucks GBS Klerksdorp	REPAIR OF FAULT AND POWER SUPPLY ON THE SEWER TRUCK- JNK 519 NW	50 483	25/05/2022	Exceptional Cases where it is impractical to follow SCM process
Lengau Traffic Training College	Examiner of Vehicle Training	10 316	25/05/2022	Exceptional Cases where it is impractical to follow SCM process
Alumni Trading 212	unblocking of sewer using high pressure Jetting machine	93 150	2022/06/03	Exceptional Cases where it is impractical to follow SCM process

53. Deviation from supply chain management regulations (continued)

Tsu Transportation Spares T/A FAW	Service for Suction Truck	8 581	2022/06/01	Exceptional Cases where it is impractical to follow SCM process
Psymon Trading 198	hydro jetting(unblocking and	26 400	2022/06/07	Exceptional Cases where it is impractical to follow SCM process
DCH Truck Engineering	Repair of the truck (Tata Truck) Complete TATA airdryer	6 733	2022/06/07	Exceptional Cases where it is impractical to follow SCM process
Gijima Technology People	Vetting of candidates for Director Technical and community Service Post	47 898	2022/06/02	Exceptional Cases where it is impractical to follow SCM process
CMS Water Engineering	Cleaning of sewer pump station	274 575	2022/06/14	Exceptional Cases where it is impractical to follow SCM process
Lengau Traffic Training College	training for vehicle examiner course	2 970	2022/06/14	Sole supplier
Westvaal Motors Holdings T/a Isuzu Trucks	Service for Isuzu Bakkie	22 019	2022/06/15	Sole Supplier
Workshop Electronics Pty Ltd	Caliberation of Christiana Vehicle Testing Station	25 070	2022/06/23	Sole Supplier
Vaalharts Printers	Section 56 summon books for Traffic	9 900	2022/06/23	Exceptional Cases where it is impractical to follow SCM process
NPNF Construction and Projects	Hiring of TLB in Bloemhof	31 497	2022/06/23	Exceptional Cases where it is impractical to follow SCM process
Psymon Trading 198	Unblocking and Cleaning of blocked sewer Lines	132 880	2022/06/29	Emergency
Service Water and Sanitation	Installation of auto level control system and alignment of gorman rubb pumps	274 565	2022/06/30	Exceptional Cases where it is impractical to follow SCM process
Service Water and Sanitation	Installation of the V-Belt, Pulley Tapperlock and Coupling Guard	63 250	2022/06/30	Exceptional Cases where it is impractical to follow SCM process
JVR Enterprise Pty Ltd	Clearing of stormwater drainage and unblocking from koperasie to steers sewerage blockage overflow in Boitumelong	305 000	2022/06/30	Exceptional Cases where it is impractical to follow SCM process
KPKN Baradi Projects Pty Ltd	Hiring of TLB in Bloemhof	11 000	2022/06/30	Exceptional Cases where it is impractical to follow SCM process
Motla Central	Supply and installation of 11kva electrical cable	102 037	2022/06/30	Exceptional cases where it is impractical to follow SCM process
J Electrical	Repair of faulty cable in William Alexander street	59 228	2022/06/30	Emergency

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

53. Deviation from supply chain management regulations (continued)

Alumni Trading 212	High Pressure jetting of lines from coverdale passing Salamat and golf course sewer pump	558 992	2022/06/30	Emergency
Gijima Technology People	Competency assessment for Technical service director Post	9 732	2021/07/15	Sole Supplier
Ikgo Logistics	Repair work on sewer system in Golf street	243 425	2021/08/04	Exceptional cases
DCH Truck Engineering	replacement of broken propshaft - TATA Tipper truck	12 420	2021/08/13	Sole Supplier
BH Bande	Replacement of tyre	2 520	2021/08/19	Emergency
DCH Truck Engineering	procurement of 6m wide 200mm length pipes, cascade clamps and adopters for pipe burst at the water tower	4 803	2021/08/25	Emergency
DCH Truck Engineering	Procurement of 200 PVC pipe 6m	3 220	2021/08/25	Exceptional cases
DCH Truck Engineering	Procurement of Front end loader adopter	26 766	2021/09/03	Emergency
DCH Truck Engineering	Procurement of grader blades	18 147	2021/09/03	Emergency
Grace Funeral Parlour	Pauper Funeral	2 500	2021/09/20	Exceptional cases
BH Bande	PROCUREMENT OF TYRES	8 970	04/10/2021	Exceptional Case
DCH Truck Engineering	Replacement of spring pack	11 443	2021/10/06	Exceptional Case
Ikgo Logistics Pty Ltd	Jet Cleaning for blocked line from Golf street to pump station	69 950	2021/10/11	Exceptional Case
Lexis Nexis	Procurement of local government library books for Councillors	45 853	2021/10/14	Sole Supplier
CMS Water Engineering	SERVICE EXCHANGE OF T6 GORMAN	29 992	2021/10/14	Exceptional Case
Workshop Electronics	INSTALATION OF THE VEHICLE TETING STATION EQUIPMENT	24 454	2021/10/08	Sole Supplier
Truvelo Africa Electronics Division Pty Ltd	Calibration of speed camera	5 263	2021/10/20	Sole Supplier
NPNF Construction and Projects	Heavy Duty rods for ublocking sewer lines	72 680	2021/10/12	Exceptional Case
DCH Truck Engineering	Replacement of 200mm PVC pipe 6M	4 803	2021/10/17	Exceptional Case
DCH Truck Engineering	Replacement of 200mm PVC pipe 6M	4 803	2021/10/18	Exceptional Case
DCH Truck Engineering	Replacement of 200mm PVC pipe 6M	4 803	2021/10/18	Exceptional Case
DCH Truck Engineering	Replacement of radiator	2 070	2021/11/26	Exceptional Case
Bell Equipment Sales SA Limited	Service for TLB	23 827	2021/11/29	Exceptional Case
J Electrical	Cable Fault Locate & Repair - Main switching station to school for the blind minisub	58 374	2021/11/29	Emergency
J Electrical	Cable fault locate & switch gear for Salamat and water pressure tower	44 720	2021/11/29	Emergency
DCH Truck Engineering	Replacement of a 200mm PVC pipe	4 803	2021/11/29	Exceptional Case
DCH Truck Engineering	Replacement of a 200mm PVC pipe	4 803	2021/11/29	Exceptional Case
CMS Water Engineering	SERVICE EXCHANGE OF T6 GORMAN Pump	29 992	2021/12/01	Exceptional Case
CMS Water Engineering	Pole Motor Service exchange	24 380	2021/12/01	Exceptional Case
CMS Water Engineering	Supply and delivery of submirsible pump	10 178	2021/12/02	Exceptional Case

Notes to the Annual Financial Statements

Figures in Rand		2022	2021

53. Deviation from supply chain management regulations (continued)

DCH Truck Engineering	Procurement of a hose APS16	2 575	2021/12/02	Exceptional Case
CMS Water Engineering	supply and delivery of Submersible Pump (Bloemhof)	29 463	2021/12/03	Exceptional Case
NPNF Construction and Projects	Hiring of TLB in Bloemhof	4 830	2021/12/08	Exceptional Case
IAN Dicken & Company (Pty) Ltd	Repairing of Vaccum Tank	2 805	2021/12/08	Exceptional Case
I H S Information and insight	Information and insight for planning documents	37 260	2021/12/10	Exceptional Case
Golden leopard Resorrt SOC LTD T/A Christiana All Seasons Resort	Venue Hire for inhouse Council Inducuction	55 784	2021/12/10	Exceptional Case
Golden leopard Resorrt SOC LTD T/A Christiana All Seasons Resort	Venue hire and catering for council meeting	15 775	2021/12/14	Exceptional Case
DCH Truck Engineering	Supply and delivery of materials to repair burst pipes in christiana	5 935	2021/12/17	Emergency
NPNF Construction and Projects	Emergency clearing of sewerage blockage and overflow in Boitumelong	86 250	2021/12/20	Exceptional Case
NPNF Construction and Projects	Emergency clearing of sewerage blockage and overflow in Boitumelong	62 100	2021/12/20	Exceptional Case
NPNF Construction and Projects	Hiring of TLB in Bloemhof	3 000	2021/12/20	Exceptional Case
NPNF Construction and Projects	Hiring of generator 50KVA	42 050	2021/12/20	Exceptional Case
NPNF Construction and Projects	Purchasing of flexicon steel drain rods	72 680	2021/12/20	Exceptional Case
NPNF Construction and Projects	Hiring of TLB in Bloemhof	4 830	2021/12/20	Exceptional Case
NPNF Construction and Projects	Unblocking of sewer lines using high sewer jet & hydro blast machine	135 010	2022/01/12	Exceptional Case
Golden leopard Resorrt SOC LTD T/A Christiana All Seasons Resort	Venue hire and catering for SALGA induction for Councillors	74 750	2022/01/27	Exceptional Case
Kamata promotions	Advertisement for senior Managers	82 941	2022/01/27	Exceptional Case
Infinity Auto Parts Pty Ltd	Power steering Pump	3 763	2022/02/10	Exceptional Case
Magnum Spring	Hi-Lux Rear Springs	4 784	2022/02/10	Exceptional Case
JVR Enterprise Pty Ltd	Clearing and pumping of sewer blockage using high pressure Jetting Machine at Boitumelong	331 200	2022/02/24	Exceptional Case
DCH Truck Engineering	ClClutch Kit for and pumping of sewer blockage using high pressure Jetting Machine at Boitumelong	3 956	2022/02/08	Exceptional Case
LENGAU Traffic training college	Training for traffic officers	6 300	2022/02/28	Sole Supplier
NPNF Construction and Projects	unblocking of sewer lines using high sewer jet & hydro blast machine in Bloemhof	86 250	2022/02/28	Exceptional Case
CMS Water Engineering	Procurement of submersible Pump 11KW 2 pole	94 910	2022/03/03	Exceptional Case
DCH Truck Engineering	Repair of fuel pump on ford tractor	6 670	2022/03/15	
PJ Van Wyk T/A Ingenieurswerke	Repair Diesel Pump and Four Injectors	14 351	2022/03/16	Sole Supplier
Infinity Auto Parts Pty Ltd	Procurement of steering gearbox	18 100	2022/03/16	Exceptional Case
DCH Truck Engineering	Tata tipper truck accelerator cable, rear lining kit and front lining	13 533	2022/03/16	Exceptional Case
CMS Water Engineering	Procurement of Submersible Pump for street pump station and clearing of pump	207 306	2022/03/18	Exceptional Case

53. Deviation from supply chain management regulations (continued)

BH Bande	Tyres for TLB	19 090	2022/03/25	Exceptional Case
DCH Truck Engineering	Tata Clutch Kit and bearing	9 948	2022/03/28	Exceptional Case
BH Bande	Tyres for refuse truck	4 800	2022/03/28	Exceptional Case
DCH Truck Engineering	Spares for Honey sucker Truck9,74	15 420	2022/03/28	
For Everness projects	Cold Asphalt	192 913	2022/03/30	Exceptional Case
Vaalharts Printers	Section 56 summon books for Traffic fines	5 150	2022/03/30	Sole Supplier
		5 793 387		

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

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

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

54. Accounting by principals and agents

The municipality is a party to a principal-agent arrangement(s).

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

The municipality has an agreement with the North West Department of Transport in which the municipality administer the licensing and the registration functions on behalf of the department of transport

The municipality receives an agency fees of 20% of the funds received on behalf of the department after the transaction fees as a compensation for the services carried out on behalf of the department. Any resulting differences is paid over to the department. There has not been any changes to the arrangement in the current year. Should the municipality fails to pay over the monies collected, the department will raise a liability as a result of non-payment.

The municipality also has an agreement with CIGICell wherein CIGICEll sell electricity on behalf of the municiplity and charge the municipality a commission of 3.5%.

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 3 205 154 - (2021: 3 669 994).

Additional information

Entity as principal

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.

Fee paid

	2022	2021
Fee paid as compensation to the agent	31 309	10 323

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

54. Service concession liabilities (continued)

The arrangement in not termintated at 30

[Provide additional info as appropriate]

55. Budget differences

Statement of comparison of budget and actual amounts explanations

PART A - material variances between budget and actual amounts were not disclosed as required by paragraph 12(c) of Grap 24

Sale of goods - The municipality did not budget for this revenue item because there was little activity in this revenue in the prior yea.

Service Charges - The conversion of conventional meters to prepaid has reduced the sales of electricity which impacted on the budgeted sales. This was not considered by the mucipality when budgeting for the revenue.

Rental of facilities and equipment - Budget was forecasted using prior year actuals increased by the CPI.Rental is based on the demand for facilities from residents within the municipal area therefore the demand was and resulted in a lower revenue collection than the forecasted budget

Agency services - budget allocations are just estimates based on prior year figures increased by CPI.

License and Permits - The municipality did not budget for license and permits income because of the lack of system that manages the process and the actaul figures based on the assets that are not longer in use by the municiplaity or that could not be found.

Other income - budget allocations are just estimates based on prior year figures increased by CPIX. Actual amounts on revenue can either be less or more than the estimated budget.

Interest received - Payment by customers of outstanding debts for services rendered is slow, resulting in high outstanding debts and interest is charged on overdue accounts..

Consumer debtors -budget are based on the previous year trends taking ino account the impairements.Actual amounts spent can either be less or more than the estimated budget.

Short-term portion of long term receivables The varience is caused by the receivables who are not honourng their payment arrangements with the municipality. Actual amounts spent can either be less or more than the estimated budget.

Intangible assets -- Municipality budgeted inadequately for the intangibles assets . Actual amounts are based on the intagible assets that are on the books of the Municipality as at 30 June 2021.

Sale of goods -- The decrease in the actual revenue is due to the restriction on Covid 19 and the consumers were not booking the properties and ther were other sales of goods as compared to prior year. The sale of goods relates to Tender documents, etc

Rendering of services - The municipality did not budget for this revenue item because there was little activity in this revenue in the prior year. due COVID 19 restrictions that still continued into the current year. Therefore, the municipality did budget for this revenue item in the current year.

Rental of facilities and equipment -- Budget was forecasted using prior year actuals increased by the CPI.Rental is based on the demand for facilities from residents within the municipal area therefore if the demand is low revenue collection is also going to be lower than the forecasted budget

Fair Value adjustment - Buget allocations are just estimates that based on the prior year figres increased by CPI. The fair value for the current year was based on the changes in the invetsment property values.

Agency services - budget allocations are just estimates based on prior year figures increased by CPI.

55. Budget differences (continued)

Other income - budget allocations are just estimates based on prior year figures increased by CPIX. Actual amounts on revenue can either be less or more than the estimated budget

Property rates - The decline is attributable to the overall decline on the trading conditions caused by natioal lockdowns and poor economic conditions

Government grants - Capital - There was an offset of the prior-year's unspent grant on the MIG and also the current financial year's MIG was not received in full as a result of slow spending.

Service Charges -The conversion of conventional meters to prepaid has reduced the sales of electricity which impacted on the budgeted sales. This was not considered by the mucipality when budgeting for the revenue.

Property rates - The decline is attributable to the overall decline on the trading conditions caused by natioal lockdowns and poor economic conditions.

Government grants- Operational - The grant are based on the DORA alloactions. The actual decline was due to the roll over that was
declined in the previous financial year

Actuarial Gains - The municipality did not budget for the actural gains in the year under review. The actaul was based on the valuation as conducted by the experts.

Traffic fines - The was imrovements in the trafic fines administrations.

Fair Value adjustment - Buget allocations are just estimates that based on the prior year figres increased by CPI. The fair value for the current year was based on the changes in the invetsment property values..

Finance costs - The also the interest charges on concessionary loan was not considered during the budget preparations.

Debt impairment - The increase is attributable to the increase in the additional impairment from provison for bad debt.

Bulk purchases - At the budget adjustment date there was little movement in the account resulting the budget was not adjusted and we could not reliably estimate how much is needed as most of the invoices were not yet submitted to finance. bulk of transactions were posted after adjustment budget was approved which caused the overspending.

Contracted services - main contributor to the overspending is legal fees. The account was spending in line with the budget at the adjustment period hence the slight adjustment. Invoices which contributed to the overspending were posted after the adjustment period.

Consumables -A higher budget adjustment was processed without understanding the cost drives of this expense**.**

General expenses – A higher budget adjustment was processed without understanding the cost drives of this expense**.**

Inventories - The budget did not include the water inventory. Hence a higher varience.

Investments - Valuation factors are driven by markets sentiments and these sentiments cannot be determined when budgeting.

Receivables from exchange transactions - The difference was due to the restatements that were made in the prior years after the population was revisited and reworked.

Receivables from non-exchange transactions - The difference was due to the restatements that were made in the prior years after the population was revisited and reworked.

Cash and Cash equivalent - A higher budget adjustment was processed.

Investment Properties - The fair value remeasurement was budgeted higher. The valuations are determined by the experts.

55. Budget differences (continued)

Property, Plant and Equipment - The municipality rolled back the assets register to the 2009 to ensure that there is proper valuation and that all the asset could be fairly accounted for hence there valued were slightly higher that anticipated. There were no significant additions.

Financial Liabilities - The municipality did not budget for any financial loans however there was a performance guarantee that was obtained in the previous year which is effectively a loan and as per the standards of GRAP it must be disclosed as such in the year under review.

Payables from exchange transactions - The increase was due to the municipality experiencing severe cash flow problems which extremely contributed to the growing list of creditors as well as the interest from the Water and Sanitation department.

Employee benefits obligations - The differences were due to poor planning in the capital budgeting since the obligation was not budgeted.

Unspent grants - The municipality actually anticipated to spend all the grant allocated by other spheres of Governmen

Investments - budget allocations are just estimates. Actual amounts spent can either be less or more than the estimated budget.

long-term receivables - The budget was based on the previous yaer trend adding CPIX . Actual amounts is based on the agreements that were signed by the Customers as at 30 June 2021.

VAT payable - The Municipality did not budget for the Vat payable in the 2020/21. the actaulpayable is based on the revenue accrued by the uniciplaity on all the vatable transactions.

Consumer deposits - The difference is attributable to negative trading conditons with less cutomers opening accounts.

Provisions - budget allocations are just estimates. Actual amounts spent can either be less or more than the estimated budget.

Financial liabilities - The municiplality did not budget for the Finacial liabilities in the current year under review.

Employee benefit obligation - The municiplality did not budget for the Finacial liabilities in the current year under reviews

PART B - material variances between the approved budget and final budget amounts were not disclosed as required by paragraph 27 of GRAP 24.

Interest received -The amount relates to interest on outstanding debtors. An upward adjustment was necessary since the mid-term billing was performing over the mid-term budget allocation..

Property rates penalties Imposed - The amount relates to interest on outstanding debtors. An upward adjustment was necessary since the mid-term billing was performing over the mid-term budget allocationc

Government grants and subsidies - Adjustment was as a result of additional grant allocation from COGTA

Employees related costs - Some of the expected appointments were not made in the current year.

Remuneration of Councillors - Due to elections of the new additional councilors.

Contracted Services - The budget had to be reduced as per recommendations from Provincial treasury.

Depreciation and amortisations - Additional depreciation amortisation on the additions to PPE and intangible assets.

General Expenses - The budget had to be reduced as per recommendations from Provincial treasury.

56. Segment information

General information

56. Segment Reporting (continued)

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas: Governance and Administration, Community and Public Safety, Economic and Environmental Services and Trading Services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes..

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

Aggregated segments

The municipality operates in the North West Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout North West 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**
Governance and administration	Governance and administration and financial services
Community and Public Safety	Community and social services, sport and recreation, public safety and health
Economic and Environmental Services	Planning and development, road transport, environmental protection
Trading Services	Water ane electricity supply, waste management, sanitation and waste management

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Figures in Rand

56. Segment Reporting (continued)

Segment surplus or deficit, assets and liabilities

2022

	Governance and administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Unallocated	Total
Revenue						
Revenue from non-exchange transactions	111 341 022	41 297 683	-	-	-	152 638 705
Revenue from exchange transactions	-	3 647 584	3 381 604	112 999 708	-	120 028 896
Interest income	-	-	-	50 390 796	-	50 390 796
Total segment revenue	**111 341 022**	**44 945 267**	**3 381 604**	**163 390 504**	**-**	**323 058 397**
Entity's revenue						**323 058 397**
Expenditure						
Total Segment expenditure	71 376 616	9 433 188	922 669	86 108 143	86 379 246	254 219 862
Depreciation and Armotization	-	23 972 215	-	-	-	23 972 215
Impairment loss on assets	-	809 304	-	-	-	809 304
Debt Impairment	-	-	-	157 875 765	-	157 875 765
Total segment expenditure	**71 376 616**	**34 214 707**	**922 669**	**243 983 908**	**86 379 246**	**436 877 146**
Total segmental surplus/(deficit)						**(113 818 749)**

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