



HESSEQUA

Local Municipality

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2023**



**AUDITOR - GENERAL
SOUTH AFRICA**

30/11/2023

Auditing to build public confidence

HESSEQUA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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The reports and statements set out below comprise the Annual Financial Statements presented to the council:

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A U D I T O R - G E N E R A L
S O U T H A F R I C A

30/11/2023

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HESSEQUA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

General Information

MEMBERS OF COUNCIL AS AT 30 JUNE 2023

Executive Mayor	Mr. G. Riddles
Deputy Executive Mayor	Mr. M.C. van den Berg
Speaker	Mr. A. Stroebel
Members of the executive committee	Mayor G. Riddles Deputy Mayor MC van den Berg Councillor G.L. Boezak Councillor H.J. Saayman Councillor B.C. Smith
Members of the Hessequa Local Municipality	
Ward	Councillor
1	R.G. Davids
2	H.J. Saayman
3	M.C. van den Berg
4	G.L. Boezak
5	A.P. Daniels
6	N.A. Joseph
7	B. van Noordwyk
8	C.P. Taute
9	S. le Roux
Proportional	G. Riddles
Proportional	A. Stroebel
Proportional	B.D. Smith
Proportional	I.T. Mangaliso
Proportional	J. Hartnick
Proportional	L. Pieters
Proportional	L.C. February

AUDITORS

Auditor-General of South Africa
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Western Cape

BANKERS

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MUNICIPAL MANAGER

Mr. ASA. de Klerk

CHIEF FINANCIAL OFFICER

Me. H.J. Viljoen

LEGAL FORM

Category B Municipality which operates in accordance with Chapter 7 of the Constitution of South Africa.

The Objects of Local Government are:

- to provide democratic and accountable government for local communities;
- to ensure the provision of services to communities in a sustainable manner;
- to promote social and economic development;
- to promote a safe and healthy environment; and
- to encourage the involvement of communities and community organisations in the matters of local government.

The municipality must strive, within its financial and administrative capacity, to achieve the objects as set out above.

JURISDICTION

The Hessequa Municipality includes the following areas:

Albertinia, Gouritsmond, Heidelberg, Jongensfontein
Melkhoutfontein, Riversdal, Slangrivier, Witsand



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HESSEQUA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Approval of Annual Financial Statements

Members of the Hessequa Council

Ward	Representative
1	R.G. Davids
2	H.J. Saayman
3	M.C. van den Berg
4	G.L. Boezak
5	A.P. Daniels
6	N.A. Joseph
7	B. van Noordwyk
8	C.P. Taute
9	S. le Roux
Proportional	G. Riddles
Proportional	A. Stroebe
Proportional	B.D. Smith
Proportional	I.T. Mangaliso
Proportional	M.E Dayimani
Proportional	J. Hartnick
Proportional	L. Pieters
Proportional	L.C. February

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, in accordance with Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister for Cooperative Governance and Traditional Affairs' determination in accordance with this Act.



Mr. ASA. de Klerk
Municipal Manager

31 August 2023

Date

HESSEQUA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023

	Note	Actual	
		2023 R	2022 Restated R
ASSETS			
Current Assets		479 330 240	424 502 850
Inventories	2.	4 028 339	4 274 332
Receivables from Exchange Transactions	3.	35 004 605	34 178 316
Statutory Receivables from Non-Exchange Transactions	4.	24 674 678	22 626 909
Cash and Cash Equivalents	5.	6 177 232	2 571 259
Call Investment Deposits	5.	408 736 371	360 105 001
Lease Receivables	10.	709 015	747 033
Non-Current Assets		1 138 976 894	1 093 983 556
Property, Plant and Equipment	6.	1 038 522 579	993 825 114
Intangible Assets	7.	207 014	220 598
Investment Property	8.	91 795 790	91 486 333
Heritage Assets	9.	8 451 512	8 451 512
Total Assets		1 618 307 134	1 518 486 406
LIABILITIES			
Current Liabilities		123 877 169	117 692 068
Consumer Deposits	11.	12 994 690	11 575 638
Payables from Exchange Transactions	12.	52 140 651	52 458 852
Unspent Conditional Grants and Receipts	13.	9 218 329	7 489 305
VAT Payable	14.	1 342 677	1 721 228
Lease Payables	15.	22 597	36 688
Borrowings	16.	23 684 885	21 775 309
Employee Benefit Liabilities	17.	24 473 340	22 635 048
Provisions	18.	0	0
Non-Current Liabilities		271 472 560	261 752 707
Borrowings	16.	144 425 210	128 087 900
Employee Benefit Liabilities	17.	61 491 316	69 595 000
Provisions	18.	65 556 034	64 069 807
Total Liabilities		395 349 729	379 444 775
Total Assets and Liabilities		1 222 957 405	1 139 041 631
NET ASSETS		1 222 957 405	1 139 041 631
Reserves	19.	3 078 791	2 943 510
Accumulated Surplus / (Deficit)	20.	1 219 878 614	1 136 098 121
Total Net Assets		1 222 957 405	1 139 041 631

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

	Note	Actual	
		2023	2022
		R	Restated R
REVENUE			
Revenue from Non-exchange Transactions		256 167 549	252 884 622
Property Rates	21.	119 965 470	112 849 907
Fines, Penalties and Forfeits	22.	54 440 413	61 931 662
Licences and Permits	23.	2 019 737	1 988 190
Transfers and Subsidies - Operating	24.	68 492 717	65 117 331
Service Charges (Availability Charges)	25.	10 470 455	10 446 531
Interest Earned - Non-exchange Receivables	29.	778 756	551 001
Revenue from Exchange Transactions		377 629 586	339 308 213
Service Charges	25.	286 263 089	288 791 364
Sales of Goods and Rendering of Services	26.	48 270 290	17 814 188
Income from Agency Services	27.	3 062 218	2 893 648
Rental from Fixed Assets	28.	3 532 947	3 400 720
Interest, Dividends and Rent on Land Earned	29.	31 671 533	21 201 362
Operational Revenue	30.	4 829 509	5 206 932
Gains on Disposal of Property, Plant and Equipment	43.	0	0
Total Revenue		633 797 135	592 192 835
EXPENDITURE			
		610 285 144	562 801 088
Employee Related Costs	31.	210 426 996	196 269 682
Remuneration of Councillors	32.	8 412 974	7 929 971
Depreciation and Amortisation	33.	43 189 594	28 611 057
Bad Debt Written-off	34.	48 139 651	54 158 401
Impairment Losses - Capital Assets	34.	0	10 421 426
Impairment Losses - Receivables	34.	1 203 274	2 852 148
Finance Cost	35.	20 629 676	19 487 523
Bulk Purchases	36.	139 141 289	141 118 373
Contracted Services	37.	63 942 299	36 167 006
Inventory Consumed	38.	42 311 711	32 245 166
Transfers and Subsidies Paid	39.	1 848 891	3 444 891
Operating Leases	40.	1 874 845	1 636 466
Operational Costs	41.	29 823 186	28 042 235
Loss on Disposal of Property, Plant and Equipment	43.	-659 242	416 745
Total Expenditure		610 285 144	562 801 088
OPERATING SURPLUS / (DEFICIT) FOR THE YEAR		23 511 991	29 391 747
OTHER REVENUE / EXPENDITURE INCURRED			
Transfers and Subsidies - Capital	24.	34 811 522	73 922 679
Gains on Other Operations	42.	28 449 517	39 677 456
Losses on Other Operations	42.	-2 857 256	-10 206 018
TOTAL OTHER REVENUE / EXPENDITURE INCURRED		60 403 784	103 394 117
SURPLUS / (DEFICIT) FOR THE YEAR		83 915 774	132 785 865
Refer to Budget Statement for explanation of budget variances			

HESSEQUA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

	Total Funds & Reserves	Accumulated Surplus/ (Deficit)	Total Net Assets
	R	R	R
2022			
Balance at 30 June 2021	2 872 773	1 003 312 258	1 006 185 031
Correction of Error (Note 45)	0	-3	-3
Restated Balance	2 872 773	1 003 312 254	1 006 185 028
Surplus / (Deficit) as per prior 2021/22 AFS	0	133 679 865	133 679 865
Correction of Error (Note 45)		-894 000	-894 000
Restated Surplus / (Deficit) for the year	0	132 785 865	132 785 865
Transfers to/from Reserves	70 737	0	70 737
Balance at 30 June 2022	2 943 510	1 136 098 121	1 139 041 631
2023			
Appropriations from Accumulated Surplus	0	0	0
Restated Balance	2 943 510	1 136 098 121	1 139 041 631
Surplus / (Deficit) for the year	0	83 915 774	83 915 774
Transfers to/from Accumulated Surplus	135 281	-135 281	0
Purchases	0	0	0
Balance at 30 June 2023	3 078 791	1 219 878 614	1 222 957 405

Details on the movement of the Funds and Reserves are set out in Note 19.

HESSEQUA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

	Note	Actual 2023 R	2022 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	21.	119 641 532	112 099 424
Fines, Penalties and Forfeits	22.	11 731 728	15 448 692
Transfers and Subsidies	24.	105 033 264	131 275 245
Service Charges	25.	294 016 264	287 224 048
External Interest and Dividends Received	29.	29 341 031	19 380 443
Other Receipts	30.	63 690 945	59 050 325
VAT Received	4.	-	4 096 892
Payments			
Employee Related Costs	31.	(201 450 637)	(189 003 194)
Remuneration of Councillors	32.	(8 412 974)	(7 929 971)
External Interest and Dividends Paid	35.	(13 406 180)	(15 560 231)
Suppliers Paid	41.	(285 295 105)	(280 926 876)
VAT Paid	4.	(378 551)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	47.	<u>114 511 318</u>	<u>135 154 798</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	6.	(84 149 693)	(116 428 881)
Proceeds / (Losses) on Disposal of Property, Plant and Equipment	6.	2 291 220	8 454 879
Proceeds on Disposal of Investment Property		1 351 702	10 203 765
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(80 506 772)</u>	<u>(97 770 237)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in Finance Leases (Leases Redeemed)		(14 092)	(9 348)
Increase in Borrowings (Loans Taken-on)	16.	40 037 940	-
Decrease in Borrowings (Loans Redeemed)	16.	(21 791 054)	(23 368 205)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>18 232 794</u>	<u>(23 377 553)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>52 237 342</u>	<u>14 007 007</u>
Cash and Cash Equivalents at Beginning of Financial Year	5.	362 676 261	348 669 253
Cash and Cash Equivalents at End of Financial Year	5.	414 913 603	362 676 261

HESSEQUA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

30 June 2023

Description	Original Budget	Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Variance as % of Final Budget	Variance as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL POSITION								
Current Assets								
Cash and Cash Equivalents	3 462 753	(16 181 239)	-	(16 181 239)	6 177 232	22 358 471	-138,18%	78,39%
Call Investment Deposits	336 317 051	340 817 051	-	340 817 051	408 736 371	67 919 320	19,93%	21,53%
Consumer Debtors	37 456 142	38 436 299	-	38 436 299	35 004 605	(3 431 694)	-8,93%	-6,55%
Other Debtors	20 985 815	20 985 815	-	20 985 815	24 674 678	3 688 863	17,58%	17,58%
Current Portion of Long-term Receivables	650 683	650 683	-	650 683	709 015	58 332	8,96%	8,96%
Inventory	3 302 131	3 302 131	-	3 302 131	4 028 339	726 208	21,99%	21,99%
Non-Current Assets								
Long-term Receivables	3 862	3 862	-	3 862	-	(3 862)	-100,00%	-100,00%
Investment Property	73 606 414	73 606 414	-	73 606 414	91 795 790	18 189 376	24,71%	24,71%
Property, Plant and Equipment	1 011 146 794	1 023 301 453	-	1 023 301 453	1 038 522 579	15 221 126	1,49%	2,71%
Intangible	283 292	283 292	-	283 292	207 014	(76 278)	-26,93%	-26,93%
Other Non-current Assets	8 321 875	8 321 875	-	8 321 875	8 451 512	129 637	1,56%	1,56%
Total Assets	1 495 536 812	1 493 527 636	-	1 493 527 636	1 618 307 134	124 779 498	8,35%	8,21%
Current Liabilities								
Borrowing	21 782 002	21 782 002	-	21 782 002	23 707 482	1 925 480	8,84%	8,84%
Consumer Deposits	9 626 841	9 626 841	-	9 626 841	12 994 690	3 367 849	34,98%	34,98%
Trade and Other Payables	72 056 928	68 197 534	-	68 197 534	62 701 657	(5 495 877)	-8,06%	-12,98%
Provisions	22 300 055	22 300 055	-	22 300 055	24 473 340	2 173 285	9,75%	9,75%
Non-Current Liabilities								
Borrowing	160 177 685	160 177 685	-	160 177 685	144 425 210	(15 752 475)	-9,83%	-9,83%
Provisions	112 482 848	108 482 848	-	108 482 848	127 047 350	18 564 502	17,11%	12,95%
Total Liabilities	398 426 359	390 566 965	-	390 566 965	395 349 729	4 782 764	1,22%	1,20%
Total Assets and Liabilities	1 097 110 453	1 102 960 671	-	1 102 960 671	1 222 957 405	119 996 734	10,88%	10,94%
Net Assets (Equity)								
Accumulated Surplus / (Deficit)	1 096 561 918	1 102 412 136	-	1 102 412 136	1 219 878 614	117 466 478	10,66%	10,71%
Reserves	548 535	548 535	-	548 535	3 078 791	2 530 256		
Total Net Assets	1 097 110 453	1 102 960 671	-	1 102 960 671	1 222 957 405	119 996 734	10,88%	10,94%



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30/11/2023

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Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Cash and Cash Equivalents:

The figures in this category was wrongly captured with the compilation of the adjustment budget.

Call Investment Deposits:

More funds available for investment than anticipated.

Consumer Debtors:

The variances are between the two categories of debtors and is due to the alignment between mSCOA and GRAP.

Other Debtors:

The variances are between the two categories of debtors and is due to the alignment between mSCOA and GRAP.

Inventory:

Stock procurement more than anticipated.

Investment Property:

The budget for investment property was captured incorrectly during the compilation of the budget.

Borrowing:

The assumption used for the calculation of the current portion was wrong.

Consumer Deposits:

Increase is due to relative movement of new consumers on the database.

Trade and Other Payables:

The variance in the trade and other payables is because of re-classification of the leave accrual.

Provisions:

The variance in the trade and other payables is because of re-classification of the leave accrual.

Borrowings:

Underspending on the capital budget is the reason for the variance.

Provisions:

Landfill sites provision not through system, late received, will be done with the finalisation of the AFS.

Accumulated Surplus / (Deficit):

All line items that contributed to this variance is explained above.



**A U D I T O R - G E N E R A L
S O U T H A F R I C A**

30/11/2023

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Description	Original Budget	Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance		Variance as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE								
Revenue from Non-exchange Transactions								
Property Rates	118 023 284	120 023 284	-	120 023 284	119 965 470	- 57 814	-0,05%	1,65%
Service Charges	310 678 794	302 290 089	-	302 290 089	296 733 544	- 5 556 545	-1,84%	-4,49%
Rental of Facilities and Equipment	3 424 730	3 424 730	-	3 424 730	3 532 947	108 217	3,16%	3,16%
Interest Earned - External Investments	16 500 000	22 000 000	-	22 000 000	29 341 031	7 341 031	33,37%	77,82%
Interest Earned - Outstanding Debtors	770 722	1 870 722	-	1 870 722	3 109 258	1 238 536	66,21%	303,42%
Fines, Penalties and Forfeits	56 693 137	56 693 137	-	56 693 137	54 440 413	- 2 252 724	-3,97%	-3,97%
Licences and Permits	2 001 494	2 001 494	-	2 001 494	2 019 737	18 243	0,91%	0,91%
Agency Services	2 667 888	2 667 888	-	2 667 888	3 062 218	394 330	14,78%	14,78%
Transfers and Subsidies	105 035 858	110 063 604	-	110 063 604	68 492 717	- 41 570 887	-37,77%	-34,79%
Other Revenue	20 776 909	21 051 177	-	21 051 177	81 549 316	60 498 139	287,39%	292,50%
Gains on Disposal of Property, Plant and Equipment	800 000	800 000	-	800 000	-	- 800 000	-100,00%	-100,00%
Total Revenue	637 372 816	642 886 125	-	642 886 125	662 246 652	19 360 527	3,01%	3,90%
Expenditure								
Employee Related Costs	214 852 015	211 231 818	- 131 545	211 100 273	210 426 996	- 673 277	-0,32%	-2,06%
Remuneration of Councillors	9 067 552	8 970 712	-	8 970 712	8 412 974	- 557 738	-6,22%	-7,22%
Debt Impairment	59 411 144	59 411 144	-	59 411 144	49 342 925	- 10 068 219	-16,95%	-16,95%
Depreciation and Asset Impairment	39 231 409	39 231 409	-	39 231 409	43 189 594	3 958 185	10,09%	10,09%
Finance Charges	21 169 462	17 169 462	-	17 169 462	20 629 676	3 460 214	20,15%	-2,55%
Bulk Purchases	154 948 317	152 659 317	-	152 659 317	139 141 289	- 13 518 028	-8,86%	-10,20%
Other Materials	36 292 660	47 556 962	- 445 197	47 111 765	42 311 711	- 4 800 054	-10,19%	16,58%
Contracted Services	75 894 333	80 267 668	1 189 365	81 457 033	63 942 299	- 17 514 734	-21,50%	-15,75%
Transfers and Subsidies	2 367 676	1 915 556	-	1 915 556	1 848 891	- 66 665	-3,48%	-21,91%
Other Expenditure	43 241 407	44 901 422	- 612 623	44 288 799	34 555 286	- 9 733 513	-21,98%	-20,09%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	659 242	659 242	0,00%	0,00%
Total Expenditure	656 475 975	663 315 470	-	663 315 470	613 142 400	- 50 173 070	-7,56%	-6,60%
Surplus / (Deficit)	- 19 103 159	- 20 429 345	-	- 20 429 345	49 104 252	69 533 597	-340,36%	-357,05%
Transfers and Subsidies - Capital	32 765 174	39 941 578	-	39 941 578	34 811 522	- 5 130 056	-12,84%	6,25%
Surplus/(Deficit for the Year)	13 662 015	19 512 233	-	19 512 233	83 915 774	64 403 541	330,07%	514,23%

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 5% and material between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Interest Earned - External Investments:

The increase is as a result of more money available to invest and higher interest rates earned.

Interest Earned - Outstanding Debtors:

The higher income on interest from debtors can be attributed to more favourable interest rates.

Agency Services:

More revenue received than anticipated.

Transfers and Subsidies:

The deviation mainly represents the unspent amounts at year-end. Application for rollovers were submitted to National and Provincial Treasury.

Other Revenue:

The variances are because of actuarial gains for 2022/2023 being recorded, but not budgeted for.

Gains on Disposal of Property, Plant and Equipment:

More income from auction than anticipated.

Debt Impairment:

Less written off than anticipated.

Depreciation and Asset Impairment:

The assumption used for the calculation of the budget figures was because of previous experience of low capital spending.

Finance Charges:

Landfill sites provision not through system, late received, will be done with the finalisation of the AFS.

Bulk Purchases:

The variance can be attributed to increased loadshedding during the year, which resulted in less electricity purchases.

Other Materials:

The variances are due to savings on inventory and fuel costs.

Contracted Services:

The variances largely represents the Housing Grant where approximately R9,8m remain unspent. There are various savings on other line items, due to cost savings.

Other Expenditure:

Savings on various operational costs including travel and subsistence, software licence fees, registration fees and Eskom connection fees. Expenses for workmen's compensation transferred to employee related costs.



Description	Original Budget	Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Variance as % of Final Budget	Variance as % of Original Budget
	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION								
Executive and Council	425 000	281 504	-	281 504	216 501	(65 003)	-23,09%	-49,06%
Finance and Administration	15 248 010	13 282 288	-	13 282 288	11 482 445	(1 799 844)	-13,55%	-24,70%
Community and Social Services	1 215 900	1 373 566	-	1 373 566	1 295 536	(78 030)	-5,68%	6,55%
Sport and Recreation	1 950 000	1 538 697	-	1 538 697	1 006 157	(532 540)	-34,61%	-48,40%
Public Safety	1 578 000	2 154 347	-	2 154 347	2 336 434	182 087	8,45%	48,06%
Housing	4 000	2 202 227	-	2 202 227	1 453 020	(749 207)	-34,02%	36225,49%
Planning and Development	168 000	286 392	-	286 392	148 507	(137 885)	-48,15%	-11,60%
Road Transport	25 010 848	24 658 385	1 912 481	26 570 866	26 488 023	(82 843)	-0,31%	5,91%
Environmental Protection	193 000	187 015	-	187 015	184 462	(2 553)	-1,37%	-4,42%
Energy Sources	19 731 989	19 435 292	-	19 435 292	16 946 338	(2 488 954)	-12,81%	-14,12%
Water Management	8 085 652	11 751 070	(50 366)	11 700 704	9 089 380	(2 611 325)	-22,32%	12,41%
Waste Water Management	16 527 057	25 141 332	(1 862 115)	23 279 217	13 450 640	(9 828 577)	-42,22%	-18,61%
Waste Management	100 000	100 000	-	100 000	52 250	(47 750)	-47,75%	-47,75%
Total Capital Expenditure	90 237 456	102 392 115	-	102 392 115	84 149 693	(18 242 422)	-17,82%	-6,75%

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Executive and Council:

Variance represents items budgeted for the council chambers, not being procured.

Finance and Administration:

Variances represent savings on the main frame computer system (finance) and on the construction of municipal sportfields Heidelberg, which was not fully spent at yearend. This is a multi-year project and an application to roll over the unspent funds was submitted to National Treasury.

Housing:

A portion of the expenses on the Provincial Grant for electrification of the housing project in Melkhoutfontein, was transferred to operational costs.

Energy Sources:

Various savings on projects realised and emergency generator not procured, due to no stock available.

Water Management:

The procurement of generators not realised, due to no stock available.

Waste Water Management:

The variance are mainly attributed to the unspending of an amount for the procurement of generators and there were savings on various line items.



Description	Original Budget	Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Variance as % of Final Budget	Variance as % of Original Budget
	R	R	R	R	R	R	R	R
CASH FLOW								
Cash Flow from Operating Activities								
Receipts								
Property Rates	115 662 818	117 662 818	-	117 662 818	119 641 532	1 978 714	1,68%	3,44%
Service Charges	304 465 218	286 235 808	-	286 235 808	294 016 264	7 780 456	2,72%	-3,43%
Other Revenue	38 657 896	49 062 543	-	49 062 543	75 422 673	26 360 130	53,73%	95,10%
Government - Operating	103 785 298	110 859 298	-	110 859 298	70 221 741	(40 637 557)	-36,66%	-32,34%
Government - Capital	32 765 174	35 981 174	-	35 981 174	34 811 522	(1 169 652)	-3,25%	6,25%
Interest	16 500 000	22 392 705	-	22 392 705	29 341 031	6 948 326	31,03%	77,82%
Payments								
Suppliers and Employees	(537 610 532)	(559 057 986)	-	(559 057 986)	(493 871 154)	65 186 832	-11,66%	-8,14%
Finance Charges	(13 364 762)	(13 364 762)	-	(13 364 762)	(13 406 180)	(41 418)	0,31%	0,31%
Transfers and Grants	(2 367 676)	(1 915 556)	-	(1 915 556)	(1 666 112)	249 444	-13,02%	-29,63%
Net Cash from/(used) Operating Activities	58 493 434	47 856 042	-	47 856 042	114 511 318	66 655 276	139,28%	95,77%
Cash Flows from Investing Activities								
Receipts								
Proceeds on Disposal of Property, Plant and Equipment	800 000	800 000	-	800 000	3 642 921	2 842 921	355,37%	355,37%
Decrease / (Increase) in Non-current Debtors	-	-	-	-	-	-	0,00%	0,00%
Decrease / (Increase) in Non-current Receivables	(39)	(39)	-	-	-	-	0,00%	-100,00%
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	0,00%	0,00%
Payments								
Capital Assets	(90 237 456)	(102 392 115)	-	(102 392 115)	(84 149 693)	18 242 422	-17,82%	-6,75%
Net Cash from/(used) Investing Activities	(89 437 495)	(101 592 154)	-	(101 592 115)	(80 506 772)	21 085 343	-20,75%	-9,99%
Cash Flows from Financing Activities								
Receipts								
Borrowing Long-term/Refinancing	43 647 556	43 647 556	-	43 647 556	40 037 940	(3 609 616)	-8,27%	-8,27%
Increase/(Decrease) in Consumer Deposits	188 772	-	-	-	-	-	0,00%	-100,00%
Payments								
Repayment of Borrowing	(21 782 002)	(21 782 002)	-	(21 782 002)	(21 805 146)	(23 144)	0,11%	0,11%
Net Cash from/(used) Financing Activities	22 054 326	21 865 554	-	21 865 554	18 232 794	(3 632 760)	-16,61%	-17,33%
Net Increase/(Decrease) In Cash Held	(8 889 735)	(31 720 480)	-	(31 720 480)	52 237 342	(83 957 822)	-264,68%	-687,61%
Cash/Cash Equivalents at the Year Begin:	348 669 539	362 676 261		362 676 261	362 676 261		0,00%	4,02%
Cash/Cash Equivalents at the Year End:	339 779 804	330 955 781		330 955 781	414 913 603		25,37%	22,11%

Cash Flow Statement: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Property Rates:

More income than anticipated were generated due to the implementation of three interim valuation rolls.

Service Charges:

More income than anticipated mainly because of growth in the municipal areas.

Other Revenue:

Less income than anticipated.

Government - Operating:

The lower cash inflow is due to unspent grants at yearend. The municipality applied for fund roll-overs from the National and Provincial Governments.

Government - Capital:

The lower cash inflow is due to unspent grants at yearend. The municipality applied for fund roll-overs from the National and Provincial Governments.

Interest:

The variance is attributed to more favourable interest rates on investments.

Suppliers and Employees:

Savings on various expenditure categories. The main variations are on savings for bulk electrical services, contracted services, inventory and operational costs.

Finance Charges:

check - unwinding nie 'n cash flow item nie.

Proceeds on Disposal of Property, Plant and Equipment:

More income from auction than anticipated.

Net Increase/(Decrease) In Cash Held:

All line items that contributed to this variance is explained above.



HESSEQUA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

The Annual Financial Statements have been prepared in accordance with the historical cost convention, except where indicated otherwise.

The Statement of Financial Performance has been prepared to classify expenses by nature, whilst revenue is classified in a manner appropriate to the municipality's operations. The Cash Flow Statement has been prepared using the Direct Method.

The Municipality embarked on a project to reclassify all relevant line items in terms of the mSCOA item GUID numbers to be fully compliant during the 2023/2024 financial year. Due to the scope of the project, a large number of reclassifications and restatements have been made. Refer to note 44 for the details.

1.1 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (Revenue from Exchange Transactions) and GRAP 23 (Revenue from Non-exchange Transactions). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

- Estimation of Meter Readings:
Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

- **Estimation of unused Prepaid Metered Services:**
Estimates of unused consumption of prepaid metered services, based on the consumption history, are made at year-end. Sales for prepaid metered services are recognised as revenue upon receipt of payment for these services, except at year-end when estimates for unused consumption up to reporting date are reversed from revenue and accrued as payment for services received in advance. These accruals are reversed in the new financial year to revenue again, deemed to be consumed after 30 June. In respect of estimates of consumption between the last date of purchase and the reporting date, an accrual for payments received in advance is made based on the average monthly consumption of consumers. At the reporting date, an accrual is made based on the average monthly consumption of consumers.
- **Revenue for Traffic Fines:**
There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines, as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. The full amount of traffic fines issued during the year is recognised at the initial transaction date as revenue. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

1.2.2 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water after the depth of water in the reservoirs has been determined, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 3 of the accounting policy notes to the Annual Financial Statements.

1.2.3 Impairment of Financial Assets

Accounting Policy 4.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**
The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.
- **Impairment of Traffic Fines:**
Assessing and recognising impairment of Receivables for Traffic Fines is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not to be made at the time of initial recognition.

The total increase in estimation of the impairment of Receivables from Exchange Transactions, Receivables from Non-exchange Transactions and that of Long-term Receivables are disclosed in Notes 3 and 4 to the Annual Financial Statements.

1.2.4 Impairment of Statutory Receivables

Accounting Policy 5.3 on Impairment of Statutory Receivables describes the process followed to determine the value at which Statutory Receivables should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Statutory Receivables recorded during the year is appropriate.

1.2.5 Capitalisation of Capital Assets

Judgement by management is required to distinguish between expenses incurred to maintain and repair capital assets and expenses incurred that will increase the remaining useful life of capital assets and needs to be capitalised to capital assets.

1.2.6 Recognition and Derecognition of Land

The municipality assesses whether it controls or does not control land by considering the principles contained in IGRAP 18.

The municipality is assessed to control land of which it is not the legal owner or the custodian and relevant transactions are accounted for per the requirements of the relevant Standards of GRAP and the required disclosures are made in the relevant Notes to the Financial Statements. In order to assess that the municipality controls the land, the following factors are considered in applying its judgement:

- The municipality acts as the custodian of the land in terms of a binding arrangement with the legal owner of the land and has the right to direct access to the land, and to restrict or deny the access of others to the land.
- The municipality is required / granted a right to use the land in terms of a binding arrangement with the legal owner of the land and has the right to direct access to the land, and to restrict or deny the access of others to the land to meet its service delivery objectives.

The municipality is assessed to not control land of which it is the legal owner or the custodian and relevant transactions are accounted for per the requirements of the relevant Standards of GRAP and the required disclosure are made in the relevant Notes to the Financial Statements. In order to assess that the municipality does not control the land, the following factors are considered in applying its judgement:

- Another entity acts as the custodian of the land in terms of a binding arrangement with the municipality and that entity has the right to direct access to the land, and to restrict or deny the access of others to the land.
- Another entity is required / granted a right to use the land in terms of a binding arrangement with the municipality and that entity has the right to direct access to the land, and to restrict or deny the access of others to the land to meet its service delivery objectives. There are various housing scheme land where the municipality is still the legal owner per the deeds office, but control and substantive rights were transferred. This land is not recognised by the municipality.

1.2.7 Fair Value Estimations

As described in Accounting Policy 9.2, the municipality subsequently measures its Investment Property in terms of the Fair Value Model.

The valuation of assets are based on management's estimation. Management considered the impact of valuation techniques and market information in order to determine the current valuations, and more specific as follows:

- **Investment Property** is measured at fair value amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated.

1.2.8 Useful lives of Property, Plant and Equipment and Intangible Assets

As described in Accounting Policies 7.3 and 8.2, the municipality depreciates its Property, Plant & Equipment and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time. The municipality assesses at each reporting date whether there is any indication that the useful live of an asset has changed. If any such indication exists the useful live is changed.

1.2.9 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Heritage Assets, and Inventories

Accounting Policy 11 on Impairment of Assets and Accounting Policy 3.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets, impairment testing of Investment Property and write-down of Inventories to the lowest of Cost and Net Realisable Value or Current Replacement Cost.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE, Intangible Assets and Investment Property and the Net Realisable Value for Inventories involves significant judgment by management.

1.2.10 Service Concession Arrangements

The municipality assesses whether it is a party to any service concession arrangements by considering the principles contained in GRAP 32 and IFRIC 12.

Management has assessed all arrangements in place and concluded that there are no service concession arrangements to which it was a party during this accounting period.

1.2.11 Defined Benefit Plan Liabilities

As described in Accounting Policy 17.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 17 to the Annual Financial Statements.

1.2.12 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

The provision for rehabilitation of landfill sites is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate or net present value of the expected future cash flows to rehabilitate landfill sites at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management refer to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.



1.2.13 Principals and Agent Arrangements

The municipality assesses whether it is a party to any principal-agent arrangements by considering the principles contained in GRAP 109.

The municipality is assessed to be the principal and relevant transactions are accounted for per the requirements of the relevant Standards of GRAP. In order to assess that the municipality is the principal, the following factors were considered in applying its judgement:

- The municipality acts as a principal for the service provider, Ontec, who acts as an agent for the municipality with the sale of prepaid electricity.
- The municipality acts as a principal for a number of service providers, which acts as an agents for the municipality with the sale of prepaid electricity.
- The municipality acts as a principal for the service provider, Syntell, who acts as an agent for the municipality with regards to the supply, delivery and administrative support of traffic fines collections and camera equipment with related operational support within the municipal Area.

The municipality is assessed to be the agent and only accounts for the amounts which the agent are entitled to in terms of the principal-agent arrangement. In order to assess that the municipality is the agent, the following factors were considered in applying its judgement:

- The municipality acts as an agent for Western Cape Government: Department of Transport and Public Works for issuing licenses and permits and collects monies on their behalf.

1.2.14 Housing Arrangements

The municipality is not accredited to deliver housing under the national housing programme. However it assesses its roles and responsibilities it undertakes for each project undertaken in terms of the national housing programme by assessing the terms and conditions agreed with the relevant Provincial Department of Human Settlements.

1.2.15 Budget Information

Municipalities are typically subject to budgetary limits in the form of budget authorisations, which is given effect through authorising legislation, appropriation or similar. General purpose financial reporting by the municipality provides information on whether resources were obtained and used in accordance with the legally adopted budget.

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

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.2.16 Segment Reporting

The municipality is assessed to have reportable segments as per the requirements of GRAP 18. In order to assess that the segments could be aggregated, the following factors were considered in applying its judgement:

- For management purposes the municipality is broadly organised into business units based on the nature of operations and the services they provide.
- No individually material operating segments have been aggregated to form the above reportable operating segments.
- The municipality does not monitor segments geographically.

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 Going Concern Assumption

The Annual Financial Statements have been prepared on a Going Concern Assumption.

The recent COVID-19 pandemic and its effect on the municipality's current and expected performance has been considered by management in the Going Concern Assumption.

1.5 Standards, Amendments to Standards and Interpretations published but not yet Effective

The following GRAP Standards and Interpretations have been published but are not yet effective and have not been early adopted by the municipality. Additionally, these standards and interpretations are not always relevant to the municipality's operations and are indicated as such below:

Standard of GRAP / Nature of Impending Changes / Expected Impact		Effective Date	Planned Date for Application by Municipality
• GRAP 1	Presentation of Financial Statements (Revised) Unlikely that there will be a material impact	01/04/2023	30/06/2024
• GRAP 25	Employee Benefits (Revised) Unlikely that there will be a material impact	01/04/2024	30/06/2025
• GRAP 104	Financial Instruments (Revised) Unlikely that there will be a material impact	01/04/2025	30/06/2026
• General GRAP	Improvement to the Standards of GRAP (2021) Unlikely that there will be a material impact	01/04/2023	30/06/2024
• IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction Unlikely that there will be a material impact	Not yet determined	Not yet determined
• IGRAP 21	The Effect of Past Decisions on Materiality Unlikely that there will be a material impact	01/04/2023	30/06/2024
• Guideline	Accounting for Landfill Sites Unlikely that there will be a material impact	Not yet determined	Not yet determined
• Guideline	The Application of Materiality to Financial Statements Unlikely that there will be a material impact, and the guideline will not have mandatory status	Not yet determined	Not yet determined

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies:

- Guideline Accounting for Landfill Sites

2. BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2022 to 30 June 2023.

3. INVENTORIES

3.1 Recognition and Initial Measurement

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

3.2 Subsequent Measurement

3.2.1 Consumable Stores

Subsequently, Inventories sold are valued at the lower of cost and net realisable value. The cost is determined using the First-in-First-out Method.

Consumable stores distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost. The cost is determined using the FIFO Method. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.2.2 Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

3.2.3 Unsold Properties

Unsold properties are valued at the lower of cost and net realisable value on a Weighted Average Method. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

3.2.4 Other Arrangements

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

Differences arising on the measurement of such Inventory at the lower of cost and current replacement cost or net realisable value, are recognised in Surplus or Deficit in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in current replacement cost or net realisable value is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

4. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.1 Financial Assets – Classification

The municipality has the following types of Financial Assets:

Type of Financial Asset	Classification in terms of GRAP 104
Investment Deposits	Financial Assets at Amortised Cost
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents	Financial Assets at Amortised Cost

Trade and Other Receivables exclude Value Added Taxation, Prepayments and Operating Lease Receivables, and are classified as Financial Assets at Amortised Cost.

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

4.2 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Borrowings	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Bank Overdraft	Financial Liabilities at Amortised Cost

4.3 Initial and Subsequent Measurement

4.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an Effective Yield Basis.

4.3.2 Financial Liabilities:

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

4.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

4.4.1 Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not impaired, as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

4.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

4.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in Surplus or Deficit.

5. STATUTORY RECEIVABLES

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

The municipality has the following Statutory Receivables from Exchange Transactions:

- VAT Receivable

The municipality has the following Statutory Receivables from Non-exchange Transactions:

- Assessment Rates
- Fines

5.1 Recognition and Initial Measurement

Statutory Receivables are recognised if the transaction is an exchange transaction per GRAP 9 or a non-exchange transaction per GRAP 23 or, if the transaction is not within the scope of GRAP 9 or GRAP 23, or another Standard of GRAP, and the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be reliably measured.

The municipality recognises Statutory Receivables when they arise.

Statutory Receivables are initially measured at their transaction amount. The transaction amount would be the amount that is determined on initial measurement in accordance with the relevant Standard of GRAP.

The transaction amounts of the Statutory Receivables of the municipality are determined as follows:

- VAT is levied and recovered in terms of the stipulations contained in the Value-Added Tax Act, 1991 (Act No. 89 of 1991) at rates determined by the Department of Finance and published in the Government Gazette.
- Assessment Rates are levied in terms of the stipulations contained in the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004) at rates determined each year by Council.
- Fines are serviced in terms of the stipulations contained in the Criminal Procedures Act, 1977 (Act No. 51 of 1977) at rates published in the Government Gazette from time to time.

5.2 Subsequent Measurement

Statutory Receivables are measured after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- Interest or other charges that may have accrued on the receivable, where applicable;
- Impairment losses; and
- Amounts derecognised.



5.3 Impairment

Statutory Receivables are assessed for indicators of impairment at the end of each reporting period. Statutory Receivables are impaired where there is any indication of impairment of Statutory Receivables, such as the probability of insolvency or significant financial difficulties of the debtor.

In assessing whether Statutory Receivables are impaired, the municipality assesses whether there are any indications that individually significant receivables are impaired; and/or groups of similar, individually insignificant, receivables are impaired.

The municipality groups together and assesses collectively for impairment those receivables that exhibit similar characteristics which provide information about the possible collectability of the amounts owing to the municipality. The municipality uses the following groupings:

- Assessment Rates
- Fines

If there is such evidence the carrying amount is reduced to the estimated future cash flows, an impairment loss is recognised, directly or indirectly, through the use of an allowance account, with the amount of the impairment loss being recognised in Surplus or Deficit.

5.4 Derecognition

The municipality derecognises Statutory Receivables only when the rights to the cash flows from the receivable expires or it transfers the Statutory Receivable and substantially all the risks and rewards of ownership of the receivable to another municipality, except when council approves the write-off of the receivable due to non-recoverability.

The municipality derecognises a receivable if the municipality, despite having retained some significant risks and rewards of ownership, transfers control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality recognises separately any rights and obligations created or retained in the transfer. The carrying amount of and statutory receivables transferred is allocated between the rights and obligations retained and those transferred on the basis of the relative fair values at the transfer date. The municipality assesses whether any newly created rights and obligations are within the scope of GRAP 104 or another Standards of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, is recognised in surplus or deficit in the period transferred.

6. CONSTRUCTION CONTRACTS

Construction Contracts are those contracts entered between the municipality and a customer (or third party) whereby the municipality delivers a constructed asset in terms of an agreement with such party. The construction can be done by the municipality or through the use of a sub-contractor. The benefit of the constructed item (or group) of items must be received by such party and not the municipality.

Revenue from such contracts shall comprise the agreed value in terms of the contract plus any agreed variations to such contract on the conditions that these variations will result in an inflow of economic resources that can be measured reliably.

Contract costs are costs that directly relate to the contract as well as costs that are attributable to the execution of the construction work and any additional costs as agreed between the municipality and the party obtaining the final goods. Attributable costs are only assigned to the contract costs if these can be assigned on a systematic and rational basis.

The municipality assessed all of the contracts in place and found that all of the contracts pertained to Housing Arrangements as those described in ASB's Accounting for Arrangements Undertaken in terms of the National Housing Programme. All of these contracts for the municipality are fixed price contracts. Revenue and costs are therefore recognised with reference to the stage of completion provided that the conditions for contract revenue and contract costs are met and the stage of contract completion can be measured.

In exceptional cases, if any, for a cost plus or cost based contract the outcome of a construction contract can be estimated reliably when it is probable that the economic benefits or service potential associated with the contract will flow to the entity and the contract costs can be clearly identified and measured reliably.

An expected deficit on a construction contract shall be recognised as an expense immediately based on the stage of completion. Future losses are only accounted for when these losses are incurred in terms of the stage of completion. This implies that only the proportional loss of a contract would be recognised based on the percentage of completion.

As the percentage or stage of completion is an estimate at year-end, any subsequent changes to the estimate would be accounted for as a change in estimate in terms of the relevant municipal accounting policy.

7. PROPERTY, PLANT AND EQUIPMENT

7.1 Initial Recognition and Measurement

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 for more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

7.2 Subsequent Measurement

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

7.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the Straight-line Method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Buildings			Community	
	Improvements	5 - 50		Community Facilities	6 - 135
				Recreational Facilities	6 - 135
	Infrastructure			Other	
	Electricity	8 - 57		Emergency Equipment	2 - 30
	Roads and Paving	10 - 100		Motor Vehicles	4 - 23
	Sanitation	10 - 36		Office Equipment	1 - 23
	Solid Waste	7 - 100		Plant and Equipment	1 - 20
	Water	8 - 100		Security Equipment	5

The municipality reviews the estimates of the useful lives and residual values in accordance with Accounting Policy Estimation of Useful Lives.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

7.4 Specific Arrangements

7.4.1 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

7.4.2 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

7.4.3 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

7.4.4 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

7.4.5 Housing Development Fund Assets

The Housing Development Fund contains letting schemes that are included in Council's Property, Plant and Equipment. All surpluses generated from the letting schemes are transferred to the Housing Development Fund.

7.5 Derecognition

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.

8. INTANGIBLE ASSETS

8.1 Initial Recognition and Measurement

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an intangible asset in its Statement of Financial Position only 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.

Intangible Assets are initially recognised at cost.

Where an Intangible Asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

8.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged on a Straight-line Method over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software	7 - 20		Water Rights	30

Intangible assets are tested annually for impairment, including intangible assets not yet available for use. Intangible assets with an indefinite useful life are tested for impairment whenever there are indications of impairment. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount.

The municipality reviews the estimates of the useful lives, residual values and amortisation method at each year-end.

8.3 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised.

9. INVESTMENT PROPERTY

9.1 Initial Recognition and Measurement

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease in the capacity as lessee and where it is being sublet) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy for property, plant and equipment).

9.2 Subsequent Measurement

Investment Property is measured using the Fair Value Model. Investment Property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset, if necessary. A gain or loss arising from a change in the fair value of Investment Property is included in Surplus or Deficit for the period in which it arises.

If the municipality determines that the fair value of an Investment Property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that Investment Property at cost until the fair value can be reliably determined or construction has been completed.

9.3 Derecognition

The gain or loss arising from the derecognition of an item of Investment Property is included in Surplus or Deficit when the item is derecognised.

10. HERITAGE ASSETS

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

10.1 Initial Recognition and Measurement

Heritage Assets are initially recognised at cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

10.2 Subsequent Measurement

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

Heritage assets are tested annually for impairment. Where items of heritage assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount.

10.3 Derecognition

The gain or loss arising from the derecognition of an item of Heritage Assets is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

11. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets.

11.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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 recoverable amount of the cash generating unit to which the asset belongs is determined.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

11.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit. Any impairment loss of a revalued asset reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

12. CONSUMER DEPOSITS

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit excluding indigent customers. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants and receipts are subject to specific conditions and can be received from both government and public. If these specific conditions are not met, the monies received are repayable.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the liability. If it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables.

14. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, 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 best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

14.1 Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to Surplus or Deficit.

15. LEASES

15.1 The Municipality as Lessee

15.1.1 Finance Leases

Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are recognised at equal amounts. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

15.1.2 Operating Leases

The municipality recognises operating lease rentals as an expense in Surplus or Deficit on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

15.2 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a Straight-line Basis over the term of the relevant lease.

16. BORROWING COSTS

All borrowing costs are treated as an expense in the period in which they are incurred.

17. EMPLOYEE BENEFIT LIABILITIES

17.1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

17.1.1 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

17.1.2 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

17.1.3 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipalities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

17.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

17.2.1 Defined Contribution Plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

17.2.2 Defined Benefit Plans

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.



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18. NET ASSETS

Included in the Net Assets of the municipality are the following items that are maintained in terms of specific requirements:

18.1 Accumulated Surplus

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements.

18.1.1 Housing Development Fund (HDF):

Sections 15(5) and 16 of the Housing Act (Act No107 of 1997), which came into operation on 1 April 1998, required that the municipality maintains a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Development Fund was established in terms of the Housing Act. Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The HDF is backed by cash, receivables and assets. The cash funds in the HDF are invested in accordance with the Investment Policy of the municipality.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

18.1.2 Non-current Provisions Fund:

The following Trust Funds are accumulated in the Non-current Provisions Fund:

18.1.2.1 Development Fund for the Maintenance and Operation of Nature Areas in Still Bay:

The Development Fund for the Maintenance and Operation of Nature Areas in Still Bay was established in terms of section 76.2 of the Municipal Ordinance, 1974 (Ordinance 20 of 1974) with the sanction of the Premier on 14 August 1998.

18.1.2.2 Elsje Koorts Tuberculosis Fund:

The Elsje Koorts Tuberculosis Fund was established in terms of clause 4 of the last will and testament of the late Elsje Koorts, and states inter alia that "the remainder of my estate will be used for the treatment of tuberculosis cases in Riversdale...".

Subsequent interest earned on the invested funds are accounted for using the accrual basis and are added to the carrying amount of trust funds. The accrued interest is utilised as per the trust funds conditions as set out above.

These funds are invested in a ring-fenced investment account.



19. REVENUE RECOGNITION

19.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality, and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

19.2 Revenue from Non-exchange Transactions

19.2.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a Time-proportionate Basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

19.2.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable. The municipality uses estimates, based on past experience of amounts collected, to determine the amount of revenue that the municipality is entitled to collect that is subject to further legal proceedings.

Subsequently the municipality assesses the probability of collecting revenue when accounts fall into arrears, and an impairment loss is recognised where appropriate.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

19.2.3 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

19.2.4 Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

19.2.5 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use under the control of the municipality.

19.2.6 Interest Earned

Interest earned on investments is recognised in Surplus or Deficit on the Time-proportionate Basis that takes into account the effective yield on the investment.

19.2.7 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

19.2.8 Unclaimed Deposits

All unclaimed deposits are initially recognised as a liability until thirty six months expires when all unclaimed deposits into the municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of thirty six months. This assessment is performed annually at 30 June.

19.2.9 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

19.3 Revenue from Exchange Transactions

19.3.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service Charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service Charges relating to sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, applying the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

19.3.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

19.3.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

19.3.4 Income from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

19.3.5 Interest Earned

Interest earned on investments is recognised in Surplus or Deficit on the Time-proportionate Basis that takes into account the effective yield on the investment.

Interest on outstanding customer receivables is calculated when the receivable is more than 30 days at prime rate plus 1%, and recognised in surplus or deficit on the time-proportionate basis.

Interest earned on the following investments is not recognised in Surplus or Deficit:

- Interest earned on Trust Funds is allocated directly to the fund.
- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

19.3.6 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

19.3.7 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

20. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

21. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the First-In-First-Out Method as defined by GRAP 12 (Inventories).

22. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003).

All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit 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 Surplus or Deficit.

23. 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), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure.

Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

24. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit 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 Surplus or Deficit.

25. COMMITMENTS

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP;
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date;
- Items are classified as commitments where the College commits itself to future transactions that will normally result in the outflow of resources;
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements; and
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

26. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Executive Mayor, Deputy Executive Mayor, Speaker, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

27. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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

Management judgement is required when recognising and measuring contingent liabilities.

28. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements.

The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

29. SEGMENT REPORTING

The mandate of the municipality is to provide basic services to the community over which it governs. In order to properly execute its mandate and achieve its strategic goals, internal management reporting is based on each service objective and also considered separately for each of the towns within the municipal jurisdiction. The components described below have been identified as individually significant segments for purposes of reporting in terms of GRAP 18 (Segment Reporting).

The following services are considered significant to the municipality and is accordingly managed separately:

- Executive and Council.
- Finance and Administration.
- Community and Social Services.
- Road Transport.
- Energy Sources.
- Waste Management.
- Wastewater Management.
- Water Management.

All other sources of income and expenditure is aggregated through means of the administrative function as these services are not significant to the other services of the municipality as a whole.

The municipality only operates in a single geographical location and accordingly does not report separately on each location within its jurisdiction.

Intersegmental transfers are per the municipality's approved tariff policy. The reconciliation clearly describes the effects of all internal transfers between segments.

The accounting policies for segmental reporting in the management accounts are aligned to the requirements of GRAP as described in these accounting policies.

No changes from were made from prior periods measurement methods used to determine reported segment surplus or deficit.

30. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

31. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

32. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.



HESSEQUA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

2023 **2022**
R **R**

1. GENERAL INFORMATION

Hessequa Municipality (the municipality) is a local municipality in Riversdale, Western Cape, and is one of seven local municipalities under the jurisdiction of the Garden Route District Municipality. The municipal area includes the towns of Albertinia, Gouritsmond, Heidelberg, Riversdale, Slangrivier, Still Bay, Jongensfontein, Melkhoutfontein, Witsand as well as rural areas. The address of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumables	2 721 996	3 129 800
Land	843 027	844 077
Water	463 316	300 455
Total Inventories	4 028 339	4 274 332

Consumables are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Current Replacement Cost were required.

Land Inventory relates to property for future development. The council has approved a housing pipeline. The identified land on which this future housing development will be constructed, had been transferred from PPE to inventory. A calculation was made per square meter to determine the value of the actual inventory.

Water is held for distribution and measured at the lower of Cost and Net Realisable Value. No write down of Inventory to Net Realisable Value was required. The municipality recognises purification as well as employee cost in respect of non-purchased purified water inventory. The Municipality also has raw, untreated water in stock in the Olive Grove Dam of about 250 000 cubic meters. In its present form, this water stock cannot be sold and needs to be purified and therefore, its fair value has been estimated at the direct cost of the department less cost of chemicals, divided by the kiloliters sold.

The cost of Inventories recognised as an expense includes R42 311 711 (2022: R32 245 166), made up as follows:

Consumables	20 468 209	12 326 142
Materials and Supplies	14 976 930	13 741 502
Water	6 866 572	6 177 521
Total Inventories Expensed	42 311 711	32 245 166

Obsolete and/or Lost Inventories to the amount of R0 (2022: R0) were written off and recognised in Profit and Loss during the period.

Inventories of R0 (2022: R0) are expected to be utilised only after more than twelve months.

Inventories of R0 (2022: R0) are held as spare parts for infrastructure assets and have been transferred to Property, Plant and Equipment.



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3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2023			
Service Debtors:	51 309 184	22 032 569	29 276 615
Electricity	19 005 674	1 742 231	17 263 443
Refuse	9 325 863	6 015 068	3 310 795
Sewerage	8 164 098	5 565 185	2 598 913
Merchandising, Jobbing and Contracts	412 095	-	412 095
Water	14 401 455	8 710 086	5 691 369
Other Receivables	4 567 664	3 014 623	1 553 040
Prepayments and Advances	3 855 168	-	3 855 168
Deposits	319 782	-	319 782
Total Receivables from Exchange Transactions	60 051 798	25 047 193	35 004 605
Restated			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2022			
Service Debtors:	51 891 289	21 879 295	30 011 994
Electricity	20 472 893	2 375 164	18 097 729
Refuse	8 883 189	5 687 502	3 195 687
Sewerage	7 742 471	5 248 452	2 494 019
Merchandising, Jobbing and Contracts	577 832	-	577 832
Water	14 214 904	8 568 177	5 646 727
Other Receivables	3 963 460	3 087 509	875 951
Prepayments and Advances	3 019 870	-	3 019 870
Deposits	270 502	-	270 502
Total Receivables from Exchange Transactions	59 145 121	24 966 804	34 178 316

Other Receivables include outstanding debtors for various other services, Deposits, Interest, Rentals and Sundry Services etc.

Receivables from Exchange Transactions are billed monthly at the beginning of the month. Interest on arrear debt will be charged from the first day of the month following the month in which the account becomes payable. Thereafter interest is charged at the prime rate by the bank which holds the municipality's primary bank account, plus one percent. Exchange receivables are not secured.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened, except qualified indigent customers. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2023, the municipality is owed R1 374 534 (30 June 2022: R1 270 345) by National and Provincial Government.

No receivables were pledged as security.

Refer to note 44.4 for detail regarding the correction of prior period errors.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2023

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	15 751 461	1 111 729	508 422	1 634 061	19 005 674
Less: Provision for Impairment	397 564	195 391	112 450	1 036 826	1 742 231
Net Balances	15 353 898	916 338	395 971	597 235	17 263 443
Refuse:					
Gross Balances	2 816 656	660 674	415 334	5 433 200	9 325 863
Less: Provision for Impairment	362 389	315 123	290 929	5 046 627	6 015 068
Net Balances	2 454 267	345 551	124 405	386 573	3 310 795
Sewerage:					
Gross Balances	2 343 264	574 866	383 719	4 862 249	8 164 098
Less: Provision for Impairment	319 358	283 199	280 495	4 682 133	5 565 185
Net Balances	2 023 906	291 667	103 224	180 116	2 598 913
Merchandising, Jobbing and Contracts:					
Gross Balances	412 095	-	-	-	412 095
Less: Provision for Impairment	-	-	-	-	-
Net Balances	412 095	-	-	-	412 095
Water:					
Gross Balances	5 192 341	948 295	623 206	7 637 613	14 401 455
Less: Provision for Impairment	607 683	503 602	474 122	7 124 679	8 710 086
Net Balances	4 584 658	444 693	149 084	512 934	5 691 369
Other Receivables:					
Gross Balances	1 339 914	325 044	167 136	2 735 569	4 567 664
Less: Provision for Impairment	327 944	179 851	86 257	2 420 572	3 014 623
Net Balances	1 011 970	145 193	80 879	314 998	1 553 040
Prepayments and Advances:					
Gross Balances	3 855 168	-	-	-	3 855 168
Less: Provision for Impairment	-	-	-	-	0
Net Balances	3 855 168	-	-	-	3 855 168
Deposits for Land					
Gross Balances	319 782	-	-	-	319 782
Less: Provision for Impairment	-	-	-	-	-
Net Balances	319 782	-	-	-	319 782



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As at 30 June Receivables of R4 988 862 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	32 030 681	3 620 608	2 097 816	22 302 692	60 051 798
Less: Provision for Impairment	2 014 938	1 477 165	1 244 254	20 310 836	25 047 193
Net Balances	30 015 743	2 143 443	853 562	1 991 856	35 004 605

As at 30 June 2022

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	16 088 270	1 446 365	626 389	2 311 869	20 472 893
Less: Provision for Impairment	608 807	264 280	166 155	1 335 923	2 375 164
Net Balances	15 479 463	1 182 085	460 234	975 946	18 097 729

Refuse:

Gross Balances	2 740 166	759 819	457 451	4 925 753	8 883 189
Less: Provision for Impairment	499 848	362 089	305 605	4 519 961	5 687 502
Net Balances	2 240 318	397 730	151 846	405 793	3 195 687

Sewerage:

Gross Balances	2 225 848	634 994	383 217	4 498 412	7 742 471
Less: Provision for Impairment	425 897	313 950	265 536	4 243 068	5 248 452
Net Balances	1 799 951	321 044	117 681	255 344	2 494 019

Merchandising, Jobbing and Contracts:

Gross Balances	577 832	-	-	-	577 832
Less: Provision for Impairment	-	-	-	-	-
Net Balances	577 832	-	-	-	577 832

Water:

Gross Balances	5 178 462	1 162 504	719 222	7 154 716	14 214 904
Less: Provision for Impairment	757 406	630 833	522 069	6 657 869	8 568 177
Net Balances	4 421 056	531 671	197 153	496 847	5 646 727

Other Receivables:

Gross Balances	678 189	321 046	250 923	2 713 302	3 963 460
Less: Provision for Impairment	291 534	161 435	118 973	2 515 567	3 087 509
Net Balances	386 655	159 611	131 950	197 735	875 951

Prepayments and Advances:

Gross Balances	3 019 870	-	-	-	3 019 870
Less: Provision for Impairment	-	-	-	-	-
Net Balances	3 019 870	-	-	-	3 019 870

Deposits for Land

Gross Balances	270 502	-	-	-	270 502
Less: Provision for Impairment	-	-	-	-	-
Net Balances	270 502	-	-	-	270 502

As at 30 June Receivables of R5 982 671 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	30 779 139	4 324 728	2 437 202	21 604 052	59 145 121
Less: Provision for Impairment	2 583 493	1 732 587	1 378 338	19 272 387	24 966 804
Net Balances	28 195 646	2 592 141	1 058 864	2 331 665	34 178 316

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2023				
<u>Current:</u>				
0 - 30 days	20 395 691	5 455 606	983 170	609 170
<u>Past Due:</u>				
31 - 60 Days	2 595 626	864 546	89 027	71 409
61 - 90 Days	1 578 762	378 906	92 811	47 337
+ 90 Days	20 097 521	1 196 365	209 526	799 280
Sub-total	44 667 600	7 895 424	1 374 534	1 527 196
Less: Provision for Impairment	20 683 924	3 656 080	-	707 188
Total Trade Receivables by Customer Classification	23 983 676	4 239 343	1 374 534	820 008
As at 30 June 2022				
<u>Current:</u>				
0 - 30 days	24 490 325	5 366 381	922 433	-
<u>Past Due:</u>				
31 - 60 Days	3 230 191	967 274	127 263	-
61 - 90 Days	1 790 208	540 661	106 333	-
+ 90 Days	19 835 457	1 654 279	114 316	-
Sub-total	49 346 181	8 528 595	1 270 345	-
Less: Provision for Impairment	20 633 998	4 332 806	-	-
Total Trade Receivables by Customer Classification	28 712 182	4 195 789	1 270 345	-



	2023 R	2022 R
3.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	27 326 757	25 232 248
Impairment Losses recognised	(1 651 617)	8 730 675
Impairment Losses reversed	(627 947)	(8 996 118)
Balance at end of year	<u>25 047 193</u>	<u>24 966 804</u>

Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. Receivables were assessed individually and grouped together at the year end date as financial assets with similar credit risk characteristics and collectively assessed for impairment. No further credit provision is required in excess of the Provision for Impairment.

No receivables were pledged as security.

4. STATUTORY RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2023			
Property Rates	16 583 776	6 016 255	10 567 521
Fines	75 020 896	62 349 867	12 671 029
Service Charges:	7 023 596	5 587 467	1 436 128
- Electricity	2 832 017	2 170 171	661 847
- Waste Water	2 419 853	1 908 350	511 503
- Water	1 771 725	1 508 946	262 779
Total Statutory Receivables from Non-Exchange Transaction	<u>98 628 267</u>	<u>73 953 589</u>	<u>24 674 678</u>
Restated			
As at 30 June 2022			
Property Rates	15 481 082	5 882 249	9 598 833
Fines	73 051 261	61 136 600	11 914 661
Service Charges:	7 015 144	5 901 729	1 113 415
- Electricity	2 883 740	2 401 004	482 736
- Waste Water	2 360 612	1 916 378	444 235
- Water	1 770 791	1 584 347	186 445
Total Statutory Receivables from Non-Exchange Transaction	<u>95 547 486</u>	<u>72 920 578</u>	<u>22 626 909</u>



Property Rates is a tax levied by a municipality to a property owner used to fund services delivered. Property Rates are calculated by multiplying the market value of the property with a rate determined by the Municipal Council. The levying of this revenue stream is governed by the Municipal Property Rates Act 6 of 2004.

Traffic Fines arise from fines issued by the municipality's traffic officials. These fines are issued according to the National Road Traffic Act 93 of 1996. The fines issued are divided into Radar Fines and Section 56 Fines.

Radar fines are speed control fines issued when a motorist is caught speeding on a radar camera device. The device takes a picture of the vehicle and takes a speed reading. The speeding fine is then delivered to the registered owner of the vehicle by post.

The Section 56 fine is imposed when a motorist is stopped by the traffic officer and his or her identity therefore is known and a Traffic Offence occurred.

The municipality has arrangements with regards to the payment of outstanding fines. Although fines with arrangements might be paid over more than 12 months, due to the uncertainty regarding the recoverability thereof, fines will not be reclassified as long-term.

Service Charges arise from availability charges levied against vacant property where the service infrastructure is available to the property. Availability Charges are levied for Electricity, Waste Water and Water Services.

No receivables were pledged as security.

4.1 Ageing of Statutory Receivables from Non-Exchange Transactions

As at 30 June 2023

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	8 099 147	1 790 399	497 922	6 196 308	16 583 776
Less: Provision for Impairment	391 256	528 618	210 494	4 885 888	6 016 255
Net Balances	7 707 891	1 261 782	287 428	1 310 420	10 567 521
Fines:					
Gross Balances	2 071 650	2 167 150	2 080 150	68 701 946	75 020 896
Less: Provision for Impairment	1 900 939	1 988 570	1 908 739	56 551 619	62 349 867
Net Balances	170 711	178 580	171 411	12 150 327	12 671 029
Service Charges:					
Gross Balances	791 581	230 838	147 094	5 854 083	7 023 596
Less: Provision for Impairment	124 712	95 566	82 420	5 284 769	5 587 467
Net Balances	666 868	135 272	64 673	569 315	1 436 128

As at 30 June Receivables of R16 129 208 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	10 962 378	4 188 387	2 725 165	80 752 337	98 628 267
Less: Provision for Impairment	2 416 907	2 612 754	2 201 652	66 722 276	73 953 589
Net Balances	8 545 470	1 575 634	523 513	14 030 061	24 674 678

As at 30 June 2022

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Property Rates:					
Gross Balances	7 547 656	1 515 766	859 104	5 558 556	15 481 082
Less: Provision for Impairment	760 039	433 118	379 007	4 310 085	5 882 249
Net Balances	6 787 617	1 082 648	480 097	1 248 471	9 598 833

Fines:

Gross Balances	-	-	-	73 051 261	73 051 261
Less: Provision for Impairment	-	-	-	61 136 600	61 136 600
Net Balances	-	-	-	11 914 661	11 914 661

Service Charges:

Gross Balances	708 157	245 686	157 570	5 903 731	7 015 144
Less: Provision for Impairment	154 989	124 757	95 279	5 526 704	5 901 729
Net Balances	553 168	120 929	62 291	377 027	1 113 415

As at 30 June Receivables of R15 286 123 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:					
Gross Balances	8 255 813	1 761 452	1 016 674	84 513 547	95 547 486
Less: Provision for Impairment	915 028	557 875	474 286	70 973 389	72 920 578
Net Balances	7 340 785	1 203 577	542 388	13 540 158	22 626 909



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4.2 Summary of Assessment Rates Debtors by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2023				
<u>Current:</u>				
0 - 30 days	8 421 297	461 783	846	6 802
<u>Past Due:</u>				
31 - 60 Days	1 899 430	115 358	813	5 636
61 - 90 Days	621 603	19 650	880	2 882
+ 90 Days	11 535 229	217 315	122 994	174 853
Sub-total	22 477 559	814 106	125 533	190 173
Less: Provision for Impairment	11 107 451	402 297	-	93 975
Total Rates Debtors by Customer Classification	11 370 108	411 810	125 533	96 198

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2022				
<u>Current:</u>				
0 - 30 days	8 251 252	1 004	3 553	4
<u>Past Due:</u>				
31 - 60 Days	1 753 675	3 277	4 088	412
61 - 90 Days	995 133	10 864	10 674	3
+ 90 Days	10 968 973	79 394	413 654	265
Sub-total	21 969 033	94 538	431 969	685
Less: Provision for Impairment	11 234 370	120 371	428 843	393
Total Rates Debtors by Customer Classification	10 734 663	(25 833)	3 126	292

4.3 Reconciliation of Provision for Impairment

Balance at Beginning of year	70 560 625	69 802 986
Impairment Losses Recognised	3 392 964	4 196 494
Impairment Losses Reversed	-	(1 078 903)
Balance at end of year	73 953 589	72 920 578

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.



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	2023 R	2022 R
		Restated
5. CASH AND CASH EQUIVALENTS		
Current Investments	408 736 371	360 105 001
Bank Accounts	6 069 772	2 504 799
Cash on Hand	107 460	66 460
Total Bank, Cash and Cash Equivalents	414 913 603	362 676 261

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

		Restated
5.1 Current Investment Deposits		
Call Deposits	408 736 371	360 105 001
Total Current Investment Deposits	408 736 371	360 105 001

The Municipality has the following investment accounts:

	Bank Statement Balances		Bank Balances	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
ABSA Bank	-	-	61 902 879	10 434 762
Standard Bank	-	-	125 847 182	143 693 220
FNB - Call Account	-	-	12 208 005	21 685 325
Nedbank	-	-	208 778 305	154 274 236
FNB	5 885 268	2 414 401	-	30 017 457
	5 885 268	2 414 401	408 736 371	360 105 001
Deposits attributable to Unspent Conditional Grants			9 218 329	7 489 305
Deposits attributable to Capital Replacement Reserve			35 029 647	14 626 853
Deposits attributable to Current Provisions			-	-
Deposits attributable to Consumer Deposits			12 994 690	11 575 638
Deposits attributable to Rehabilitation of Landfill Site - 40% of provision			26 222 413	25 808 982
Deposits attributable to Current Portion of Long Term Liabilities			23 684 885	21 775 309
Deposits attributable to Reserves			3 078 791	2 943 511
Deposits available for Operations			298 507 616	275 885 403
Total Deposits attributable to Commitments of the Municipality			408 736 371	360 105 001

The carrying value of Current investments approximate their fair value.

Refer to note 44.4 for detail regarding the correction of prior period errors.



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	2023 R	2022 R
5.2 Cash at Bank		
Bank Accounts	6 069 772	2 504 799
Savings Accounts	-	-
Total Bank Accounts	<u><u>6 069 772</u></u>	<u><u>2 504 799</u></u>
5.2.1 Bank Accounts	<u><u>6 069 772</u></u>	<u><u>2 504 799</u></u>

The Municipality has the following operational bank accounts:

Primary Bank Account

Cash book balance at beginning of year	2 469 316	3 026 433
Cash book balance at end of year	<u><u>5 962 779</u></u>	<u><u>2 469 316</u></u>

First National Bank - Riversdal Branch - Cheque Account Number: 53571024174

Bank statement balance at beginning of year	2 378 918	2 822 957
Bank statement balance at end of year	<u><u>5 778 276</u></u>	<u><u>2 378 918</u></u>

Secondary Account

Cash book balance at beginning of year	35 483	52 750
Cash book balance at end of year	<u><u>106 992</u></u>	<u><u>35 483</u></u>

First National Bank - Riversdal Branch - Cheque Account Number: 62225917543

Bank statement balance at beginning of year	35 483	52 750
Bank statement balance at end of year	<u><u>106 992</u></u>	<u><u>35 483</u></u>

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

5.3 Cash and Cash Equivalents

Cash Floats and Advances	107 460	66 460
Total Cash on hand in Cash Floats, Advances and Equivalents	<u><u>107 460</u></u>	<u><u>66 460</u></u>

the use of cash and cash equivalents



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6. PROPERTY, PLANT AND EQUIPMENT

30 June 2023

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R	R
Carrying values at 01 July 2022	135 062 482	10 875 241	719 621 189	57 160 518	71 105 681	993 825 111
Cost	163 363 848	26 563 555	905 769 766	95 547 017	110 716 691	1 301 960 877
- Completed Assets	163 363 848	26 563 555	875 122 976	94 170 271	110 716 691	1 269 937 341
- Under Construction			30 646 790	1 376 746	0	32 023 536
Accumulated Impairment Losses	-10 421 426	0	0	0	0	-10 421 426
Accumulated Depreciation	-17 879 940	-15 688 315	-186 148 577	-38 386 498	-39 611 010	-297 714 340
Acquisition of Assets						
- Cost	0	154 080	59 472 709	3 162 211	12 864 313	75 653 313
- Capital Under Construction	0	0	602 753	7 893 627	0	8 496 380
Decommissioning and other Liabilities	0	0	2 378 990	0	0	2 378 990
Depreciation	0	-587 564	-34 316 801	-2 696 999	-5 574 646	-43 176 010
- Based on Cost	0	-587 564	-34 316 801	-2 696 999	-5 574 646	-43 176 010
- Based on Revaluation	0	0	0	0	0	0
Carrying value of Disposals:	-161 000	0	87 765	0	-468 424	-541 659
- Cost	-161 600	0	-1 217 013	0	-1 427 973	-2 806 586
- Accumulated Impairment Losses	600	0	0	0	0	600
- Accumulated Depreciation	0	0	1 304 778	0	959 549	2 264 327
Capital under Construction - Completed	0	0	27 350 371	1 256 906	0	28 607 277
Construction started and completed within 12 Months		0	-27 350 372	-1 256 906	0	-28 607 278
Other Movements	107 000	3 647 611	2 888 041	-336 409	-4 419 790	1 886 453
- Cost	107 000	3 647 611	1 110 108	-337 925	-4 419 790	107 005
- Transfers Received	107 000	3 647 611	1 110 108	0	0	4 864 719
- Transfers Made	0	0	0	-337 925	-4 419 790	-4 757 714
- Accumulated Depreciation	0	0	1 777 932	1 516	0	1 779 448
- Based on Cost	0	0	1 777 932	1 516	0	1 779 448
Carrying values at 30 June 2023	135 008 482	14 089 367	750 734 646	65 182 949	73 507 136	1 038 522 579
Cost	163 309 248	30 365 246	968 117 314	106 264 930	117 733 242	1 385 789 980
- Completed Assets	163 309 248	30 365 246	964 218 143	98 251 463	117 733 242	1 373 877 342
- Under Construction	0	0	3 899 171	8 013 467	0	11 912 638
Accumulated Impairment Losses	-10 420 826	0	0	0	0	-10 420 826
Accumulated Depreciation	-17 879 940	-16 275 879	-217 382 668	-41 081 981	-44 226 107	-336 846 575



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6. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2022

Restated

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R	R
Carrying values at 01 July 2021	145 476 329	11 226 363	618 395 000	52 609 042	65 353 404	893 060 138
Cost	163 355 848	26 371 594	784 489 064	88 488 803	99 855 919	1 162 561 229
- Completed Assets	163 355 848	26 371 594	772 030 851	70 832 599	99 830 023	1 132 420 916
- Under Construction	0	0	12 458 213	17 656 204	25 896	30 140 313
Accumulated Impairment Losses	-17 879 519	0	0	0	0	-17 879 519
Accumulated Depreciation	0	-15 145 231	-166 094 065	-35 879 761	-34 502 515	-251 621 572
iGRAP 2 Adjustment	0	0	26 716 703	0	0	26 716 703
Landfill sites - Correction of Error - Cost	0	0	-452 648	0	0	-452 648
Acquisition of Assets						
- Cost	0	213 449	100 847 242	6 951 252	6 533 715	114 545 658
- Capital Under Construction	0	0	1 573 080	310 143	0	1 883 223
Depreciation	-421	-538 336	-20 319 150	-2 499 826	-5 253 324	-28 611 056
- Based on Cost	-421	-538 336	-20 319 150	-2 499 826	-5 253 324	-28 611 056
Carrying value of Disposals:	8 000	0	-12 106	0	-265 638	-269 744
- Cost	8 000	0	-61 408	0	-595 771	-649 179
- Accumulated Depreciation	0	0	49 302	0	330 133	379 435
- Based on Cost	0	0	49 302	0	330 133	379 435
Impairment Losses	-10 421 426	0	0	0	0	-10 421 426
Capital under Construction - Completed	0	0	16 305 355	-16 279 459	-25 896	0
Other Movements	0	-26 236	-23 742 429	16 379 508	4 763 423	-2 625 734
- Cost	0	-21 488	-23 957 764	16 386 420	4 948 726	-2 644 106
- Accumulated Depreciation	0	-4 748	215 335	-6 912	-185 303	18 372
Carrying values at 30 June 2022	135 062 482	10 875 241	719 621 189	57 160 518	71 105 684	993 825 114
Cost	163 363 848	26 563 555	905 769 767	95 547 016	110 716 693	1 301 960 879
- Completed Assets	163 363 848	26 563 555	875 122 976	94 170 271	110 716 693	1 269 937 343
- Under Construction	0	0	30 646 790	1 376 746	0	32 023 536
Accumulated Impairment Losses	-10 421 426	0	0	0	0	-10 421 426
Accumulated Depreciation	-17 879 940	-15 688 315	-186 148 577	-38 386 498	-39 611 009	-297 714 340


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	2023 R	2022 R
6. PROPERTY, PLANT AND EQUIPMENT (Continued)		
Property, Plant and Equipment at Beginning of Year	993 825 114	893 060 138
Property, Plant and Equipment	961 801 578	862 919 825
Construction Work-in-Progress	32 023 536	30 140 313
Movement in Non-cash Transactions:-		
Depreciation for the Year	(43 176 010)	(28 611 056)
Impairment for the Year	-	(10 421 426)
Decommissioning, Restoration and Other Liabilities	2 378 990	26 264 055
Carrying Value of Disposals	(541 659)	(269 744)
Carrying Value of Disposals: PPE	(541 659)	(269 744)
Total Property, Plant and Equipment allocated to Non-cash Transactions	(41 338 679)	(13 038 171)
		Restated
Purchase of Property, Plant and Equipment:-		
Acquisition of Property, Plant and Equipment	75 653 313	114 545 658
Acquisitions	75 653 313	114 545 658
Acquisition of Construction Work-in-Progress	8 496 380	1 883 223
Acquisition of Construction Work-in-Progress	-	1 883 223
Total Property, Plant and Equipment allocated to Purchase of Property, Plant and Equipment	84 149 693	116 428 881
Transfer of Property, Plant and Equipment:-		
Property, Plant and Equipment	1 886 453	(2 625 734)
At Cost	107 005	(2 644 106)
Accumulated Depreciation	1 779 448	18 372
Property, Plant and Equipment at End of Year	1 038 522 581	993 825 114

6.1 PPE for which the Municipality does not have the legal title, but has control:

Carrying Value at year-end:		
Land	Public Open Spaces & Roads	1 039 000
		1 039 000
		1 039 000
		1 039 000

Key Judgements and Assumptions applied

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in Accounting Policy 1.2.6. The land of the municipality is under the control of the municipality due to a vesting substantive right over the land. This land represents mainly public open spaces and roads vesting in the municipality.

6.2 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R0 (2022: R10 421 426) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 34.

Land	-	10 421 426
Total Impairment of Property, Plant and Equipment	-	10 421 426

Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.

6.3 Work-in-Progress

The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

	2023	2022
	R	R
Buildings	-	-
Community Assets	8 013 467	1 376 746
Infrastructure	3 899 171	30 646 790
Total Carrying Amounts of Work-in-Progress	11 912 638	32 023 536

6.4 Expenditure incurred for Repairs and Maintenance

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Electrical Infrastructure	16 263 661	14 514 705
- Contracted Services	330 395	706 534
- Inventory Consumed	2 076 320	1 485 789
- Labour	13 671 161	12 150 142
- Other Operational Costs	185 784	172 240
Roads Infrastructure	22 770 058	22 247 035
- Contracted Services	173 528	699 364
- Inventory Consumed	2 733 247	2 375 086
- Labour	19 423 197	18 650 822
- Other Operational Costs	440 085	521 763
Sanitation Infrastructure	13 972 208	13 014 365
- Contracted Services	1 874 499	1 353 426
- Inventory Consumed	363 479	248 011
- Labour	11 573 904	11 262 014
- Other Operational Costs	160 326	150 913
Solid Waste Disposal	2 719 241	2 268 336
- Contracted Services	15 910	-
- Inventory Consumed	54 157	40 796
- Labour	2 556 010	2 195 844
- Other Operational Costs	93 165	31 696
Storm Water Infrastructure	155 648	304 000
- Contracted Services	155 648	304 000
Water Supply Infrastructure	14 731 993	14 330 665
- Contracted Services	1 205 673	1 341 406
- Inventory Consumed	906 497	602 652
- Labour	12 452 405	12 227 879
- Other Operational Costs	167 419	158 729
Community Assets	10 429 876	9 916 143
- Contracted Services	1 735 328	1 349 214
- Inventory Consumed	787 757	826 677
- Labour	7 744 504	7 634 446
- Other Operational Costs	162 287	105 807
Computer Equipment	2 710 708	2 569 878
- Contracted Services	226 526	222 670
- Inventory Consumed	150 714	151 953
- Labour	2 304 574	2 168 396
- Other Operational Costs	28 894	26 858
Furniture and Office Equipment	290 448	129 227
- Contracted Services	282 870	125 008
- Inventory Consumed	7 578	4 220

	2023 R	2022 R
Machinery and Equipment	3 103 959	2 769 373
- Contracted Services	3 003 446	2 599 784
- Inventory Consumed	100 512	169 589
Other Assets - Buildings	2 869 681	2 508 216
- Contracted Services	900 386	544 799
- Inventory Consumed	433 206	525 283
- Labour	1 514 276	1 416 265
- Other Operational Costs	21 813	21 870
Transport Assets	4 632 341	3 944 708
- Contracted Services	4 592 806	3 908 440
- Inventory Consumed	39 535	36 268
Total Expenditure related to Repairs and Maintenance Projects	94 649 821	88 516 651
Expenditure related to Repairs and Maintenance Projects per Expense Classification		
- Contracted Services	14 497 016	13 154 646
- Inventory Consumed	7 653 002	6 466 323
- Labour	71 240 031	67 705 808
- Other Operational Costs	1 259 773	1 189 875
Total Expenditure related to Repairs and Maintenance Projects per Expense Classification	94 649 821	88 516 651

Refer to note 44.4 for detail regarding the correction of prior period errors.

7. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

207 014	220 598
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The movement in Intangible Assets is reconciled as follows:

Software Purchased:

Carrying values at 01 July

	2023	2022
Cost	223 495	488 290
Accumulated Amortisation	(2 897)	(248 925)

Acquisitions:

Purchased	-	-
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Amortisation:

Purchased	(13 584)	(18 767)
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Disposals:

At Cost	-	-
At Accumulated Amortisation	-	(83 685)

Carrying values at 30 June

Cost	223 495	404 605
Accumulated Amortisation	(16 481)	(184 008)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 33).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

7.1 Significant Intangible Assets

2023	2022
R	R

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

- (i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

7.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Refer to note 44.4 for detail regarding the correction of prior period errors.

8. INVESTMENT PROPERTY

At Cost less Accumulated Depreciation

91 795 790	91 486 333
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The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

91 486 333	74 146 176
-------------------	-------------------

Fair Value

91 486 333	74 146 176
------------	------------

Acquisitions during the Year

-	-
---	---

Disposals during the Year:

At Fair Value

(577 500)	(147 000)
(577 500)	(147 000)

Transfers during the Year:

Carrying values at 30 June

Fair Value

(107 000)	-
91 795 790	91 486 333
91 795 790	91 486 333

8.1 Investment Property for which the Municipality does not have the legal title, but has control:

Carrying Value at year-end:

Land

Vesting Substantive Right

448 850	448 850
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448 850	448 850
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Key Judgements and Assumptions applied

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in Accounting Policy 1.2.6. The land of the municipality is under the control of the municipality due to a vesting substantive right over the land.

8.2 Investment Property carried at Fair Value

The municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.

For the year under review, the valuations were performed by Mr. F.E. de Swardt of Suid-Kaap Waardeerders.

HESSEQUA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

9. HERITAGE ASSETS

30 June 2023

Reconciliation of Carrying Value

Description	Significant Land and Buildings	Works of Art, Antiques and Collections	Sculptures and Monuments	Archives	Total
	R	R	R	R	R
Carrying values at 01 July 2022	-	8 451 512	-	-	8 451 512
Cost	-	8 451 599	-	-	8 451 599
Accumulated Impairment Losses	-	(87)	-	-	(87)
Acquisitions	-	-	-	-	-
Carrying values at 30 June 2023	-	8 451 512	-	-	8 451 512
Cost	-	8 451 599	-	-	8 451 599
Accumulated Impairment Losses	-	(87)	-	-	(87)

30 June 2022

Restated

Reconciliation of Carrying Value

Description	Significant Land and Buildings	Works of Art, Antiques and Collections	Sculptures and Monuments	Archives	Total
	R	R	R	R	R
Carrying values at 01 July 2021	-	8 328 512	-	-	8 328 512
Cost	-	8 328 599	-	-	8 328 599
Accumulated Impairment Losses	-	(87)	-	-	(87)
Acquisitions	-	123 000	-	-	123 000
Carrying values at 30 June 2022	-	8 451 512	-	-	8 451 512
Cost	-	8 451 599	-	-	8 451 599
Accumulated Impairment Losses	-	(87)	-	-	(87)

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

Refer to note 44.4 for detail regarding the correction of prior period errors.

Refer to Appendix "B" for more detail on Intangible Assets.



HESSEQUA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023	2022
	R	R
10. LEASE RECEIVABLES		
Current Lease Receivables	709 015	747 033
Non-current Lease Receivables	-	-
Total Lease Receivables	709 015	747 033

10.1 Operating Lease Receivables

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	747 033	640 595
Operating Lease - Straight lining	110 570	128 423
Operating Lease Revenue effected	(148 588)	(21 986)
Total Operating Lease Receivables	709 015	747 033

10.1.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 30 years, with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The lease amounts are escalated annually between 8% and 10% as per the agreements entered into.

10.1.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Land and Buildings, which are receivable as follows:

Up to 1 year	2 326 338	2 422 414
2 to 5 years	4 399 093	4 638 670
More than 5 years	4 527 582	2 391 000
Total Operating Lease Arrangements	11 253 012	9 452 084

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R38 017 (2022: increase of R106 438) in current year income.

HESSEQUA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	2023 R	2022 R
11. CONSUMER DEPOSITS		
Electricity and Water	10 220 882	9 250 498
Other Deposits:-	2 773 808	2 325 140
- Building Plans	2 063 999	1 816 502
- Posters	43 404	43 404
- Rental Properties	666 405	465 234
Total Consumer Deposits	12 994 690	11 575 638

Consumer Deposits - Electricity and Water

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

Consumer Deposits - Building Plans

Deposits are paid for building plans submitted for approval.

Consumer Deposits - Posters

Deposits are paid for posters displayed. Deposits are forfeited when posters are not removed.

Consumer Deposits - Rental Properties

Deposits are paid for the rental of properties. Deposits will not be repaid in the case of outstanding rent or in the case of property being damaged.

No interest is paid on Consumer Deposits held.

12. PAYABLES FROM EXCHANGE TRANSACTIONS

Reclassified

Other Payables	8 363 504	6 849 644
Control, Clearing and Interface Accounts	38 412	14 110
Unallocated Deposits	8 325 092	6 835 534
Retentions	5 538 679	5 835 281
Trade Creditors	31 899 035	34 823 177
Electricity Bulk Purchase	9 895 138	12 454 319
Payables and Accruals	22 003 897	22 368 858
Advance Payments	6 339 434	4 950 750
Total Payables from Exchange Transactions	52 140 651	52 458 852

The average credit period on purchases is 32 (2022: 36) days, as opposed to 30 days from the receipt of the invoice as determined by the MFMA.

The fair value of trade and other payables approximates their carrying amounts. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

Refer to note 44.4 for detail regarding the correction of prior period errors.

2023	2022
R	R

13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Departmental Agencies and Accounts	863 747	842 177
National Government	30 907	123 057
Private Enterprises	160 124	160 124
Provincial Government	8 163 551	6 363 947
Total Unspent Conditional Grants and Receipts	9 218 329	7 489 305

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

Unspent Grants and Receipts can mainly be attributed to projects that are work in progress at year-end.

See Note 24 for the reconciliation of Grants from Government and other sources. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants. R3 ,951,543 revert back to National/Provincial Treasury,

14. VAT PAYABLE

Vat Payable	1 342 677	1 721 228
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VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

15. LEASE PAYABLES

Current Lease Payables:	22 597	36 688
Operating Lease Payables	22 597	36 688
Total Lease Payables	22 597	36 688

15.1.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period. The operating lease payments escalate between 0 and 8% annually. The municipality did not pay any contingent rent during the year,

15.1.2 Amounts Payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Office Equipment:	1 958 355	1 108 531
Up to 1 year	734 383	799 861
2 to 5 years	1 223 972	308 670
More than 5 years	-	-
Total Operating Lease Arrangements	1 958 355	1 108 531

The following payments have been recognised as an expense in the Statement of Financial Performance:

		Reclassified
Furniture and Office Equipment	588 539	362 293
Investment Properties	931 184	936 172
Machinery and Equipment	355 122	338 002
	1 874 845	1 636 466

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Buildings
- Office Equipment
- Machinery and Equipment



	2023 R	2022 R
16. BORROWINGS		
Long-Term Borrowings	168 110 095	149 863 209
Annuity Loans	168 110 095	149 863 209
Less: Current Portion transferred to Current Borrowings:-	23 684 885	21 775 309
Annuity Loans	23 684 885	21 775 309
Non-Current Portion of Borrowings	144 425 210	128 087 900

16.1 Summary of Arrangements

Annuity Loans are repaid over periods not exceeding 10 years and at interest rates varying from 7.78% tot 11.54% per annum. Annuity loans are not secured.

Borrowings have been utilised in accordance with the MFMA. The current portion of borrowings is fully invested in ring-fenced financial instruments. See Note 5.1 for more detail.

At the Reporting Date the obligations under Annuity Loans were as follows:

Up to 1 year	39 523 373	35 135 594
2 to 5 years	124 234 492	111 293 889
More than 5 years	75 072 692	58 975 187
	238 830 557	205 404 670
Less: Future Finance Obligations	(70 720 462)	(55 541 461)
Present value of Annuity Loan Obligations	168 110 095	149 863 209

Refer to Appendix "A" for more detail on Borrowings.

17. EMPLOYEE BENEFIT LIABILITIES

		Restated
Employee Benefit Liabilities	85 964 656	92 230 048
Bonus	6 818 533	6 313 332
Leave	13 094 807	11 805 716
Post-retirement Health Care Benefits Liability	54 904 000	62 251 000
Post-retirement Pension Benefits Liability	99 316	93 000
Long Service Awards Liability	11 048 000	11 767 000
Less: Current Portion of Employee Benefit Liabilities	24 473 340	22 635 048
Bonus	6 818 533	6 313 332
Leave	13 094 807	11 805 716
Post-retirement Health Care Benefits Liability	3 101 000	2 765 000
Post-retirement Pension Benefits Liability	5 000	1 000
Long Service Awards Liability	1 454 000	1 750 000
Non-Current Portion of Employee Benefit Liabilities	61 491 316	69 595 000

17.1 Current Portion of Employee Benefit Liabilities

The movement in Current Portion of Employee Benefit Liabilities is reconciled as follows:

Leave Accrual		
Opening Balance	11,805,715	11,319,922
Increases	2,177,016	1,114,007
Payments Made	-887,924	-628,214
Balance at end of year	13,094,807	11,805,716

	Bonus Provision R	Bonus Provision R
Opening Balance	6,313,332	5 890 756
Increases	1 542 241	1 524 895
Payments Made	-1 035 323	-1 102 319
Reversals	-1 718	-
	6 818 532	6 313 332

Bonus Provision: Staff bonuses accrued to employees according to the standard contract of employment. Provision is made for the full cost of accrued bonuses at reporting date. This provision will be realised when bonuses are paid during November of the next year.

Leave Provision: Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

Staff Leave accrues to the staff of the municipality on an annual basis, according to the collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. Leave was reclassified from Employee Benefit Liability provision.

	Medical Aid R	Pension Fund R	Long-term Service R
30 June 2023			
Opening Balance	2 765 000	1 000	1 750 000
Increases	-	-	1 133 028
Actual employer benefit payments	(2 648 285)	(11 358)	(1 429 028)
Actuarial loss/ (gain) recognised in the year	2 984 285	15 358	-
Balance at end of year	3 101 000	5 000	1 454 000

	Medical Aid R	Pension Fund R	Long-term Service R
30 June 2022			
Opening Balance	2 799 000	4 000	678 000
Increases	-	-	693 594
Interest cost	-	3 415	-
Actual employer benefit payments	(2 637 872)	(6 415)	(755 594)
Actuarial loss/ (gain) recognised in the year	2 603 872	-	-
Increases (Passage of Time/Discounted Rate)	-	-	1 134 000
Balance at end of year	2 765 000	1 000	1 750 000

	2023 R	2022 R
17.2 Post-retirement Health Care Benefits Liability		
		Restated
Opening Balance	62 251 000	59 768 000
Interest Cost	7 508 000	6 320 000
Current Service Cost	1 521 000	1 467 000
Actual Employer Benefit Payments	(2 648 285)	(2 637 872)
Actuarial Loss/ (Gain) recognised in the year	(13 727 716)	(2 666 128)
Balance at end of Year	54 904 000	62 251 000
Transfer to Current Provisions	3 101 000	2 765 000
Total Post-retirement Health Care Benefits Liability	51 803 000	59 486 000

The Municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

In-service members will receive a post-employment subsidy of 70% of the contribution payable. All continuation members receive a 70% subsidy. Upon a member's death-in-retirement, the surviving dependants will continue to receive the same 70% subsidy.

2023	2022
R	R

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by Mr J van der Spuy, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	130	142
Continuation Members (Retirees, widowers and orphans)	54	53
Total Members	184	195

The liability in respect of past service has been estimated as follows:

In-service Members	25 415 000	32 832 000
Continuation Members	29 489 000	29 419 000
Total Liability	54 904 000	62 251 000

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Discovery
- Hosmed
- LA Health
- Keyhealth
- Samwumed

The Current-service Cost for the year ending 30 June 2023 is estimated to be R1 521 000, whereas the cost for the ensuing year is estimated to be R1 062 000 (30 June 2022: R1 467 000 and R1 521 000 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	13,22%	12,18%
Health Care Cost Inflation Rate	8,72%	8,99%
Net Effective Discount Rate	4,14%	2,92%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Continuation of Membership:

This valuation assumes 100% continuation of membership at retirement.

Family Profile:

It has been assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

Consequently, the nominal and real zero curves as at 30 June 2023 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period was used. In the event that the valuation is performed prior to the effective valuation date, the prevailing yield at the time of performing the calculations was used.

	2023 R	2022 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening Balance	62 251 000	59 768 000
Interest Cost	7 508 000	6 320 000
Current Service Cost	1 521 000	1 467 000
Benefits Paid	(2 648 284)	(2 637 872)
Actuarial Losses / (Gains)	(13 727 716)	(2 666 128)
Total Recognised Benefit Liability	54 904 000	62 251 000
The amounts recognised in the Statement of Financial Position are as follows:		
Present Value of Fund Obligations	54 904 000	62 251 000
Total Benefit Liability	54 904 000	62 251 000
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	1 521 000	1 467 000
Interest cost	7 508 000	6 320 000
Actuarial losses / (gains)	(13 727 716)	(2 666 128)
Total Post-retirement Benefit included in Employee Related Costs (Note 31.)	(4 698 716)	5 120 872

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	258 000	1 334 000
Effect on the defined benefit obligation	6 636 000	8 372 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(1 752 000)	(1 103 000)
Effect on the defined benefit obligation	(5 595 000)	(6 978 000)

The municipality expects to make a contribution of R1 062 000 (2022: R1 521 000) to the Defined Benefit Plans during the next financial year.

Refer to Note 52, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

Refer to note 44.4 for detail regarding the correction of prior period errors.

17.3 Ex-gratia Pension Benefits Liability

Opening Balance	93 000	90 000
Interest Cost	7 316	7 000
Current Service Cost	-	-
Actual Employer Benefit Payments	(11 358)	(6 415)
Actuarial Loss/ (Gain) recognised in the year	10 358	2 415
Balance at end of Year	99 316	93 000
Transfer to Current Provisions	5 000	1 000
Total Post-retirement Pension Benefits Liability	94 316	92 000



Members who entered service prior to 31 December 1994 are entitled to a once-off benefit under the following circumstances:

- Normal Retirement (65 for males and 60 for females)
- Ill-health retirement
- Retrenchment
- Death

Only members who were still in-service after 1 July 1998 are entitled to the benefit.

The benefit is calculated as follows:

- Annual salary as at 31 December 1994
- Multiplied by Years of Service up to 31 December 1994
- Multiplied by 10%

The members entitled to receive Retirement Gratuities are made up as follows:

In-service Members (Employees)	36	36
Total Members	<u>36</u>	<u>36</u>

17.4 Long Service Awards Liability

Opening Balance	11 767 000	10 638 000
Increases	2 225 000	1 884 594
Payments Made	(1 429 028)	(755 594)
Increases (Passage of Time/Discounted Rate)	(1 514 972)	
Balance at end of Year	<u>11 048 000</u>	<u>11 767 000</u>
Transfer to Current Provisions	1 454 000	1 750 000
Total Long Service Awards Liability	<u>9 594 000</u>	<u>10 017 000</u>

The Municipality offers employees Long Service Awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

Long Service Awards are awarded in the form of leave days and a 14th cheque (equivalent to one month's additional salary that is equal to one month's salary at the date of the accrual of the long service award).

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by Mr J van der Spuy, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 545 (2022: 549) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2023 is estimated to be R0, whereas the cost for the ensuing year is estimated to be R842 000 (30 June 2022: R0 and R0 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	12,00%	11,00%
Cost Inflation Rate	8,12%	8,38%
Net Effective Discount Rate	3,58%	2,42%
Expected Retirement Age - Females	62	62
Expected Retirement Age - Males	62	62

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent

Consequently, the nominal and real zero curves as at 28 June 2023 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period have been used.



	2023 R	2022 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening Balance	11 767 000	10 638 000
Increases	2 225 000	1 964 000
Benefits Paid	(1 429 028)	(755 594)
Actuarial Losses / (Gains)	(1 514 972)	(79 406)
Total Recognised Benefit Liability	11 048 000	11 767 000
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	11 048 000	11 767 000
Total Benefit Liability	11 048 000	11 767 000
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	-	-
Interest cost	2 225 000	1 964 000
Actuarial losses / (gains)	(1 514 972)	(79 406)
Total Post-retirement Benefit included in Employee Related Costs (Note 31.)	710 028	1 884 594

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	54 000	170 000
Effect on the defined benefit obligation	743 000	803 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(254 000)	(152 000)
Effect on the defined benefit obligation	(674 000)	(726 000)

The municipality expects to make a contribution of R842 000 (2022: R0) to the defined benefit plans during the next financial year.

18. PROVISIONS

		Reclassified / Restated
Non-current Provisions	65 556 034	64 069 807
Total Provisions	65 556 034	64 069 807

18.2 Non-current Provisions

		Restated
Decommissioning, Restoration and Similar Liabilities: Landfill Sites	64 069 807	64 522 455
Movement	1 486 227	(452 648)
Total Non-current Provisions	65 556 034	64 069 807

The movement in Non-current Provisions are reconciled as follows:

Decommissioning of Landfill Sites:

Opening Balance as previously stated	64 069 808	33 878 460
Correction of prior period error	0	-452 648
Finance Charges	7 223 496	3 927 293
GRAP 3 adjustment	-5 737 269	26 716 703
Closing balance as restated	65 556 035	64 069 808

Decommissioning, Restoration and Similar Liabilities: Landfill Sites

Landfill site decommissioning is estimated by means of a valuation performed by a professional valuator to determine the future cost of dismantling the landfill site. The cost is then reduced to take into account the time value of money at interest rates linked to the Consumer Price Index.

18.3 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse site, the Municipality will incur licencing and rehabilitation costs of R138 720 667 (2022: R138 382 624) to restore the site at the end of its useful life. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

		2023	2022
		R	R
	Proposed Date of Rehabilitation		
Albertina	2034/06/30	14 396 502	14 327 341
Droëkloof	2042/06/30	22 242 260	23 548 241
Gouritsmond	2029/06/30	9 193 152	8 661 021
Melkhoutfontein	2068/06/30	38 461 959	37 683 925
Slangrivier	2027/06/30	6 699 969	6 440 176
Steynskloof	2036/06/30	36 592 320	35 455 441
Witsand (Uitsig)	2030/06/30	7 273 243	8 330 812
Jongensfontein	2043/06/30	3 861 261	3 935 667
		138 720 667	138 382 624



**A U D I T O R - G E N E R A L
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	2023	2022
	R	R
19. RESERVES		Reclassified
Housing Development Fund	543 103	543 103
Non-current Provisions Reserve	2 535 688	2 400 408
Total Reserves	3 078 791	2 943 510

19.1 Housing Development Fund Reserve

The Housing Development Fund was established in terms of section 15 (5) and 16 of the Housing Act, Act 107 of 1997. The proceeds in this fund are utilised for housing development projects approved by the MEC.

Reconciliation of Housing Development Fund Reserve:

Housing Operating Fund	543 103	543 103
Opening Balance	543 103	543 103
Proceeds	-	-
Utilisation	-	-
Balance at end of year	543 103	543 103

19.2 Non-current Provisions Reserve

The Nature Reserve Fund is for the maintenance and operation of Nature Areas in Still Bay. The Elsje Koorts Tuberculosis Fund is for the treatment of tuberculosis cases in Riversdale.

Reconciliation of Non-current Provisions Reserve

Opening Balance	2 400 408	2 329 671
Transfers to/from Accumulated Surplus	135 281	-
Transfers to/from Reserves	-	70 737
Balance at end of year	2 535 688	2 400 408

Refer to note 44.4 for detail regarding the correction of prior period errors.

19.2.1 Elsje Koorts Trust Fund

This fund was established in terms of clause 4 of the last will and testament of the late Elsje Koorts, and stated inter alia that "the remainder of my estate will be used for the treatment of tuberculosis cases in Riversdale...."

Opening Balance	320 230	304 981
Interest Earned	24 731	15 249
Expenditure Incurred	(3 972)	-
Balance at end of year	340 989	320 230

19.2.2 Nature Reserve Trust Fund

This fund was established in terms of section 76.2 of the Municipal Ordinance, 1974 (Ordinance 20 of 1974) with the sanction of the Premier on 14 August 1998. The fund must be used for the maintenance and operation of nature areas in Still Bay.

Opening Balance	2 080 178	2 024 690
Interest Earned	159 178	99 056
Expenditure Incurred	(44 657)	(43 568)
Balance at end of year	2 194 699	2 080 178

	2023 R	2022 R
20. ACCUMULATED SURPLUS		
Accumulated Surplus / (Deficit) due to the results of Operations	1 219 878 614	1 136 098 121
Total Accumulated Surplus	<u>1 219 878 614</u>	<u>1 136 098 121</u>
Accumulated Surplus at Beginning of Year	1 136 098 119	1 003 312 254
Movement in Non-cash Transactions:-		
Appropriations	(135 281)	-
Surplus / (Deficit):-		
Correction of error (Note 44)		
Surplus as per Financial Performance	83 915 774	132 785 865
Accumulated Surplus at End of Year	<u>1 219 878 612</u>	<u>1 136 098 119</u>

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.



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	2023	2022
	R	R
21. PROPERTY RATES		
	Actual Levies	
	July 2023	July 2022
Property Rates Levies	119 965 470	112 849 907
Agricultural Properties	12 437 191	-
Business and Commercial Properties	5 901 174	4 459 091
Farm Properties	-	16 572 180
Industrial Properties	1 230 554	1 066 410
Privately Owned Towns Serviced by the Owner	-	127 710
Public Benefit Organisations	5 266	1 718
Public Service Infrastructure Properties	1 854 108	1 743 819
Public Service Purposes Properties	(97 097)	-
Residential Properties	-	88 040 763
Residential Properties by Usage	88 119 877	-
State-owned Properties	-	838 217
Vacant Land	10 514 397	-
Property Rates Levies	128 484 864	120 929 786
Less: Rates Rebates	(8 519 394)	(8 079 879)
Total Property Rates	119 965 470	112 849 907

As described in Accounting Policy note 1, the Municipality is in a process of aligning all items in terms of the mSCOA item GUID numbers. Some of the GUID numbers of items disclosed in the property rates note, changed during the year and the new numbers were used in the note. For transparency, the items of property rates are disclosed in an additional note with the current and prior years' aligned under the old numbers:

	Actual Valuations	
	July 2023	July 2022
Domestic	14 598 597 500	14 076 139 100
Commercial	834 086 500	818 605 000
Church/Public Benefit	186 652 500	187 631 500
Agricultural/Rural	10 434 947 558	10 371 799 000
State	295 425 600	357 634 000
Municipal	470 676 000	438 945 500
Total Property Valuations	26 820 385 658	26 250 754 100

Assessment Rates are levied on the market value of land and improvements, of which the valuation is performed every 5 years. The last valuation came into effect on 1 July 2021.

Interim valuations are processed on an annual/bi-annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions.

A general rate is applied as follows to property valuations to determine property rates:

Residential	0.006773c/R	0.006450c/R
Vacant Land	0.013545c/R	0.012900c/R
Agriculture	0.001290c/R	0.001290c/R
State	0.006942c/R	0.006611c/R
Business	0.006942c/R	0.006611c/R

Rates are levied annually and monthly. Monthly rates are payable by the 20th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding amounts. Account balances which remain unpaid 30 days after the first day of the month when the account becomes payable shall attract interest irrespective of the reason for non-payment.

2023 2022
R R

Rebates can be defined as any income that the municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

Rebates of 10% - 40% were applied to pensioners, based on the annual income of the ratepayer. A discount of 10% was granted to agricultural properties used for residential and/or business purposes.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

- Residential Properties: The first R50 000 on the valuation is exempted.

22. FINES, PENALTIES AND FORFEITS

Reclassified

Traffic Fines:	52 852 630	60 100 578
Municipal	2 822 200	-
Service Provider	50 030 430	60 100 578
Other Fines:	34 385	42 925
Illegal Connections	9 078	5 000
Overdue Books Fine	18 867	31 626
Pound Fees	6 441	6 300
Forfeits	1 553 398	1 788 159
Deposits	1 553 398	1 788 159
Unclaimed Money	-	-
Total Fines, Penalties and Forfeits	54 440 413	61 931 662

23. LICENCES AND PERMITS

Exchange Transactions

Boat	249 068	328 426
Dog	3 388	2 847
Road and Transport:	1 747 731	1 645 060
Drivers Licence Application/Duplicate Drivers Licences	67 646	50 220
Drivers Licence Certificate	164 224	185 110
Learner Licence Application	155 493	136 805
Motor Vehicle Licence	1 291 861	1 205 746
Operators and Public Drivers Permits	68 507	67 180
Trading	19 550	11 857
Total Licences and Permits	2 019 737	1 988 190

24. TRANSFERS AND SUBSIDIES RECEIVED

Capital Grants	34 811 522	73 922 679
Allocations In-kind	270 000	123 000
Monetary Allocations	34 541 522	73 799 679
Operational Grants	68 492 717	65 117 331
Monetary Allocations	68 492 717	65 117 331
Total Transfers and Subsidies Received	103 304 239	139 040 010

24.2.1 Capital Grants

	Allocations In-kind		Monetary Allocations	
	2023	2022	2023	2022
District Municipalities	-	-	-	276 523
National Governments	-	-	30 987 928	18 618 948
Private Enterprises	270 000	123 000	-	10 025
Provincial Government	-	-	3 553 595	54 894 184
Total Capital Grants Received	270 000	123 000	34 541 522	73 799 679

24.2.2 Operational Grants

	Monetary Allocations	
	2023	2022
	R	R
Departmental Agencies and Accounts	39 695	225 187
District Municipalities	-	121 406
National Governments	3 601 072	3 504 367
National Revenue Fund	54 287 000	51 427 725
Non-profit institutions	-	1 820
Provincial Government	10 564 950	9 836 826
Total Operational Grants Received	68 492 717	65 117 331
Total Transfers and Subsidies Received	103 034 239	138 917 010

24.3 Detailed Summaries

24.3.1 Equitable Share

Unspent Balance at the Beginning of the Year	0	3 340 198
Current Year Receipts	54 287 000	48 843 000
Conditions Met - Transferred to Revenue (Operating)	(54 287 000)	(48 843 000)
Condition met - Operating - Conditional	-	(2 584 725)
Conditions Met - Transferred to Revenue (Capital)	-	(755 473)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	-	0

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury. This grant is used to subsidise the provision of basic services to indigent community members and to subsidise income. All registered indigents receive a monthly subsidy equal to the basic monthly charges for water supply, refuse removal and sanitation based on the monthly billing towards the consumer account. The subsidy is determined annually by Council.

Level of Income

R0 - R4 000 p.m

Subsidy

- free basic services plus 100% rebate on rates
 - 6kl free water
 - 50kwh free electricity
 - 100% rebate on rates up to a market value of R800 000
- R4 001 - R4 350p.m
- 50% free basic services plus 50% rebate on rates
 - 6kl free water
 - 50kwh free electricity
 - 50% rebate on rates up to a market value of R800 000



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	2023 R	2022 R
24.3.2 Local Government Financial Management Grant (FMG)		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	1 550 000	1 550 000
Conditions Met - Transferred to Revenue (Operating)	(1 550 000)	(1 550 000)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	-	-

The Local Government Financial Management Grant is paid by National Treasury to municipalities to implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

24.3.3 Expanded Public Works Programme (EPWP)		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	1 164 000	1 154 000
Conditions Met - Transferred to Revenue (Operating)	(1 164 000)	(1 154 000)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	-	-

The EPWP is to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

24.3.4 Municipal Infrastructure Grant (MIG)		
Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	24 982 000	14 181 000
Conditions Met - Transferred to Revenue (Operating)	(749 100)	(709 050)
Conditions Met - Transferred to Revenue (Capital)	(24 232 900)	(13 471 950)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	-	-

The Municipal Infrastructure Grant to be used to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

24.3.5 Integrated National Electrification Programme (Municipal) Grant		
Unspent Balance at the Beginning of the Year	-	74 992
Current Year Receipts	2 893 000	-
Conditions Met - Transferred to Revenue (Capital)	(2 893 000)	(74 992)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	-	-

The Integrated National Electrification Programme Grant to be used to reduce backlogs through funding of household connections and bulk infrastructure to ensure constant supply of electricity.

24.3.6 Human Settlements Development Grant		
Unspent Balance at the Beginning of the Year	3 265 102	3 385 637
Current Year Receipts	3 266 000	-
Conditions Met - Transferred to Revenue (Operating)	(47 371)	(120 536)
Adjustments / Refunds	(3 265 101)	-
Unspent Balance at the End of the Year	3 218 629	3 265 102

This grant from the Department of Local Government and Housing is used for transfer costs.



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	2023 R	2022 R
24.3.7 Library Grants		
Unspent Balance at the Beginning of the Year	594 292	218 149
Current Year Receipts - Conditional Grant	4 073 000	3 898 000
Current Year Receipts - Replacement Funding	5 852 000	5 975 000
Conditions Met - Transferred to Revenue (Operating) Conditional Grant	(4 073 000)	(3 898 000)
Conditions Met - Transferred to Revenue (Operating) Replacement Funding	(5 103 911)	(4 827 239)
Conditions Met - Transferred to Revenue (Capital) Replacement Funding	(389 661)	(771 618)
Adjustments / Refunds	(594 292)	-
Unspent Balance at the End of the Year	358 428	594 292

This grant is utilised to fund the expenses of the library service

24.3.8 Municipal Capacity Building Grant

Unspent Balance at the Beginning of the Year	0	109 863
Current Year Receipts	300 000	347 495
Conditions Met - Transferred to Revenue (Operating)	(212 298)	(457 357)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	87 703	0

The grant to be used for external bursaries to enable municipalities to attract top performing learners within the municipal area to succeed in Higher Education Institutions.

24.3.9 Vermaaklikheid Land Reform

Unspent Balance at the Beginning of the Year	-	1 406
Conditions Met - Transferred to Revenue (Operating)	-	(1 406)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	-	-

24.3.10 Community Development Workers

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	38 000	38 000
Conditions Met - Transferred to Revenue (Operating)	(38 000)	(38 000)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	-	-

24.3.11 Department Economic Development & Tourism - SMME Booster Fund

Unspent Balance at the Beginning of the Year	1 580 247	-
Current Year Receipts	-	2 750 600
Conditions Met - Transferred to Revenue (Capital)	(1 490 392)	(1 170 353)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	89 855	1 580 247

The grant is used to support the development of infrastructure projects which promote medium to long-term economic gains and to increase the sustainability and growth of SMME's.



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	2023 R	2022 R
24.3.12 House Consumer Education		
Unspent Balance at the Beginning of the Year	-	2 990
Conditions Met - Transferred to Revenue (Capital)	-	(2 990)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	-	-

This grant is earmarked for consumer awareness projects.

24.3.13 Local Economic Development - Capacity Building

Unspent Balance at the Beginning of the Year	49 164	-
Current Year Receipts	250 000	200 000
Conditions Met - Transferred to Revenue (Operating)	-	(150 836)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	299 164	49 164

24.3.14 Proclaimed Roads

Unspent Balance at the Beginning of the Year	-	-
Current Year Receipts	125 000	120 000
Conditions Met - Transferred to Revenue (Operating)	(125 000)	(120 000)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	-	-

This grant was used for Provincial road projects

24.3.15 Local Government Public Employment Support Grant

Unspent Balance at the Beginning of the Year	875 142	-
Current Year Receipts	-	1 100 000
Conditions Met - Transferred to Revenue (Operating)	(875 142)	(224 858)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	-	875 142

The grant is earmarked to coordinate and ensure the implementation of targeted, short term public employment programmes for communities identified as being in distress.

24.3.16 Alternative Electricity

Unspent Balance at the Beginning of the Year	-	273 533
Conditions Met - Transferred to Revenue (Capital)	-	(273 533)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	-	-

24.3.17 Accelerated Community Infrastructure Programme

Balance unspent at the beginning of the year	30 907	30 907
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	30 907	30 907



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	2023 R	2022 R
24.3.18 Human Settlement Development Acceleration of Housing		
Balance unspent at the beginning of the year	-	6 014 250
Current year receipts	2 200 000	-
Conditions Met - Transferred to Revenue (Operating)	(526 458)	-
Conditions Met - Transferred to Revenue (Capital)	(1 673 542)	(6 014 250)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	(0)	-

To fund housing within municipalities that demonstrated capacity to plan and deliver housing rapidly.

24.3.19 Human Settlement Development Grant Beneficiaries

Balance unspent at the beginning of the year	-	-
Current year receipts	29 092 851	46 337 963
Conditions Met - Transferred to Revenue (Operating)	(29 092 851)	-
Conditions Met - Transferred to Revenue (Capital)	-	(46 337 963)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	-	-

To provide funding for the creation of sustainable human settlements,

24.3.20 Energy Efficiency and Demand Side Management Grant

Balance unspent at the beginning of the year	92 150	-
Current year receipts	4 000 000	4 500 000
Conditions Met - Transferred to Revenue (Operating)	(137 972)	(91 317)
Conditions Met - Transferred to Revenue (Capital)	(3 862 028)	(4 316 534)
Adjustments / Refunds	(92 150)	-
Unspent Balance at the End of the Year	-	92 150

Funds to be used to implement electricity saving projects in municipal infrastructure,

24.3.21 Municipal Sport Facilities

Balance unspent at the beginning of the year	-	600 000
Conditions Met - Transferred to Revenue (Capital)	-	(600 000)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	-	-

For development of sport and recreation facilities

24.3.22 District Municipality: Safe Plan

Balance unspent at the beginning of the year	-	-
Current year receipts	-	120 000
Conditions Met - Transferred to Revenue (Operating)	-	(120 000)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	-	-

For the coordination of municipal safety plans and safety initiatives.

24.3.23 Africana Centre Grant

Balance unspent at the beginning of the year	103 037	103 037
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	103 037	103 037

This grant was utilised for maintenance and general expenditure.



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	2023 R	2022 R
24.3.24 Asia Devco Grant - Water Meters Slangrivier		
Balance unspent at the beginning of the year	-	10 025
Conditions Met - Transferred to Revenue (Capital)	-	(10 025)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	-	-

This grant is used for the acquisition and installation of water meters in housing schemes.

24.3.25 Tourism Grant

Balance unspent at the beginning of the year	-	1 820
Conditions Met - Transferred to Revenue (Operating)	-	(1 820)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	-	-

This grant is earmarked for projects in previously disadvantaged areas.

24.3.26 Public Participation Strategy Grant

Balance unspent at the beginning of the year	57 086	57 086
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	57 086	57 086

This grant is used for public participation initiatives.

24.3.27 Seta Grant

Balance unspent at the beginning of the year	842 177	907 177
Current year receipts	61 265	160 187
Conditions Met - Transferred to Revenue (Operating)	(39 695)	(225 187)
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	863 747	842 177

This grant is utilised for various staff skills development programmes

24.3.28 Emergency Loadshedding Relief

Balance unspent at the beginning of the year	-	-
Current year receipts	3 800 000	-
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	3 800 000	-

Contribution towards the purchase and installation of back-up energy supply.

24.3.29 Municipal Water Resilience Grant

Balance unspent at the beginning of the year	-	-
Current year receipts	400 000	-
Conditions Met - Transferred to Revenue (Operating)	(90 229)	-
Adjustments / Refunds	-	-
Unspent Balance at the End of the Year	309 771	-

Financial assistance to municipalities to enhance water resilience.



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	2023 R	2022 R
24.3.28 Total Grants		
Balance unspent at the beginning of the year	7 489 305	15 131 071
Current year receipts	138 334 116	131 275 245
Conditions Met - Transferred to Revenue (Operating)	-98 112 027	(65 117 331)
Conditions Met - Transferred to Revenue (Capital)	-34 541 522	(73 799 679)
Adjustments / Refunds	-3 951 543	-
Unspent Balance at the End of the Year	9 218 329	7 489 305

24.3.29

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2023), government grant funding is expected to not change significantly over the forthcoming three financial years.

25. SERVICE CHARGES

	Exchange Transactions 2023 R	Exchange Transactions 2022 R	Non-Exchange Transactions 2023 R	Non-Exchange Transactions 2022 R
Sale of Electricity;	179 079 873	185 888 273	5 426 342	5 468 146
- Service Charges	183 688 541	190 283 952	5 426 342	5 468 146
- Revenue Foregone	(4 608 668)	(4 395 679)	-	-
Sale of Water:	49 048 505	46 252 220	2 232 229	2 269 728
- Service Charges	61 573 681	57 494 439	2 232 229	2 269 728
- Revenue Foregone	(12 525 177)	(11 242 219)	-	-
Refuse Removal:	31 316 431	31 168 533	-	-
- Service Charges	43 420 069	42 017 156	-	-
- Revenue Foregone	(12 103 638)	(10 848 623)	-	-
Sewerage and Sanitation Charges:	26 818 280	25 482 338	2 811 885	2 708 657
- Service Charges	37 787 446	35 225 645	2 811 885	2 708 657
- Revenue Foregone	(10 969 166)	(9 743 307)	-	-
Total Service Charges	286 263 089	288 791 364	10 470 455	10 446 531
- Service Charges	326 469 737	325 021 192	10 470 455	10 446 531
- Revenue Foregone	(40 206 648)	(36 229 828)	-	-

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Revenue Foregone can be defined as any income that the municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.



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	2023 R	2022 R
26. SALES OF GOODS AND RENDERING OF SERVICES		
Advertisements	17 808	29 771
Application Fees for Land Usage	185 243	1 830
Building Plan Approval	2 637 608	2 090 815
Camping Fees	14 514 160	14 315 571
Cemetery and Burial	158 875	239 009
Cleaning and Removal	13 491	42 038
Construction Contract Revenue	29 619 309	-
Encroachment Fees	5 163	5 144
Entrance Fees	45 878	51 322
Photocopies and Faxes	86 739	64 257
Removal of Restrictions	475 817	491 638
Valuation Services	510 200	482 792
Total Sales of Goods and Rendering of Services	48 270 290	17 814 188

27. INCOME FROM AGENCY SERVICES

Commission on Driver's Licenses	253 821	257 298
Commission on Vehicle Registration	2 808 397	2 636 350
Total Income from Agency Services	3 062 218	2 893 648

Refer to Note 56.2 for more detail on Agency Services rendered.

28. RENTAL FROM FIXED ASSETS

Straight-lined Operating Lease Revenue

Investment Property	1 089 221	760 263
Other Fixed Assets:	2 065 469	2 351 576
Property Plant and Equipment	2 065 469	2 351 576

Other Rental income

Contingent Rental Income from Other Fixed Assets:	463	2 563
Property Plant and Equipment	463	2 563

Ad-hoc Rental Income from Other Fixed Assets:

Property Plant and Equipment	377 794	286 317
	377 794	286 317

Total Rental of Facilities and Equipment

3 532 947	3 400 720
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Rental income generated are at market related premiums. All rental income recognised is therefore market related.



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	2023 R	2022 R
29. INTEREST, DIVIDENDS AND RENT ON LAND EARNED		
Non-exchange Receivables:		
Outstanding Billing Debtors	778 756	551 001
Total Non-exchange Interest, Dividends and Rent on Land Earned	778 756	551 001
External Investments:		
Bank Account	1 163 554	1 225 499
Investments	28 177 478	18 154 944
	29 341 031	19 380 443
Outstanding Exchange Receivables:		
Outstanding Billing Debtors	2 330 501	1 820 919
Electricity	384 469	372 446
Service Charges	119 382	95 095
Sporting and Other Bodies	59 729	61 374
Waste Management	494 191	344 019
Waste Water Management	472 605	360 328
Water	800 126	587 656
	2 330 501	1 820 919
Total Exchange Interest, Dividends and Rent on Land Earned	31 671 533	21 201 362
Total Interest, Dividends and Rent on Land Earned	32 450 289	21 752 363

30. OPERATIONAL REVENUE

Collection Charges	614 580	829 631
Commission	109 387	115 528
Development Charges	3 195 105	2 386 287
Incidental Cash Surpluses	2 865	4 607
Insurance Refund	140 003	1 134 951
Merchandising, Jobbing and Contracts	4 422	13 470
Registration Fees	579 667	471 047
Request for Information	183 479	251 409
Total Operational Revenue	4 829 509	5 206 932

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 21 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.



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	2023 R	2022 R
31. EMPLOYEE RELATED COSTS		
Salaries, Wages and Service Related Benefits:	145 892 659	136 688 013
Basic	134 542 737	127 011 091
In-kind Benefits	1 605	13 133
Bonusses	1 180 880	1 037 041
Leave Payments	2 325 140	1 114 007
Overtime	7 850 749	7 512 740
Allowances:	20 410 497	19 023 197
Accommodation, Travel and Incidental	4 391 588	4 222 613
Bonus Allowance	10 589 583	9 671 404
Cellular and Telephone	425 487	397 607
Housing Benefits	734 553	720 780
Standby Allowance	3 559 581	3 445 026
Travel or Motor Vehicle	709 705	565 767
Social Contributions:	32 853 103	30 800 472
Bargaining Council	76 464	71 860
Group Life Insurance	377 901	377 640
Medical	6 921 982	6 596 149
Pension	23 233 633	21 611 894
Unemployment Insurance	1 160 541	1 134 511
Workmen's Compensation Fund	1 082 581	1 008 418
Post-retirement Benefits:	11 270 738	9 758 000
Current Service Cost	1 530 422	1 467 000
Interest Cost	7 515 316	6 327 000
Long Term Service Awards	2 225 000	1 964 000
Total Employee Related Costs	210 426 996	196 269 682

31.1 Remuneration of Key Management Personnel:

Remuneration of the Municipal Manager

Annual Remuneration	1 172 930	657 114
Performance Bonus	-	194 129
Car Allowance	138 096	18 000
Leave Payout	-	125 536
Other Allowances (Acting, Housing, Remote, etc)	70 697	-
Other Remuneration (Telephone, Bargaining Council, etc)	-	7 262
Company Contributions to UIF, Medical and Pension Funds	201 065	18 205
Total	1 582 788	1 020 246

Remuneration of the Chief Financial Officer

Annual Remuneration	1 028 611	967 690
Performance Bonus	193 934	187 376
Car Allowance	215 000	215 000
Other Allowances (Acting, Housing, Remote, Long Service etc)	100 733	-
Other Remuneration (Telephone, Bargaining Council, etc)	7 330	7 324
Company Contributions to UIF, Medical and Pension Funds	218 295	206 096
Total	1 763 903	1 583 486



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	2023 R	2022 R
Remuneration of Director: Community Services		
Annual Remuneration	1 082 415	1 033 657
Performance Bonus	193 934	187 376
Car Allowance	80 000	80 000
Other Remuneration (Telephone, Bargaining Council, etc)	7 330	7 324
Company Contributions to UIF, Medical and Pension Funds	297 543	272 791
Total	1 661 222	1 581 148
Remuneration of Director: Corporate Services		
Annual Remuneration	1 201 114	1 141 994
Performance Bonus	193 934	187 376
Other Allowances (Acting, Housing, Remote, etc)	-	1 732
Other Remuneration (Telephone, Bargaining Council, etc)	7 330	7 324
Company Contributions to UIF, Medical and Pension Funds	258 844	246 495
Total	1 661 222	1 584 920
Remuneration of Director: Planning Services		
Annual Remuneration	1 159 632	1 097 496
Performance Bonus	193 934	187 376
Car Allowance	60 000	60 000
Other Allowances (Acting, Housing, Remote, etc)	-	20 319
Other Remuneration (Telephone, Bargaining Council, etc)	7 330	7 324
Company Contributions to UIF, Medical and Pension Funds	239 807	231 290
Total	1 660 703	1 603 805
Remuneration of Director: Technical Services		
Annual Remuneration	845 384	818 013
Performance Bonus	161 065	158 685
Car Allowance	192 238	145 842
Other Allowances (Acting, Housing, Remote, etc)	23 952	58 500
Other Remuneration (Telephone, Bargaining Council, etc)	7 330	7 324
Company Contributions to UIF, Medical and Pension Funds	208 979	201 245
Total	1 438 948	1 389 608
The following compensation was payable to key management personnel in terms of GRAP 25 as at 30 June:		
		Restated
Post-employment Benefits:-		
Chief Financial Officer	752 827	809 415
Director: Community Services	226 633	254 647
Director: Corporate Services	734 090	707 931
Director: Planning Services	279 430	299 976
Director: Technical Services	68 283	78 513
Total	2 061 263	2 150 482
Staff Leave Benefits:-		
Municipal Manager	41 399	-
Chief Financial Officer	34 933	71 515
Director: Community Services	188 568	148 986
Director: Corporate Services	59 836	92 794
Director: Planning Services	29 318	66 316
Director: Technical Services	152 712	132 412
Total	506 766	512 023
Other Long-term Benefits:-		
Director: Community Services	316 525	296 308
Director: Corporate Services	-	88 920
Director: Planning Services	69 997	63 862
Director: Technical Services	67 950	62 688
Total	454 472	511 778

	2023 R	2022 R
32. REMUNERATION OF COUNCILLORS		
Executive Mayor	965 416	922 590
Deputy Executive Mayor	779 708	762 654
Speaker	798 829	728 892
Executive Committee Members	2 257 263	2 112 554
Total for All Other Councillors	3 611 758	3 403 281
Total Councillors' Remuneration	8 412 974	7 929 971

Remuneration Disclosure - Related Parties:

Designation	Basic Salary	Allowances	Contributions	Total	Total
Executive Mayor	595 520	266 875	103 021	965 416	922 590
Deputy Executive Mayor	721 904	57 804	-	779 708	762 654
Speaker	702 369	45 804	50 656	798 829	728 892
Executive Committee Members	1 931 302	193 812	132 149	2 257 263	2 112 554
Councillors	2 338 911	966 019	306 828	3 611 758	3 403 281
				8 412 974	7 929 971

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the municipality.

The Executive Mayor may utilise official Council transportation when engaged in official duties.

Councillors' allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

33. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	43 176 010	28 592 290
Amortisation: Intangible Assets	13 584	18 767
Total Depreciation and Amortisation	43 189 594	28 611 057



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	2023 R	2022 R
34. IMPAIRMENT LOSSES		
Impairment Losses on Fixed Assets	-	10 421 426
Impairment Losses on Financial Assets	49 342 925	57 010 549
Total Impairment Losses	49 342 925	67 431 975
34.1 Impairment Losses on Fixed Assets		
Impairment Losses	-	10 421 426
Property, Plant and Equipment	-	10 421 426
	-	10 421 426
34.2 Impairment Losses on Financial Assets		
Impairment Losses	1 213 266	-
Statutory Receivables from Non-exchange Revenue	1 213 266	-
Bad Debts Written Off	48 139 651	54 158 401
Reversal of Impairment Losses	(9 993)	2 852 148
Receivables from Exchange Transactions	(9 993)	2 852 148
	49 342 925	57 010 549
35. INTEREST, DIVIDENDS AND RENT ON LAND PAID		
Interest Paid:	20 629 676	19 487 523
Borrowings	13 406 180	15 560 231
Interest costs non-current Provisions	7 223 496	3 927 293
Total Interest, Dividends and Rent on Land Paid	20 629 676	19 487 523
36. BULK PURCHASES		
Electricity	139 141 289	141 118 373
Total Bulk Purchases	139 141 289	141 118 373

Bulk Purchases are the cost of commodities not generated by the municipality which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom, whilst Water is purchased from Overberg Water and Korente Vetterrivier Irrigation Board.



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	2023 R	2022 R
37. CONTRACTED SERVICES		
Outsourced Services	6 454 717	9 696 688
Consultants and Professional Services	6 503 044	6 049 465
Contractors	50 984 539	20 420 852
Total Contracted Services	63 942 299	36 167 006
37.1 Outsourced Services		
Administrative and Support Staff	400 636	-
Animal Care	111 280	104 910
Burial Services	41 037	102 620
Business and Advisory	17 326	167 297
Cleaning Services	817 570	1 035 647
Clearing and Grass Cutting Services	-	6 500
Litter Picking and Street Cleaning	332 616	-
Refuse Removal	-	23 251
Security Services	475 010	450 642
Traffic Fines Management	4 084 272	7 713 285
Translators, Scribes and Editors	18 736	44 427
Veterinary Services	156 234	48 110
	6 454 717	9 696 688
37.2 Consultants and Professional Services		
Business and Advisory	2 436 243	2 603 906
Infrastructure and Planning	802 566	713 909
Laboratory Services	534 880	568 105
Legal Cost	2 729 355	2 163 546
	6 503 044	6 049 465
37.3 Contractors		
Aerial Surveillance	582 570	5 860
Artists and Performers	35 000	32 000
Building	29 619 309	-
Catering Services	218 752	190 937
Event Promoters	-	197 200
Fire Protection	81 869	1 215 389
Fire Services	3 172 166	2 755 955
Gas	6 418	7 207
Graphic Designers	19 993	14 465
Haulage	887 364	1 036 092
Maintenance of Buildings and Facilities	2 524 005	1 809 431
Maintenance of Equipment	3 434 319	3 023 964
Maintenance of Computer Software	8 658 458	8 472 430
Prepaid Electricity Vendors	968 579	927 328
Safeguard and Security	752 453	701 654
Stage and Sound Crew	23 283	30 940
	50 984 539	20 420 852



	2023 R	2022 R
38. INVENTORY CONSUMED		
Consumables	20 468 209	12 326 142
Materials and Supplies	14 976 930	13 741 502
Water	6 866 572	6 177 521
Total Inventory Consumed	<u>42 311 711</u>	<u>32 245 166</u>

39. TRANSFERS AND SUBSIDIES PAID

Operational Grants	1 848 891	3 444 891
Allocations In-kind	186 112	83 318
Monetary Allocations	1 662 779	3 361 573
Total Transfers and Subsidies Paid	<u>1 848 891</u>	<u>3 444 891</u>

39.1 Operational Grants

	Allocations In-kind		Monetary Allocations	
	2023	2022	2023	2022
Households	46 227	83 318	10 330	1 705 440
Non-profit Institutions	-	-	1 652 449	1 656 133
Private Enterprises	139 885	-	-	-
Total Operational Grants Paid	<u>186 112</u>	<u>83 318</u>	<u>1 662 779</u>	<u>3 361 573</u>

40. OPERATING LEASES

Furniture and Office Equipment	588 539	362 293
Investment Properties	931 184	936 172
Machinery and Equipment	355 122	338 002
Total Operating Leases	<u>1 874 845</u>	<u>1 636 466</u>



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	2023 R	2022 R
41. OPERATIONAL COSTS		
Included in General Expenses are the following:		
Achievements and Awards	33 306	1 270
Advertising, Publicity and Marketing	727 156	764 240
Bank Charges, Facility and Card Fees	812 525	772 369
Bursaries (Employees)	163 821	154 218
Cash Discount	252 694	257 198
Cleaning Services	1 826	1 371
Commission	727 964	726 259
Communication	1 049 570	1 130 028
Courier and Delivery Services	21 859	18 088
Deeds	77 613	75 301
Drivers Licences and Permits	45 176	41 068
Entertainment	53 963	117 346
External Audit Fees	4 685 217	4 729 839
External Computer Service	7 256 863	5 247 823
Full Time Union Representative	122 600	103 891
Hire Charges	13 520	31 090
Honoraria (Voluntarily Workers)	100 667	70 980
Insurance Underwriting	3 090 947	3 902 594
Learnerships and Internships	375 197	847 117
Levies Paid - Water Resource Management Charges	481 201	448 290
Licences	561 401	499 007
Office Decorations	-	90 000
Printing, Publications and Books	117 980	131 275
Professional Bodies, Membership and Subscription	2 239 562	2 031 248
Registration Fees	674 381	765 770
Remuneration to Ward Committees	298 443	180 462
Resettlement Cost	-	41 148
Servitudes and Land Surveys	29 100	-
Signage	306 495	322 061
Skills Development Fund Levy	1 674 325	1 571 137
Transport Provided as Part of Departmental Activities	166 106	83 553
Travel and Subsistence	1 554 081	1 247 456
Uniform and Protective Clothing	1 662 583	1 287 574
Vehicle Tracking	445 045	351 163
Total Operational Costs	29 823 186	28 042 235



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	2023 R	2022 R
41.1 Travel and Subsistence		
Domestic	1 454 059	1 128 308
Accommodation	116 912	116 614
Daily Allowance	12 240	23 600
Incidental Cost	18 929	1 587
Transport without Operator	1 266 684	976 903
Transport with Operator	26 651	4 898
Non-employees	100 023	119 149
	1 554 081	1 247 456
41.2 Material Losses	10 761 727	13 624 117
Distribution Losses:		
Electricity Losses	10 146 922	12 661 513
Water Losses	614 805	962 604

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense (See Note 52.1.09).

No other extra-ordinary expenses were incurred.

42. GAINS AND LOSSES ON OTHER OPERATIONS

Gains on Other Operations		
Fair Value Gains on Actuarial Assessments	15 242 688	2 745 534
Fair Value Gains on Investment Property	3 226 050	26 728 157
Landfill Provision Reversal	8 116 259	
Gain on Disposal of PPE	1 864 520	10 203 765
Total Gains on Other Operations	28 449 517	39 677 456
Losses on Other Operations		
Fair Value Losses on Actuarial Assessments	10 358	2 415
Fair Value Losses on Investment Property	2 232 093	9 241 000
Water Losses	614 805	962 603
Total Losses on Other Operations	2 857 256	10 206 018
Net Gains and Losses on Other Operations	25 592 261	29 471 438

No other gains or losses have been recognised in respect of Loans and Receivables or Held-to-Maturity Investments, and Impairment Losses recognised/reversed in respect of Trade Receivables (see Notes 4, 5 and 34).

Refer to note 46 for detail regarding the correction of prior period errors.

43. GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Losses on Disposal of Capital Assets		
Investment Property	577 500	147 000
Property, Plant and Equipment	(1 236 742)	269 745
Total Loss on Disposal of Capital Assets	(659 242)	416 745
Net Gains / (Losses) on Disposal of Capital Assets	659 242	(416 745)

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44. RECLASSIFICATION OF ANNUAL FINANCIAL STATEMENTS

44.1 Reclassification and correction of prior period error in Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

		Accumulated Surplus
Balance published as at 30 June 2021		1 003 312 258
Correction of Error:-		
Adjustment for Rounding Errors	(3)	(3)
Restated Balance as at 30 June 2021		1 003 312 254
Transactions incurred for the Year 2021/22		133 679 866
Correction of Error:-		
Adjustment for Employee Benefit Liabilities	(894 000)	
Correction of Landfill Site Provision	-	
Adjustment for Rounding Errors	-	(894 000)
Restated Balances as at 30 June 2022		1 136 098 121

44.2 Reclassification of Revenue

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2021/22 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2021/22
Property Rates	112 849 907	-	-	112 849 907
Fines, Penalties and Forfeits	61 931 662	-	-	61 931 662
Licences and Permits - Non-exchange	1 988 190	-	-	1 988 190
Transfers and Subsidies	139 040 010	-	-	139 040 010
Service Charges - Non-exchange	10 446 531	-	-	10 446 531
Interest, Dividends & Rent on - Land Non-Exchange	551 001	-	-	551 001
Service Charges - Exchange	288 791 364	-	-	288 791 364
Sales of Goods and Rendering of Services	20 200 475	-	(2 386 287)	17 814 188
Income from Agency Services	2 893 648	-	-	2 893 648
Rental from Fixed Assets	3 400 720	-	-	3 400 720
Interest, Dividends & Rent on Land - Exchange	21 201 362	-	-	21 201 362
Operational Revenue	2 820 645	-	2 386 287	5 206 932
Gains on Disposal of PPE	9 787 021	-	(9 787 021)	-
Gains on Other Operations	-	-	39 677 456	39 677 456
Gains on Actuarial Assessments	3 637 119	-	(3 637 119)	-
Gains on Fair Value Adjustments	17 487 157	-	(17 487 157)	-
	697 026 811	-	8 766 160	705 792 971

44.3 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2021/22 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2021/22
Employee Related Costs	196 269 682	-	-	196 269 682
Remuneration of Councillors	7 929 971	-	-	7 929 971
Depreciation and Amortisation	28 611 057	-	-	28 611 057
Impairment Losses	54 599 903	-	(441 502)	54 158 401
Interest, Dividends and Rent on Land	19 487 523	-	-	19 487 523
Bulk Purchases	141 118 373	-	-	141 118 373
Contracted Services	35 239 678	-	927 328	36 167 006
Inventory Consumed	32 245 166	-	-	32 245 166
Transfers and Subsidies Paid	3 444 891	-	-	3 444 891
Operating Leases	1 636 466	-	-	1 636 466
Operational Costs	28 969 563	-	(927 327)	28 042 235
Loss on Disposal of PPE	-	-	416 745	416 745
Losses on Other Operations	-	-	10 206 018	10 206 018
Impairment Loss on Receivables	2 410 646	-	441 502	2 852 148
Impairment Loss on Fixed Assets	10 421 426	-	-	10 421 426
Water Losses	962 603	-	(962 603)	-
	563 346 946	-	9 660 160	573 007 106

44.4 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2021/22 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2021/22
Current Assets				
Inventories	4 274 332	-	-	4 274 332
Receivables from Exchange Transactions	31 993 698	-	2 184 619	34 178 316
Receivables from Non-exchange Transactions	24 811 527	-	(24 811 527)	-
Statutory Receivables from Non-exchange Transactions	-	-	22 626 909	22 626 909
Cash and Cash Equivalents	362 676 261	-	(360 105 001)	2 571 259
Call Investments Deposit	-	-	360 105 001	360 105 001
Lease Receivables	747 033	-	-	747 033
Non-Current Assets				
Property, Plant and Equipment	994 018 369	-	(193 255)	993 825 114
Intangible Assets	409 010	-	(188 412)	220 598
Investment Property	91 486 333	-	(0)	91 486 333
Heritage Assets	8 522 495	-	(70 983)	8 451 512
Current Liabilities				
Consumer Deposits	(11 575 638)	-	-	(11 575 638)
Payables from Exchange Transactions	(52 458 852)	-	-	(52 458 852)
Unspent Conditional Grants and Receipts	(7 489 305)	-	-	(7 489 305)
VAT Payable	(1 721 228)	-	-	(1 721 228)
Lease Payables	(36 688)	-	-	(36 688)
Borrowings	(21 775 309)	-	-	(21 775 309)
Employee Benefit Liabilities	(22 639 048)	-	4 000	(22 635 048)
Provisions	-	-	-	-
Non-Current Liabilities				
Borrowings	(128 087 900)	-	-	(128 087 900)
Employee Benefit Liabilities	(68 697 000)	-	(898 000)	(69 595 000)
Provisions	(64 522 455)	-	452 648	(64 069 807)
Trust Fund	(2 400 408)	-	2 400 408	-
Net Assets				
Reserves	(543 103)	-	(2 400 408)	(2 943 510)
Accumulated Surplus / (Deficit)	(1 136 992 123)	-	894 003	(1 136 098 121)
	-	-	-	-

44.5 Reclassification of Cash Flow Statement

The prior year figures of the Cash Flow Statement have been restated to correctly classify the nature of cash receipts and expenditures of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2021/22 Audited	Change in Accounting Policy	Correction of Error	Restated Amount 2021/22
Receipts				
Property Rates	111 418 663	-	680 761	112 099 424
Fines, Penalties and Forfeits	15 448 692	-	-	15 448 692
Transfers and Subsidies	-	-	131 275 245	131 275 245
Service Charges	279 088 353	-	8 135 695	287 224 048
Availability Charge	8 868 830	-	(8 868 830)	-
External Interest and Dividends Received	21 752 363	-	(2 371 920)	19 380 443
Other Receipts	29 858 337	-	29 191 988	59 050 325
VAT Received	-	-	4 096 892	4 096 892
Government - Operating	57 248 559	-	(57 248 559)	-
Government - Capital	74 026 687	-	(74 026 687)	-
Payments				
Employee Related Costs	(196 933 165)	-	7 929 971	(189 003 194)
Remuneration of Councillors	-	-	(7 929 971)	(7 929 971)
External Interest and Dividends Paid	(19 487 523)	-	3 927 293	(15 560 231)
Suppliers Paid	(236 171 717)	-	(44 755 159)	(280 926 876)
Transfers and Grants	(3 444 891)	-	3 444 891	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	141 673 187	-	(6 518 389)	135 154 798
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	(114 292 965)	-	(2 135 916)	(116 428 881)
Purchase of Intangible Assets	(190 120)	-	190 120	-
Purchase of Heritage Assets	(93 000)	-	93 000	-
Proceeds on Disposal of Property, Plant and Equipment	10 203 765	-	(1 748 886)	8 454 879
Proceeds on Disposal of Investment Property	-	-	10 203 765	10 203 765
Decrease / (Increase) in Long-term Receivables	3 607	-	(3 607)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(104 368 713)	-	6 598 476	(97 770 237)
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in Finance Leases (Leases Redeemed)	-	-	(9 348)	9 348
Decrease in Borrowings (Loans Redeemed)	(23 368 204)	-	(1)	(23 368 205)
Increase in Trust Funds	70 737	-	(70 737)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	(23 297 467)	-	(80 086)	(23 377 553)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVA	14 007 007	-	(0)	14 007 007
Cash and Cash Equivalents at Beginning of Period	348 669 253	-	0	348 669 253
Cash and Cash Equivalents at End of Period	362 676 261	-	(0)	362 676 261



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45. CORRECTION OF ERROR

Corrections were made on disclosures of the previous financial year. These disclosures are limited to re-classification of line items within the different categories of the financial statements. Details of the corrections are described below:

45.1 Reclassification of Revenue

Prior year amounts of items in Revenue included in the Statement of Financial Performance have been restated as indicated below:

Reclassification in terms of mSCOA Chart:

The prior year amounts for revenue of indicated items in the Statement of Financial Performance have been reclassified in terms of the mSCOA Item GUID's allocated to these items to agree to the data strings submitted to National Treasury. The net effect of these reclassifications in performance is zero.

	Property Rates	Fines, Penalties and Forfeits	Licences and Permits - Non-exchange	
Balance previously reported	112 849 907	61 931 662	1 988 190	
Reclassification in terms of mSCOA Chart	-	-	-	
Restated Balance now reported	112 849 907	61 931 662	1 988 190	
	Transfers and Subsidies	Surcharges and Taxes	Service Charges - Non-exchange	Interest, Dividends & Rent on - Land Non-Exchange
Balance previously reported	139 040 010	-	10 446 531	551 001
Restated Balance now reported	139 040 010	-	10 446 531	551 001
	Licences and Permits - Exchange	Service Charges - Exchange	Sales of Goods and Rendering of Services	
Balance previously reported	1 988 190	288 791 364	20 200 475	
Reclassification in terms of mSCOA Chart	-	-	(2 386 287)	
Restated Balance now reported	1 988 190	288 791 364	17 814 188	
	Income from Agency Services	Rental from Fixed Assets	Interest, Dividends & Rent on Land - Exchange	
Balance previously reported	2 893 648	3 400 720	21 201 362	
Reclassification in terms of mSCOA Chart	-	-	-	
Restated Balance now reported	2 893 648	3 400 720	21 201 362	
	Operational Revenue	Intercompany/Parent-subsidary Transactions	Gains on Disposal of PPE	Gains on Other Operations
Balance previously reported	2 820 645	-	9 787 021	
Reclassification in terms of mSCOA Chart	2 386 287	-	(9 787 021)	9 787 021
Reclassification of Losses on Disposal of PPE	-	-	-	416 745
Reclassification of Fair Value Gains on Actuarial Assessments	-	-	-	3 637 119
Reclassification of Fair Value Losses on Actuarial Assessments	-	-	-	2 415
Reclassification of Fair Value Gains on Investment Property	-	-	-	17 487 157
Reclassification of Fair Value Losses on Investment Property	-	-	-	9 241 000
Correction of Errors:-				
Restatement of Actuarial Gains on PEMA Benefits	-	-	-	(894 000)
Restated Balance now reported	5 206 931	-	-	39 677 456

Gains on Other Operations:

The **prior year amounts** for Gains on Other Operations and Employee Benefit Liabilities have been restated to correctly disclose the actuarial gains

	Gains on Actuarial Assessments	Gains on Fair Value Adjustments
Balance previously reported	3 637 119	17 487 157
Reclassification of Fair Value Gains on Actuarial Assessments	(3 637 119)	-
Reclassification of Fair Value Gains on Investment Property	-	(17 487 157)
Restated Balance now reported	-	-

45.2 Reclassification of Expenditure

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

Reclassification in terms of mSCOA Chart:

The **prior year amounts** for expenditure of indicated items in the Statement of Financial Performance have been reclassified in terms of the mSCOA Item GUID's allocated to these items to agree to the data strings submitted to National Treasury. The net effect of these reclassifications in performance is zero.

	Employee Related Costs	Remuneration of Councillors	Depreciation and Amortisation
Balance previously reported	196 269 682	7 929 971	28 611 057
Reclassification in terms of mSCOA Chart	-	-	-
Restated Balance now reported	196 269 682	7 929 971	28 611 057

	Impairment Losses	Finance cost	Bulk Purchases	Contracted Services
Balance previously reported	54 599 903	19 487 523	141 118 373	35 239 678
Reclassification of Impairment Loss on Receivables	(441 502)	-	-	-
Reclassification of Impairment Loss on Fixed Assets	-	-	-	-
Reclassification of Finance Cost	-	0	-	-
Reclassification of Contracted Services	-	-	-	927 328
Restated Balance now reported	54 158 401	19 487 523	141 118 373	36 167 005

Impairment Losses:

The **prior year amounts** for Impairment Losses, Receivables from Exchange Transactions and Statutory Receivables from Non-exchange Transactions have been reclassified in terms of mSCOA Chart.

	Inventory Consumed	Transfers and Subsidies Paid	Operating Leases	Operational Costs
Balance previously reported	32 245 166	3 444 891	1 636 466	28 969 563
Reclassification in terms of mSCOA Chart	-	-	-	(927 328)
Restated Balance now reported	32 245 166	3 444 891	1 636 466	28 042 235

	Loss on Disposal of PPE	Losses on Other Operations
Balance previously reported	-	-
Reclassification of Losses on Disposal of PPE	416 745	-
Reclassification of Fair Value Losses on Actuarial Assessments	-	2 415
Reclassification of Fair Value Losses on Investment Property	-	9 241 000
Reclassification of Water Losses	-	962 603
Restated Balance now reported	416 745	10 206 018

Loss on Disposal of Property, Plant and Equipment:

The **prior year amounts** for Loss on Disposal of PPE and Property, Plant & Equipment have been restated to correctly disclose disposal of assets as per Asset Register compiled for the Year.

The prior year amounts for Fair Value Losses on Actuarial assessments and Investment property as well as Water Losses have been reclassified in terms of mSCOA Chart to Losses on Other Operations.

	Impairment Loss on Receivables	Impairment Loss on Fixed Assets	Water Losses
Balance previously reported	2 410 646	10 421 426	962 603
Reclassification of Impairment Loss on Receivables	441 502	-	-
Reclassification of Impairment Loss on Fixed Assets	-	-	-
Reclassification of Water Losses	-	-	(962 603)
Restated Balance now reported	2 852 148	10 421 426	-

45.3 Reclassification of Statement of Financial Position

Opening Balances and **Prior Year Amounts** of items in the Statement of Financial Position have been restated as indicated below:

Reclassification in terms of mSCOA Chart:

The opening balances of indicated items in the Statement of Financial Position have been reclassified in terms of the mSCOA Item GUID's allocated to these items to agree to the data strings submitted to National Treasury. The net effect of these reclassifications is reflected in Note 44.1 and represents the reclassification of Funds and Reserves from Accumulated Surplus - see Note 45.3 on 'Reserves'.

The prior year amounts of indicated items in the Statement of Financial Position have been reclassified in terms of the mSCOA Item GUID's allocated to these items to agree to the data strings submitted to National Treasury. The net effect of these reclassifications is reflected in Note 44.1 and represents the reclassification of Funds and Reserves from Accumulated Surplus - see Note 45.3 on 'Reserves'.

	Inventories	Receivables from Exchange Transactions	Statutory Receivables from Exchange Transactions
Balances now published per AFS as at 30 June 2021	4 274 332	31 993 698	-
Reclassification in terms of mSCOA Chart	-	2 184 619	-
Balances now published per AFS as at 30 June 2022	4 274 332	34 178 316	-

Inventories:

The **opening balances** of Inventories and VAT Receivable/Payable have been restated to correctly disclose the amount for VAT accrued on Service Debtors, previously included in VAT Receivables.

The **opening balances** of Inventories have been restated to correctly disclose the value of Inventories, restated in terms of prior year audit findings as per working papers prepared.

The **prior year amounts** of Inventories have been restated to correctly disclose the property Inventory that was transferred in the prior period, and for which the risks and rewards do not lie with municipality.

Receivables from Exchange Transactions:

The **opening balances** of Receivables from Exchange Transactions and Statutory Receivables from Non-exchange Transactions have been reclassified in terms of mSCOA Chart.

	Receivables from Non-exchange Transactions	Statutory Receivables from Non-exchange Transactions	VAT Receivable
Balances now published per AFS as at 30 June 2021	24 811 527	-	-
Reclassification in terms of mSCOA Chart	(24 811 527)	22 626 909	-
Balances now published per AFS as at 30 June 2022	-	22 626 909	-

Statutory Receivables from Non-exchange Transactions:

The **opening balances** of Statutory Receivables from Non-exchange Transactions, Receivables from Exchange Transactions and Impairment Losses have been reclassified in terms of mSCOA Chart.

	Property, Plant and Equipment	Intangible Assets	Investment Property
Balances previously published per AFS as at 30 June 2021	893 060 140	234 276	74 146 177
Reclassification in terms of mSCOA Chart	-	5 089	-
Rounding Errors	(2)	-	(0)
Balances now published per AFS as at 30 June 2021	994 018 369	409 010	91 486 333
Reclassification in terms of mSCOA Chart	(193 255)	(188 412)	-
Balances now published per AFS as at 30 June 2022	993 825 114	220 598	91 486 333

Property, Plant and Equipment:

The opening balance of Property Plant and Equipment was reclassified in terms of mSCOA Chart.

The **opening balances** for Property, Plant & Equipment and Accumulated Surplus have been restated to correctly disclose the value of Capital Assets as per Register compiled for the Prior Year.

Furthermore, the **opening balances** for Property, Plant & Equipment have been restated to include Road and Stormwater assets that was previously excluded due to demarcation boundaries.

The **opening balances** for Property, Plant & Equipment has also been restated due to certain Roads lengths and sizes that was corrected.

The **opening balances** for Property, Plant & Equipment has also been restated due to certain Land parcels that was previously incorrectly classified as Investment Properties.

Lastly, the **opening balances** for Property, Plant & Equipment were restated for properties belonging to the municipality housing structures on them that do not belong to the municipality.

The **prior year amounts** for Property, Plant & Equipment, Amortisation & Depreciation, Impairment and Disposal of Capital Assets have been restated to correctly disclose the value of Capital Assets as per Asset Register compiled for the Prior Year.

The **prior year amounts** of Property, Plant and Equipment have been restated to correct prior period amounts of Accumulated Depreciation for assets that have been fully depreciated at year end, but are still in use.

The **prior year amounts** of Property, Plant and Equipment have been restated to correctly disclose the revised cost for the Landfill Site (Solid Waste) asset as per revised estimate reports.

The **prior year amounts** of Property, Plant and Equipment have been restated due to Work in Process projects that we completed during the prior year.

Intangible Assets:

The opening balances for Intangible Assets was reclassified in terms of mSCOA Chart.

	Heritage Assets	Lease Receivable	Long-term Receivables
Balances now published per AFS as at 30 June 2021	8 522 495	-	-
Reclassification in terms of mSCOA Chart	(70 983)	-	-
Balances now published per AFS as at 30 June 2022	8 451 512	-	-

Investment Property:

The **opening balances** for Investment Property has been restated due to certain Land parcels that was previously incorrectly classified as Investment Properties.

Furthermore, the **opening balances** for Property, Plant & Equipment were restated for properties belonging to the municipality housing structures on them that do not belong to the municipality.

Lastly, the **opening balances** for Investment Property were restated for properties previously incorrectly included in the Asset Register.

The **prior year amounts** of Investment Property have been restated to correctly disclose the amount of the assets held, properties transferred to other institutions not previously recognised.



Heritage Assets:

The **opening balance** for Heritage Assets have been reclassified in terms of MSCOA Chart.

	Payables from Exchange Transactions	Payables from Non-exchange Transactions
Balances now published per AFS as at 30 June 2021	<u>(52 458 852)</u>	-
Balances now published per AFS as at 30 June 2022	<u>(52 458 852)</u>	-

Payables from Exchange Transactions:

The balance of Staff leave have been reclassified to the opening balances of Payables from Exchange Transactions in terms of mScoa Chart.

	Employee Benefit Liabilities	Provisions	Trust Fund	Leases
Balances now published per AFS as at 30 June 2021	<u>(22 639 048)</u>	-	<u>(2 400 408)</u>	-
Reclassification in terms of mSCOA Chart	-	-	2 400 408	-
Adjustment for Current Employee Benefits	4 000	-	-	-
Balances now published per AFS as at 30 June 2022	<u>(22 635 048)</u>	-	<u>-</u>	<u>-</u>

Employee Benefit Liabilities:

The balance of Staff Leave have been reclassified from the opening balance of Employee Benefit Liabilities to Payables from Exchange Transactions in terms of mSCOA Chart.

Furthermore, the balance of Performance bonuses and Staff bonuses have been reclassified from the opening balance of Employee Benefit Liabilities to Provisions in terms of mSCOA Chart.

The opening balance of Trust Fund have been reclassified to Reserves in terms of mSCOA Chart.

	Borrowings	Employee Benefit Liabilities	Provisions	Reserves
Balances now published per AFS as at 30 June 2021	<u>(149 863 209)</u>	<u>(68 697 000)</u>	<u>(64 522 455)</u>	<u>(543 103)</u>
Reclassification in terms of mSCOA Chart	-	-	-	(2 400 408)
Correction of Errors:-	-	(898 000)	-	-
Adjustment for Current Employee Benefits	-	(898 000)	-	-
Restatement of Landfill Site Provision - Post Closure Provision	-	-	452 648	-
Balances now published per AFS as at 30 June 2022	<u>(149 863 209)</u>	<u>(69 595 000)</u>	<u>(64 069 807)</u>	<u>(2 943 510)</u>

Employee Benefit Liabilities:

The **prior year amounts** for Employee Benefit Liabilities and Gains on Other Operations have been restated to correctly disclose the actuarial gains on Post-retirement Medical Benefits as per revised actuarial report submitted.

Non-current Provisions:

The **opening balances** of Non-current Provisions have been reclassified in terms of mSCOA Chart.

The **opening balances** of Non-current Provisions, Property, Plant & Equipment and Accumulated Surplus have been restated to correctly disclose the amount for Provision for the Rehabilitation of Landfill Sites, previously incorrectly calculated for.

The **prior year amounts** of Non-Current Provisions have been restated to correctly disclose the revised Liability for the Landfill Site Rehabilitation, as per revised estimate reports.

The **prior year amounts** for Non-current Provisions, Property, Plant & Equipment and Finance Costs have been restated to correctly disclose the amount for Provision for the Rehabilitation of Landfill Sites, previously incorrectly calculated for.



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45.4 Reclassification of Cash Flow Statement

Prior Year Amounts of Items in the Cash Flow Statement have been restated as indicated below:

Cash Flows from Operating Activities - Receipts:

	Property Rates	Transfers & Subsidies	Service Charges
Balance previously reported	111 418 663	-	279 088 353
Reclassification in terms of mSCOA Chart	680 761	131 275 245	8 135 695
Restated Balance now reported	112 099 424	131 275 245	287 224 048

Property Rates:

The prior year amounts for Property Rates have been reclassified in terms of mSCOA Chart.

Transfers & Subsidies:

The prior year amounts for Government Grants & Receipts have been reclassified to Transfers & Subsidies in terms of mSCOA Chart. The effect of these reclassifications on net Cash Flow is zero.

	Grants: Operating	Grants: Operating	Availability Charges
Balance previously reported	57 248 559	74 026 687	8 868 830
Reclassification in terms of mSCOA Chart	(57 248 559)	(74 026 687)	(8 868 830)
Restated Balance now reported	-	-	-

	Fines, Penalties & Forfeits	Interest Received	Other Receipts	VAT Received
Balance previously reported	15 448 692	21 752 363	29 858 337	-
Reclassification in terms of mSCOA Chart	-	(2 371 920)	29 191 988	4 096 892
Restated Balance now reported	15 448 692	19 380 443	59 050 325	4 096 892

Interest Received:

The prior year amounts for Interest Received have been reclassified to correctly disclose the revenue, adjusted for non-cash movements and movements in financial assets and liabilities. The effect of these reclassifications on net Cash Flow is zero.

Other Receipts:

The prior year amounts for Other Receipts have been reclassified to correctly disclose the revenue, adjusted for non-cash movements and movements in financial assets and liabilities allocated to Other Receipts. The effect of these reclassifications on net Cash Flow is zero.

Cash Flows from Operating Activities - Payments:

	Employee Related Costs	Remuneration of Councillors	Interest Paid
Balance previously reported	(196 933 165)	-	(19 487 523)
Reclassification in terms of mSCOA Chart	7 929 971	(7 929 971)	3 927 293
Restated Balance now reported	(189 003 194)	(7 929 971)	(15 560 231)



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Employee Related Costs:

The **prior year amounts** for Employee Related Costs and Remuneration of Councillors were reclassified in terms of mSCOA Chart.

The prior year amounts for Interest Paid have been reclassified to correctly disclose the payments, adjusted for non-cash movements.

	Transfers & Grants Paid	Suppliers Paid	VAT Paid
Balance previously reported	(3 444 891)	(236 171 717)	-
Reclassification in terms of mSCOA Chart	3 444 891	(44 755 159)	-
Restated Balance now reported	<u>-</u>	<u>(280 926 876)</u>	<u>-</u>

Suppliers Paid:

The **prior year amounts** for Suppliers Paid have been reclassified to correctly disclose the payments, adjusted for non-cash movements and movements in financial assets and liabilities allocated to Suppliers Paid. The effect of these reclassifications on net Cash Flow is zero.

Cash Flows from Investing Activities:

	Purchase of PPE	Purchase of Intangible Assets	Purchase of Investment Property	Purchase of Heritage Assets
Balance previously reported	(114 292 965)	(190 120)	-	(93 000)
Reclassification in terms of mSCOA Chart	(2 135 916)	190 120	-	93 000
Restated Balance now reported	<u>(116 428 881)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Purchase of Property, Plant and Equipment:

The **prior year amounts** for Purchase of Property, Plant and Equipment, Intangible Assets and heritage Assets have been reclassified in terms of mSCOA Chart.

	Proceeds on Disposal of PPE	Proceeds on Disposal Intangible Assets	Proceeds on Disposal Investment Prop	Decrease / (Increase) in LT Receivables
Balance previously reported	10 203 765	-	-	3 607
Reclassification in terms of mSCOA Chart	(10 203 765)	-	10 203 765	(3 607)
Restated Balance now reported	<u>(0)</u>	<u>-</u>	<u>10 203 765</u>	<u>-</u>

Proceeds on Disposal of PPE, Intangible Assets and Investment Property

The prior year amounts for Proceeds on disposal of PPE, Intangible Assets and heritage Assets have been reclassified in terms of mSCOA Chart.

	Decrease in Finance Leases (Leases Redeemed)	Increase in Trust Funds
Balance previously reported	-	70 737
Reclassification in terms of mSCOA Chart	(9 348)	(70 737)
Restated Balance now reported	<u>(9 348)</u>	<u>-</u>

Net Increase / (Decrease) in Cash and Cash Equivalents:

	Cash at Start of Period	Cash at Start of Period
Balance previously reported	348 669 253	362 676 261
Restated Balance now reported	<u>348 669 253</u>	<u>362 676 261</u>



Change in Cash and Cash Equivalents:

The **prior year amounts** for Change in Cash and Cash Equivalents have been reclassified to correctly disclose the revenue, adjusted for non-cash movements and movements in financial assets and liabilities allocated to Change in Cash and Cash Equivalents. The effect of these reclassifications on net Cash Flow is zero.

The **prior year amounts** for Change in Cash and Cash Equivalents have been restated to correctly disclose the cash inflow/outflow in Cash, restated as per Working Papers prepared for Correction of Errors.

	2023 R	2022 R
46. CHANGE IN ACCOUNTING ESTIMATES		
46.1 Provision for the Rehabilitation of Landfill Site:	-5 737 269	26 716 703
As per note 18.2 a GRAP 3 adjustment was made, due to changes in the estimated closure cost and remaining useful lives of landfill sites as a result of more accurate estimations made in the current year, that resulted from more accurate data that was gathered in 2023.		
There was also an adjustment of the discount rate from 11.59% in 2022 to 11.55% in 2023.		
The change in estimate has resulted in a decrease of R5 737 296 of the provision.		
The detailed adjustments per site are as follows:		
Albertinia:	-2 687 566	
<i>The expected date for the rehabilitation of the landfill sites was adjusted from 2029 to 2033 increasing the remaining useful life by 4 years.</i>		
Droëkloof:	-1 830 059	
No changes in expected usefull life.		
Gouritsmond:	-272 369	
No changes in expected usefull life.		
Jongensfontein:	2 108 104	
<i>The expected date for the rehabilitation of the landfill sites was adjusted from 2042 to current cost decreasing the remaining useful life by 20 years.</i>		
Melkhoutfontein:	-11 465 750	
<i>The expected date for the rehabilitation of the landfill sites was adjusted from 2042 to 2067 Increasing the remaining useful life by 25 years.</i>		
Slangrivier:	-381 660	
<i>The expected date for the rehabilitation of the landfill sites was adjusted from 2042 to 2036 decreasing the remaining useful life by 6 years.</i>		
Steynskloof:	4 914 181	
<i>The expected date for the rehabilitation of the landfill sites was adjusted from 2060 to 2030 decreasing the remaining useful life by 30 years</i>		
Uitsig:	3 877 849	
Total Decrease:	-5 737 270	



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47. CASH GENERATED BY OPERATIONS	2023 R	2022 R
Surplus / (Deficit) for the Year	83 915 774	132 785 865
Adjustment for Non-cash Transactions included in Surplus / (Deficit):		
Fines, Penalties and Forfeits	(40 739 050)	(45 750 090)
Transfers and Subsidies Received	-	(123 000)
Employee Related Costs	14 100 353	11 282 895
Depreciation and Amortisation	43 189 594	28 611 057
Impairment Losses	41 942 324	59 023 664
Interest, Dividends and Rent on Land	7 223 496	3 927 293
Gains on Other Operations	(28 449 517)	(39 677 456)
Losses on Other Operations	2 857 256	10 206 018
Gains / Losses on Disposal of Assets	1 119 159	8 871 623
Adjustment for Cash Transactions not included in Surplus / (Deficit):		
Transfer of Property, Plant and Equipment	(1 886 453)	(5 714 484)
Transfer of Investment Property	107 000	-
Expenditure from Current Employee Benefit Liabilities	(4 088 670)	(3 399 881)
Expenditure from Current Provisions	(1 035 323)	(1 102 319)
Adjustment for Non-cash Transactions included in Working Capital:		
Inventories	(614 805)	(962 603)
Decrease/(Increase) in Impairment of Exchange Receivables	(80 388)	265 443
Decrease/(Increase) in Impairment of Statutory Non-exchange Receivables	(1 033 012)	(3 117 591)
Adjustment for Transactions included in Surplus / (Deficit) directly recognised in Cash Flow:		
Gains / (Losses) on Disposal of Capital Assets	(1 778 401)	(8 454 879)
Minor Variance on Impairment	(89 874)	-
Non-cash Transactions on Non-Current Provisions reserve	(9 422)	70 737
Operating Surplus before Working Capital Changes	<u>114 650 041</u>	<u>146 742 291</u>
Decrease/(Increase) in Inventories	245 993	(863 472)
Decrease/(Increase) in Receivables from Exchange Transactions	(826 289)	(3 135 245)
Decrease/(Increase) in Statutory Receivables from Exchange Transactions	-	2 375 664
Decrease/(Increase) in Statutory Receivables from Non-exchange Transactions	(2 047 769)	(494 474)
Decrease/(Increase) in Operating Lease Receivables	38 017	(106 438)
Decrease/(Increase) in Current Portion of Long-term Receivables	-	3 607
Increase/(Decrease) in Consumer Deposits	1 419 052	947 824
Increase/(Decrease) in Payables from Exchange Transactions	(318 201)	(4 394 424)
Increase/(Decrease) in Unspent Conditional Grants and Receipts	1 729 024	(7 641 765)
Increase/(Decrease) in VAT Payable	(378 551)	1 721 228
Cash Generated by / (Utilised in) Operations	<u><u>114 511 318</u></u>	<u><u>135 154 797</u></u>



**A U D I T O R - G E N E R A L
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48. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

48.1 Unauthorised Expenditure

	2023 R	2022 R
Reconciliation of Unauthorised Expenditure:		
Opening Balance:	-	6 565 974
Unauthorised Expenditure Current Year:	5 853 667	
- Current Year	5 853 667	-
- Prior Year	-	-
Approved/Condoned by Council:		(6 565 974)
	<u>5 853 667</u>	<u>-</u>

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

- Non-cash	-	-
- Cash	5 853 667	-
	<u>5 853 667</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings
Operating Budgeted Votes Exceeded:-	
- Executive and Council - R660 242 (2022: R0)	To be condoned by Council
- Road Transport - R1 302 796 (2022: R0)	To be condoned by Council
- Waste Water Management - R3 708 542 (2022: R0)	To be condoned by Council
Capital Budgeted Votes Exceeded:-	
- Sport and Recreation - R182 087 (2022: R0)	To be condoned by Council // No disciplinary steps taken

48.2 Fruitless and Wasteful Expenditure

To management's best of knowledge no instances of note indicating that Fruitless and Wasteful Expenditure was incurred during the year under review.

48.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:		
Opening Balance:	658	77 276
Irregular Expenditure Current Year:	5 412 400	1 533
Condoned/Written-off by Council:	(64 399)	(78 151)
Recovered	(25 981)	-
Irregular Expenditure awaiting condonation	<u>5 322 679</u>	<u>658</u>

The amounts disclosed for Irregular Expenditure are inclusive of VAT.

Attention is directed to the fact that with the improvement of own controls due to the increase in its maturity the Municipality identified potential irregular expenditure with regards to the payment of invoices within 30 days as contemplated by section 65(2)(e) of the MFMA. The full population could only be considered after the closure of the financial year, and its veracity is currently being investigated. Once concluded, treated as prescribed and consequence management affected, the data would be included in the AFS notes for 2023/2024, and where necessary the required augmentations will be made.

A Total number of 196 cases were identified as minor technical breaches, was rectified by the Accounting Officer owing to an amount of R1 226 096.54 (VAT inclusive) in terms of Section 36 (1)(b) of the MSC Regulations.

Current Year:

Incident	Deviation	Disciplinary Steps / Criminal Proceedings
Non-compliance with Municipal SCM Regulations:		
- Deviations from SCM Procedures - R29 636 (2022: R0)	Irregular Payment without following SCM processes	None
- Regulation 11 - Preferential Procurement Policy Framework Act, 2000 - R79 356 (2022: R0)	The contract was not awarded to the tenderer who scores the highest points	None, still to be investigated
- Preferential Procurement Regulation 2022 - R5 213 687 (2022:0)	Not applied to quotations - R2 001 - R30 000	None, still to be investigated
Non-compliance with Municipal Finance Management		
- Section 65 - R63 741 (2022: R0)	Creditor Payment in excess of 30 days Irregular	Still to be investigated
Other Non-compliance Issues:		
- Irregular salary payment - R25 981 (2022: R0)	Irregular salary payment	Recovered

Prior Year:

Incident	Deviation	Disciplinary Steps / Criminal Proceedings
- Overspenditure of petty cash limits - R658 (2022: R0)	Overspenditure of petty cash limit	

2023
R

2022
R

49. ADDITIONAL DISCLOSURES IN TERMS OF APPLICABLE LEGISLATION

49.1 MUNICIPAL FINANCE MANAGEMENT ACT

49.1.1 Contributions to Organised Local Government - SALGA

Opening Balance	-	-
Council Subscriptions	2 196 834	1 998 539
Amount Paid - current year	(2 196 834)	(1 998 539)
Balance Unpaid (included in Creditors)	-	-

49.1.2 Pension and Medical Aid Deductions

Opening Balance	-	-
Current Year Contributions	50 546 537	47 357 146
Amount Paid - current year	(50 546 537)	(47 357 146)
Balance Unpaid (included in Creditors)	-	-

Restated

49.1.3 Audit Fees

Opening Balance	-	-
Current year Audit Fees	4 770 906	4 822 914
External Audit - Auditor-General	4 685 217	4 729 839
Audit Committee	85 689	93 075
Amount Paid - current year	(4 770 906)	(4 822 914)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

The prior year's amounts have been restated due to recalculations done on documentation submitted.

49.1.4 PAYE, Skills Development Levy and UIF

Restated

Opening Balance	-	-
Current year Payroll Deductions	28 774 541	27 017 797
Amount Paid - current year	(28 774 541)	(27 017 797)
Balance Unpaid (included in Creditors)	-	-

49.1.5 VAT

The net of VAT input receivables and VAT output payables are shown in Note 1. All VAT returns have been submitted by the due date throughout the year.

- -

49.1.6 Councillor's arrear Consumer Accounts

The following councillor's account was in arrears at 30 June 2023. The councillor made an arrangement

30 June 2023	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor L.C. February			11 144

Interest charged on outstanding debtors - [MFMA 64 (2)(g)]

In terms of section 64 (2)(g) of the MFMA the municipality must charge interest on arrears, except where the council has granted exemptions in accordance with its budget related policies and within a prescribed framework. The municipality charges interest on long outstanding debtors.

Revenue not disclosed per source in the SDBIP - [MFMA 11]

In terms of section 1 of the MFMA the municipality must project for each month revenue to be collected, by source. The SDBIP of the municipality discloses the revenue to be collected by vote and not by source. Amendment was made to the 2017/18 SDBIP to disclose revenue by source.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

30 June 2023

Commodity	Tenderer	Reason	Amount
Goods / Services	Various (10)	Exceptional case where it is impractical or impossible to follow the official procurement processes.	12 151 209
Goods / Services	Various (4)	Emergency	340 895
Goods / Services	Directech (Pty) Ltd	Goods or services are produced or available from a sole supplier.	951 200

30 June 2023	Total	Amount	Sole Supplier	Emergency	Exceptional Circumstances
July	51	1 969 165	25 390	-	1 943 775
August	19	799 790	29 946	168 906	600 938
September	24	77 275	0	2 530	74 745
October	11	1 022 507	635 983	-	386 524
November	21	514 201	41 400	5 474	467 328
December	18	6 524 242	15 594	-	6 508 648
January	19	186 534	4 279	21 645	160 610
February	9	115 469	0	29 900	85 569
March	12	833 559	162 840	61 796	608 923
April	9	194 266	12 880	19 470	161 917
May	11	647 651	0	2 254	645 397
June	18	558 643	22 888	28 920	506 835
	222	13 443 302	951 200	340 895	12 151 209

A complete list, including reasons for deviation per transaction, is available. Below are details of a selection of the larger deviations. Amounts are Vat exclusive.

30 June 2023	Department	Tenderer	Reason	Amount
	Electrical Services	SA Professional Group of Companies	A procurement process was followed, whereby a request for quotations was sent to potential suppliers. The project was also advertised for seven (7) days. The quotations were evaluated and the successful supplier was appointed by the bid adjudication committee.	6 043 250
	Water, Sewerage and Sanitation	Impact Water Solutions (Pty) Ltd	IWS was the manufacturer of the Witsand Desalination Plant and could assist at short notice. The plant was producing low quality potable water. After an investigation was conducted, it was found that the membranes need to be replaced. During this time, Overberg was upgrading a section of their bulk water line from Heidelberg to Witsand and the water supply to the reservoir was cut. Overberg has another bulk line from Swellendam which feeds the Witsand reservoir, but this supply is low. If the membranes were not replaced, reprogramming of the plant and the repairing of a leak at the intake water pump, would have resulted in low quality clean water produced by the desalination plant and could also lead to a water crisis in the Witsand are, as the daily consumption was higher than the daily production, hence the department could not wait to follow an official procurement process.	606 175
	Corporate Services	Business Engineering (Pty) Ltd - Collaborator Support	Business Engineering (Pty) Ltd developed the business process of the Municipality and they are familiar with the administration of the Municipality. Appointing another service provider during that stage was not practical, as a new integrated mSCOA system will be implemented. Appointing another service provider would have lead to delays which would cause financial and administrative implications. The Municipality migrated to the new Solar system on the 1st of September 2022 and will investigate available sub systems going forward.	1 250 782
	Electrical Services	Bubesi Equipment CC	Repairs were done via the rotation system. The dozer had various oil leaks. The pilot control valve also needed to be replaced. Failure to repair the dozer would lead to the dumping site not being cleared, which could lead to health hazards.	289 827

30 June 2022	Total	Amount	Type of Deviation		Circumstances
			Sole Supplier	Emergency	
July	39	3 053 188	0	286 301	2 766 888
August	40	3 324 601	63 509	-	3 261 092
September	38	1 748 574	47 382	5 587	1 695 604
October	32	2 032 531	0	13 397	2 019 134
November	40	886 452	29 946	27 894	828 612
December	31	1 027 679	0	18 309	1 009 370
January	31	276 242	54 962	6 507	214 773
February	39	1 572 361	0	3 997	1 568 364
March	49	1 270 085	76 728	43 388	1 149 969
April	61	1 196 132	0	19 681	1 176 451
May	73	2 411 966	0	73 963	2 338 003
June	102	6 437 538	4 906 447	6 156	1 524 935
	575	25 237 349	5 178 974	505 180	19 553 195

A complete list, including reasons for deviation per transaction, is available. Below are details of a selection of the larger deviations. Amounts are Vat exclusive.

30 June 2022

Department	Tenderer	Reason	Amount
Coporate Services	Microsoft Ireland Ope	Sole supplier: Microsoft is the sole provider internationally of the MS office and Windows + Server Licenses. The Municipality is reliant on their product which is user friendly and required for user PC's and the server environment that supports the day to day operations.	4 906 447
Financial Services	Business Connexion	Exceptional Case: BCX is the owner and current service provider of the previous Venus financial management system. No other seervice provider would be capable of assisting with the upgrade of the system.	1 889 807
Community Services	Working on Fire (Pty)	Exceptional case:	1 415 551
Streets, Stormwater and Parks	Henque Waste	Exceptional case:	1 402 977
Corporate Services	Microsoft Ireland Ope	Sole supplier: Microsoft is the sole provider internationally of the MS office and Windows + Server Licenses. The Municipality is reliant on their product which is user friendly and required for user PC's and the server environment that supports the day to day operations.	1 215 323
Coporate Services	Business Connexion	Exceptional case:Quotations were obtained and BCX submitted	1 149 387
Financial Services	Ontec Systems	Exceptional case:	905 400
Electrical Services	Bubesi Equipment CC	Exceptional Case: The dozer need to be repaired immediately and the supplier is the only supplier that could repair it at that time. The waste area	471 635

49.1.7 Awards to close family members of persons in the service of the state

In terms of section 45(1) of the Municipal Supply Chain Management Policy approved by the Council, the accounting officer must ensure that particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, must be disclosed in the notes to the Annual Financial Statements.

The following awards to close family members of persons in the service of the state in terms of the municipality's Supply Chain Management Policy were made:

Company Name	Employee Name	Relationship Capacity	Municipal Capacity	2023 R	2022 R
Henna's Catering	E du Preez	Owner	Clerk		
	J. du Preez		Teacher:WCED	195 300	162 985
	G. du Preez		Kannaland Municipality		
Story Team	BJ Loristou	Director	Western Cape Department of Education	35 000	32 000
AFG Muller	C Muller	Owner	Riversdal - Department of Health	15 943	77 321
Conlog	N Moodley	Director	Director: Department of Health	-	33 826
SA Hofmeyr en Seun	Monique Hofmeyr	Owner	Dietician: Department of Health	1 010 655	593 008
Setlatlapi Business Enterprise	PC Lerefolo	Owner	Assistant Officer: Pre-Payment Development (Eskom)	242 490	281 820
Willvest Twenty Three (Pty) Ltd T/A Urhw Craig Mostert		Owner	Health and Safety: Mosselbay Municipality	22 100 517	6 466 574
Mubesko	Litzie Saaiman	Owner	WCED: Curriculum Advisor	-	164 220
	Jeanini Niehaus		Dietician: Department of Health		
Aurecon/Zutari	HC Ahlschlager	Owner	Legal Representative		
	S. Seegers		Head: Security Architecture - City of Cape Town	907 739	2 432 953
	K. Nadasen		Director: National Dept of Public Works		
	T. Mncube		Specialist Category - Manager SCM: ACSA		
DC an AC Transport	Cynrol Saayman	Owner	Teacher: Molenrivier Primary	20 650	-
Stephens Transport	Ms. D. Stevens	Owner	Staff Member:WCED	6 500	-
Crawford and Pheiffers Uyathembeka Services	Nignon Crawford	Owner	Contract worker - Mossel Bay Municipality	53 927	-
Bigen Africa	Robert Aartsma	Owner	Junior Engineer: DWS Pretoria	263 643	-

				2023 R	2022 R
Company Name	Employee Name	Relationship Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
Neil Lyners	H. Lyners	Owner	Engeneer: Western Cape Government	808 775	563 146
Ikapa Reticulation	Sophia Davids	Owner	Dept. Education: Teacher	14 169	316 029
Hendrik Johannes Cronje	Charlene Cronje	Owner	Secretary: Langenhoven High School	134 401	149 168
National Validation Services	Reginald Cox	Owner	State Security Agency	37 840	5 910
J.I. Daries	H. Daries	Owner	Kannaland Municipality	-	1 400
Royal Haskoning DHV (Pty) Ltd	Bongumusa Nhlakani	Owner	National Department of Health/Deputy Director/City of Johannesburg: Assistant Director	779 297	2 257 877
Jaco Arendse	Petronella Arendse	Owner	Teacher: Voorwaarts Primary	24 000	26 347
Seasons Find 982 CC	YJ Daniels	Owner	Admin Clerk: Hessequa Mun	178 310	25 000
CRR Enterprise	CJ Riddels	Owner	Handyman: Hessequa Mun	416 280	510 033
N Cronje t/a WG Pompe	M Cronje	Owner	Head: Employee relations - Hessequa Mun	118 992	129 959
Silverstar Construction	J Michaels	Owner	Clerk: Hessequa Mun	315 127	351 355
Germaine Bernadine Witbooi	Hennie Witbooi	Owner	Staff member: Hessequa Municipality	13 750	-
Jacque Theart (JJ Theart)	Martha Theart	Owner	Secretary: Hessequa Municipality	-	13 196
At Dickson	C Hough	Owner	Secretary: Hessequa Municipality	-	37 185
C.D. Rossouw	Johannes Rossouw	Owner	Caretaker: Hessequa Mun	-	1 820
Total Purchases				27 695 328	14 635 154

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

49.1.8 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

		Lost Units	Tariff	Value
30 June 2023	Unaccounted Electricity Losses	<u>5 932 928</u>	<u>1,7103</u>	<u>10 146 922</u>
30 June 2022	Unaccounted Electricity Losses	<u>8 388 997</u>	<u>1,5093</u>	<u>12 661 513</u>

Technical losses are the losses within the distribution network caused by the resistance to the flow of electricity forming part of items such as overhead lines, cables and transformers. Since Hessequa Municipality provides power to a number of towns (holiday destinations), with a very low load factor, which is also developed along the coast in long narrow sections resulting in long radial electrical feeders, the technical losses are higher than that of the other towns. Faulty meters are replaced as soon as they are reported. Losses decreased from 9.06% in 2021/2022 to 7.47% in 2022/2023. Generators are used generate power during load shedding and the units generated are not measured. This has a significant influence on the reduction of line losses and mechanisms will need to be put in place to measure these losses.

	2023	2022
	R	R
Volumes in kWh/year:		
System Input Volume	79 454 305	92 557 781
Billed Consumption	73 521 377	84 168 784
Unaccounted	5 932 928	8 388 997
Normal distribution losses - 8% of electricity purchases	-	-
	<u>5 932 928</u>	<u>8 388 997</u>
Percentage Distribution Loss	7,47%	9,06%

Water:

		Lost Units	Tariff	Value
30 June 2023	Unaccounted Water Losses: Riversdal	96 809	0,7856	<u>76 058</u>
	Unaccounted Water Losses: Heidelberg a	21 261	12,65	<u>268 952</u>
	Unaccounted Water Losses: Slangrivers	25 191	10,7100	<u>269 796</u>
30 June 2022	Unaccounted Water Losses: Riversdal	125 567	0,7400	<u>92 919</u>
	Unaccounted Water Losses: Heidelberg a	50 746	11,2700	<u>571 906</u>
	Unaccounted Water Losses: Slanghoek	<u>29 838</u>	<u>9,9799</u>	<u>297 779</u>

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported. The loss of water is further indicative of ageing infrastructure assets requiring improved maintenance and upgrading. Council is however currently investigating further possibilities to reduce the loss. The water infrastructure is very old, and millions of rands is required to finance the backlog.



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	2023 R	2022 R
Volumes in Kl/year:		
System Input Volume	1 510 866	1 493 203
Billed Consumption	1 367 604	1 287 052
Distribution Loss	<u>143 262</u>	<u>206 151</u>
Percentage Distribution Loss	9,48%	13,81%

50. COMMITMENTS FOR EXPENDITURE

50.1 Capital Commitments

- Approved and Contracted for:-
Infrastructure

14 876 857	13 475 160
<u>14 876 857</u>	<u>13 475 160</u>

Total Capital Commitments

14 876 857	13 475 160
<u>14 876 857</u>	<u>13 475 160</u>

This expenditure will be financed from:

Government Grants, internal and external finance

14 876 857	13 475 160
<u>14 876 857</u>	<u>13 475 160</u>

The Capital Commitments are VAT inclusive.

50.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Note 15.

51. FINANCIAL INSTRUMENTS

51.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

Financial Assets at Amortised Cost:

Receivables from Exchange Transactions	Electricity	17 263 443	18 097 729
Receivables from Exchange Transactions	Refuse	3 310 795	3 195 687
Receivables from Exchange Transactions	Sewerage	2 598 913	2 494 019
Receivables from Exchange Transactions	Merchandising, Jobbing and Contracts	412 095	577 832
Receivables from Exchange Transactions	Water	5 691 369	5 646 727
Receivables from Exchange Transactions	Property Rental Debtors	419 843	356 199
Receivables from Exchange Transactions	Deposits for Land	319 782	270 502
Receivables from Non-exchange Transactions	Availability Charges	7 023 596	7 015 144
Cash and Cash Equivalents	Call Deposits	408 736 371	360 105 001
Cash and Cash Equivalents	Bank Balances	6 069 772	2 504 799
Cash and Cash Equivalents	Cash Floats and Advances	107 460	66 460
		<u>451 953 438</u>	<u>400 330 099</u>
Total Financial Assets		<u>451 953 438</u>	<u>400 330 099</u>



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		2023 R	2022 R
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
Financial Liabilities at Amortised Cost:			
Non-current Borrowings	Annuity Loan	168 110 095	149 863 209
Consumer Deposits	Electricity	10 220 882	9 250 498
Consumer Deposits	Other Deposits	2 773 808	2 325 140
Payables from Exchange Transactions	Other Payables	8 363 504	6 849 644
Payables from Exchange Transactions	Retentions	5 538 679	5 835 281
Payables from Exchange Transactions	Advance payments	6 339 434	4 950 750
Payables from Exchange Transactions	Trade Creditors	31 899 035	34 823 177
Curent Finance Lease Obligations	Curent Finance Lease Obligations	22 597	36 688
Current Borrowings	Development Bank of South Africa	(23 684 885)	(21 775 309)
		<u>209 583 148</u>	<u>192 159 078</u>
Total Financial Liabilities		<u>209 583 148</u>	<u>192 159 078</u>

51.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2023		30 June 2022	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:				
	451 953 438	451 953 438	400 330 099	400 330 099
Receivables from Exchange Transactions	30 016 240	30 016 240	30 638 695	30 638 695
Receivables from Non-exchange Transactions	7 023 596	7 023 596	7 015 144	7 015 144
Call Deposits	408 736 371	408 736 371	360 105 001	360 105 001
Bank Balances	6 069 772	6 069 772	2 504 799	2 504 799
Cash and Cash Equivalents	107 460	107 460	66 460	66 460
Total Financial Assets	<u>451 953 438</u>	<u>451 953 438</u>	<u>400 330 099</u>	<u>400 330 099</u>
FINANCIAL LIABILITIES				
Measured at Amortised Cost:				
	209 583 148	209 583 148	192 159 078	192 159 078
Development Bank of South Africa	168 110 095	168 110 095	149 863 209	149 863 209
Consumer Deposits	12 994 690	12 994 690	11 575 638	11 575 638
Trade and Other Payables:				-
- Payables from Exchange Transactions	52 140 651	52 140 651	52 458 852	52 458 852
Current Finance Lease Obligations	22 597	22 597	36 688	36 688
Current Borrowings	(23 684 885)	(23 684 885)	(21 775 309)	(21 775 309)
Total Financial Liabilities	<u>209 583 148</u>	<u>209 583 148</u>	<u>192 159 078</u>	<u>192 159 078</u>
Total Financial Instruments	<u>242 370 290</u>	<u>242 370 290</u>	<u>208 171 021</u>	<u>208 171 021</u>



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51.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2022.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 16, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

Gearing Ratio

	2023 R	2022 R
The gearing ratio at the year-end was as follows:		
Debt	144 447 807	128 124 588
Cash and Cash Equivalents	(408 843 831)	(360 171 461)
Net Debt	<u>(264 396 024)</u>	<u>(232 046 873)</u>
Equity	<u>1 222 957 405</u>	<u>1 139 041 631</u>
Net debt to equity ratio	<u>-21,62%</u>	<u>-20,37%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

51.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

51.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:



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Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Refer to Note 51.6 below for more detail

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investments held with registered financial institutions. Refer to Note 51.8 below for more detail.

Liquidity Risk

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

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

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 51.9 to the Annual Financial Statements.

51.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 51.6 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

51.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in foreign currency.

51.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

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

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 25 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 51.9 below:

Cash and Cash Equivalents:

If interest rates had been 25 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2023 would have increased / decreased by R971 770 (30 June 2022: R457 111). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

The municipality's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

Finance Lease Liabilities:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2023 would have decreased / increased by R0 (30 June 2022: decreased / increased by R0). This is mainly attributable to the municipality's exposure to interest rates on its variable rate borrowings; and

The municipality's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments.

Sensitivity analysis - Interest rate

Financial Assets:

30 June 2023

Actual average interest rate for the year	7,55%
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Input variables	Values	Values	Values	Values
Floating Rate Financial Assets Balance (Average)	R 388 707 972	R 388 707 972	R 388 707 972	R 388 707 972
Finance Income - Variable Rates	R 29 341 031	R 30 312 801	R 31 284 571	R 33 228 111
Average Interest Rate for the year - Floating Rate Investments	7,55%	7,80%	8,05%	8,55%
Change in Interest Rate		0,25%	0,50%	1,00%
Intermediate Calculations				
Total Revenue excluding Finance Income	R 604 456 103	R 604 456 103	R 604 456 103	R 604 456 103
Finance Income - Fixed Rates	R -	R -	R -	R -
Total Revenue	R 633 797 135	R 634 768 905	R 635 740 675	R 637 684 214
Total Expenditure	R 610 285 144	R 610 285 144	R 610 285 144	R 610 285 144
Performance Measure				
Annual Profit	R 23 511 991	R 24 483 761	R 25 455 531	R 27 399 070
Increase / (Decrease in Profit)	R -60 403 784	971 770	1 943 540	3 887 080

30 June 2022

Actual average interest rate for the year	10,60%
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Input variables	Values	Values	Values	Values
Floating Rate Financial Assets Balance (Average)	R 182 844 492	R 182 844 492	R 182 844 492	R 182 844 492
Finance Income - Variable Rates	R 19 380 443	R 19 837 554	R 20 294 665	R 21 208 888
Average Interest Rate for the year - Floating Rate Investments	10,60%	10,85%	11,10%	11,60%
Change in Interest Rate		0,25%	0,50%	1,00%
Intermediate Calculations				
Total Revenue excluding Finance Income	R 572 812 393	R 572 812 393	R 572 812 393	R 572 812 393
Finance Income - Fixed Rates	R -	R -	R -	R -
Total Revenue	R 592 192 835	R 592 649 947	R 593 107 058	R 594 021 280
Total Expenditure	R 562 801 088	R 562 801 088	R 562 801 088	R 562 801 088
Performance Measure				
Annual Profit	R 29 391 747	R 29 848 859	R 30 305 970	R 31 220 192
Increase / (Decrease in Profit)	-103 394 117	457 111	914 222	1 828 445



Sensitivity analysis - Interest rate

Financial Liabilities:

30 June 2023

Actual average interest rate for the year 0,00%

Input variables	Values	Values	Values	Values
Floating Rate Loans Balance (Average)	R 29 642	R 29 642	R 29 642	R 29 642
Finance Cost - Variable Rates	R -	R -	R -	R -
Average Interest Rate for the year - Floating Rate Loans	0,00%	0,25%	0,50%	1,00%
Change in Interest Rate		0,25%	0,50%	1,00%
Intermediate Calculations				
Total Revenue	R 633 797 135	R 633 797 135	R 633 797 135	R 633 797 135
Total Expenditure excluding Finance Cost	R 604 828 373	R 604 828 373	R 604 828 373	R 604 828 373
Finance Cost - Fixed Rates	R 5 456 771	R 5 456 771	R 5 456 771	R 5 456 771
Total Expenditure	R 610 285 144	R 610 285 144	R 610 285 144	R 610 285 144
Performance Measure				
Annual Profit	R 23 511 991	R 23 511 991	R 23 511 991	R 23 511 991
Increase / (Decrease in Profit)	R -60 403 784	-	-	-

30 June 2022

Actual average interest rate for the year 0,00%

Input variables	Values	Values	Values	Values
Floating Rate Loans Balance (Average)	R 41 362	R 41 362	R 41 362	R 41 362
Finance Cost - Variable Rates	R -	R -	R -	R -
Average Interest Rate for the year - Floating Rate Loans	0,00%	0,25%	0,50%	1,00%
Change in Interest Rate		0,25%	0,50%	1,00%
Intermediate Calculations				
Total Revenue	R 592 192 835	R 592 192 835	R 592 192 835	R 592 192 835
Total Expenditure excluding Finance Cost	R 557 344 317	R 557 344 317	R 557 344 317	R 557 344 317
Finance Cost - Fixed Rates	R 5 456 771	R 5 456 771	R 5 456 771	R 5 456 771
Total Expenditure	R 562 801 088	R 562 801 088	R 562 801 088	R 562 801 088
Performance Measure				
Annual Profit	R 29 391 747	R 29 391 747	R 29 391 747	R 29 391 747
Increase / (Decrease in Profit)	R -103 394 117	-	-	-

51.7 Liquidity Risk Management

The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Entity's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market. The municipality's risk to liquidity is a result of the funds necessary to cover future commitments. The municipality manages liquidity risk through an on-going review of future commitments and available funds. Cash flow forecasts are prepared to ensure adequate utilisation and optimisation of funds.

51.8 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

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



Trade and Other Receivables

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

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

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

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Receivables from Exchange Transactions	56 196 630	56 125 251
Bank, Cash and Cash Equivalents	414 913 603	362 676 261

Maximum Credit and Interest Risk Exposure

471 110 232	418 801 512
--------------------	--------------------

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Exchange Debtors:		
- Service Debtors	85,44%	87,74%
- Other Receivables	7,61%	6,70%
- Other Debtors	0,00%	0,00%
- Prepayments and Advances	6,42%	5,11%
- Other Minor Classes	0,53%	0,46%

Total Credit Risk

100,00%	100,00%
----------------	----------------

Bank and Cash Balances

Call investments and current account	414 806 143	362 609 801
Cash Equivalents	107 460	66 460

Total Bank and Cash Balances

414 913 603	362 676 261
--------------------	--------------------

The municipality holds deposits to the amount of R12 994 690 (2022: R11 575 638) as security for outstanding debt of its receivables.

None of the financial assets that are fully performing, have been renegotiated in the last year.

Refer to Note 3.1 for the analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired.



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51. FINANCIAL INSTRUMENTS (Continued)

51.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay.

Description	Note ref in AFS	Average effective Interest Rate	Total	12 Months or less	Between 2 and 5 years	Between 6 and 10 years	More than 10 Years	
	#	%	R	R	R	R		
30 June 2023								
Non-interest Bearing			65 135 341	65 135 341	-	-	-	
- Consumer Deposits			12 994 690	12 994 690	-	-	-	
- Payables from Exchange transactions			52 140 651	52 140 651	-	-	-	
Fixed Interest Rate Instruments								
- Annuity Loan		10,90%	238 830 557	39 523 373	124 234 492	75 072 692	-	
- Current Finance Lease Obligations		0,00%	22 597	22 597	-	-	-	
			303 988 496	104 681 311	124 234 492	75 072 692	-	
30 June 2022								
Non-interest Bearing			64 034 490	64 034 490	-	-	-	
- Consumer Deposits			11 575 638	11 575 638	-	-	-	
- Payables from Exchange transactions			52 458 852	52 458 852	-	-	-	
Fixed Interest Rate Instruments								
- Annuity Loan		10,90%	205 404 670	35 135 594	111 293 889	58 975 187	-	
- Current Finance Lease Obligations		0,00%	36 688	36 688	-	-	-	
			269 475 848	99 206 772	111 293 889	58 975 187	-	



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52. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible employees, who belong to different pension schemes. Employees belong to a variety of approved Pension and Provident Funds as described below.

Council contributes to the LA Retirement Fund, a defined contribution scheme, and the National Fund for Municipal Workers and SAMWU National Provident Fund, which is a defined contribution fund. In terms of the schemes' rules, pension is being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

These funds are governed by the Pension Funds Act, 1956, and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R23 233 633 (2022: R21 611 894) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

52.1 DEFINED BENEFIT SCHEMES

LA Retirement Fund, previously Cape Joint Pension Fund (Defined Benefit Scheme):

The last statutory valuation was performed as at 30 June 2019.

The actuarial valuation report at 30 June 2017 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R1,911,937,000.00 (30 June 2016 : R1,960,970,000.00), net investment reserve of R0 (30 June 2016 : R0) and with a funding level of 100% (2016 : 100%).

CONSOLIDATED RETIREMENT FUND, PREVIOUSLY CAPE JOINT RETIREMENT FUND

The most recent valuation for the Consolidated Retirement Fund was performed for the year ended 30 June 2021. As at the valuation date, the total value of net assets of the Fund was R34.148 billion (2020: R28.56 billion).

An effective investment return of 16.8% (202:3.4%) per annum was awarded for the Growth Portfolio.

A pension increase of 4.5% (202: 4.5%) was granted to pensioners effective 01 March 2021. A Pensioner bonus of 100% of monthly pension was payable in December 2020. A special pensioner bonus of 100% of annual pension was payable August 2021.

The funding level for the Member Share Account, Preservation Account and Living Annuity Account were 100% as at valuation date. The Processing Reserve Account represents 0.7% of the sum of the Members' shares and Living Annuity Accounts.

SALA Pension Fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme. It is a multi-employer plan and the contribution rate payable is 9% by the members and 18% by Council. The most recent valuation statement was the monthly report as at 31 January 2022.

The total market value of the investments held by the Fund on the valuation date was R13.2 billion.

52.2 DEFINED CONTRIBUTION SCHEMES

Council contributes to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and Municipal Workers Retirement Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Municipal Councillors' Pension Fund

The Municipal Councillors' Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed

53. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

Councillors and management comprises of those persons responsible for planning, directing and controlling the activities of the Municipality.

56.1 Current Employee Benefits

The Municipality has current employee benefit obligations and made other non-Employee Related Cost payments towards senior management. The details have been disclosed in note 33.

53.1 Loans granted to Related Parties

In terms of the MFMA section 164 (1) (c), the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by the municipality.

53.2 Compensation of Related Parties

The compensation of key management personnel is set out in note 30 to the Annual Financial Statements.

53.3 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related

				2023 R	2022 R
					Restated
Company Name	Related Person	Municipal Capacity	Nature of relationship	Purchases for the Year	Purchases for the Year
HAH Motors T/A Pro Motors	A Stroebel	Owner	Councillor: Hessequa Mun	1 322 781	292 371
Total Purchases				1 322 781	292 371

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

54. CONTINGENT LIABILITIES

54.1 Court Proceedings:

	16 158 235	13 283 691
DB Joubert V HM: Applicant claimed damages from the Municipality regarding flood damage suffered a number of years ago. The matter is still ongoing and the Municipality has appointed Attorneys in this regard. R14 708 has already been paid but further costs will be incurred.	40 000	40 000
T. Lots - Labour Court Application - Unfair Labour Practice	50 000	
Gilie de Kock -High Court Interdict - Access to water source	400 000	-
J Pieters / HM: High Court Application - Injury on Duty	30 000	30 000
Minister of Water & Sanitation / HM: Litigation regarding water sources used and charges relating to water sources. Summons from the High Court was received on 30 November 2020. There have been delays in the matters and correspondence from the Minister was not always clear. The initial conclusion was that the matter would not go ahead.	2 541 904	2 541 904
Aloepark Development - High Court Application - Issuing of occupancy certificate	400 000	-
Fred Carelse - High Court Interdict Application with regards to defamation	-	200 000
Laser Quiz cc//Trustees in their capacity of the Johannes van Waart Familytrust and other - Dispute regarding approval of building plans. This matter was settled between the parties. The Applicant believe that the municipality must pay part of the legal costs incurred.	372 499	-
Eric Petersen v Albertinia Rangers Rugby Club / HM : Applicant alleges that he entered into an oral agreement with the Municipality for the development of municipal land. Applicant claimed that the Municipality failed to honour the agreement.	1 505 000	1 505 000
C. Michiel - Labour Court Application - Unfair Labour Practice		
Alphaplan Ontwikkelaars CC - Unlawful Enrichment Claim - Dispute Rates Clearanc		
Amelia Punt/ Hessequa Municipality and Western Cape Dept. of Transport and Pub damages (Plaintiff fell on a section of a sidewalk and mis-stepped into a hole in the consequently broken her shoulder)		
A. Voss - Labour Court Application - Unfair Labour Practice		
VAT Output Tax - Western Cape Provincial Library Grant		



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The municipality has recently become aware that it may have a VAT liability due to a technical interpretation on the treatment of VAT on library funding. The library funding is received from the Western Cape Department of Cultural Affairs (DCAS). At the date of these financial statements, the municipality, together with most other municipalities in the Western Cape, have uncertainty on this matter and are in process of seeking further clarification. The output tax that may be payable by the municipality (including tax and penalties), which represents a possible outflow of resources embodying economic benefits to SARS as at 30 June 2023 is estimated to be R 7,528,029 (2022: R 5,675,984). According to Section 217(3) of the Tax Administration Act (TAA), the municipality may apply to The South African Revenue Service (SARS) for the reversal of the percentage penalty imposed in terms of section 213, if SARS is satisfied that the penalty which has been imposed in respect of a "first incidence" of non-compliance, reasonable grounds for the non-compliance exist; and the non-compliance in issue has been remedied, it may result in the total liability being reduced by R596,087 (2022: R466,630). Section 223 of the TAA, however, also imposes an additional understatement penalty of between 10% and 150%, with the applicable penalty based on a spectrum of behavioural criteria. Due to uncertainty of the penalty percentage and the criteria that will be used, this additional understatement penalty is difficult to calculate and thus cannot be estimated reliably. This penalty may be waived by SARS in the case of a voluntary disclosure relief application.

	2023 R	2022 R
55. CONTINGENT ASSETS		
Vivren Properties (Pty) Ltd. - gaurantee Package Sewerage Plant (Phase 1) - Preekstoel Beach Estate	3 700 000	-
The Municipality was approached by Vivren Properties (Pty) Ltd for the issuing of rates clearance certificates on 7 plots in the Preekstoel Beach Estate, Still Bay. As per legislation no clearance certificates may be issued before all services are installed and approved by the Municipality. Vivren Properties (Pty) Ltd must still install a package sewerage plant (phase 1) in the Preekstoel Beach Estate. The guarantee was issued should they fail to uphold the agreement.		-

56. ANALYSIS OF PRINCIPAL / AGENCY ACCOUNTING

56.1 Municipality acting as the Principal

59.1.1 Prepaid Electricity Vendor

Hessequa Municipality requires a prepayment vending and management system. The system must provide for all types of payment methods. System must be operational on a 24 hour per day, 7 days a week, 365 days in a year basis.

The municipality entered into binding agreements with different vendors to distribute pre-paid electricity to third parties and the vendors pay the revenue received over to the municipality.

Compensation paid for Agency Activities:

Commission to various	727 964	726 259
Compensation to Ontec	968 579	927 328
Total Compensation Paid	1 696 543	1 653 587

The municipality paid between .05% and 2% commission to vendors for acting as agents on its behalf during the financial

56.2 Municipality acting as the Agent

56.2.1 Motor Vehicle Licensing and Registration

The municipality acts as agent for the Western Cape's Department of Transport and Public Works where it provides motor vehicle registration and licensing services on behalf of the department.

As per Circular R12, 1994 the executive committee at the provincial administration of the Cape of Good Hope and the Department of State expenditure granted authority that an agency fee be paid to local authorities who have been appointed as registering authorities in the Western Cape province for the registration and licensing of motor vehicles in terms of the National Road Traffic Act 93 of 1996.

Hessequa municipality is the agent in this binding agreement and uses its own resources in performing the service delivery and capturing the information on the ENATIS (Electronic National Administration Traffic Information System).

Agency Fee Circular R5.2005 further states that all municipalities must perform weekly pay-overs in terms of MFMA 56 of 2003 section 64(4).

The municipality was paid 12% commission by the Western Cape province for acting as an agent for acting on its behalf during the financial year.

The services are rendered in Riversdale, Still Bay, Heidelberg and Albertinia in the municipality's district. The costing system does not have the functionality to account for the principal-agent expense transactions separately. Therefore no principal-agent specific costs could be disclosed.

	2023 R	2022 R
Drivers licenses		
Revenue received from third parties	582 540	590 520
Payment to provincial traffic department	(328 719)	(333 222)
	<u>253 821</u>	<u>257 298</u>
Vehicle Registrations		
Revenue received from third parties	26 649 066	23 816 029
Payment to provincial traffic department	(23 840 669)	(21 179 677)
	<u>2 808 397</u>	<u>2 636 352</u>

57. EVENTS AFTER THE REPORTING DATE

No events after the reporting date were identified by management that will effect the operations of the municipality or the results of those operations significantly.

58. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 45.).

59. OTHER EXTRA-ORDINARY DISCLOSURES

59.1 COVID-19 EXPENDITURE

COVID-19 in South Africa

Although the coronavirus was international news since December 2019, it was only on 5th March 2020 that the South African National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive. On 23rd March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30th March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

The table below indicates the total COVID-19 response expenditure (inclusive of VAT where applicable) for the period ending 30 June 2023:

COVID-19 EXPENDITURE

Operating Expenditure

Materials and supplies	-	3 233 239
Total Operating Expenditure	<u>-</u>	<u>3 233 239</u>
Total COVID-19 Expenditure	<u>-</u>	<u>3 988 712</u>

The table below indicates the Funding Sources for the total COVID-19 response expenditure (inclusive of VAT where applicable) for the period ending 30 June 2023:

COVID-19 FUNDING

Funding Sources for COVID-19 Expenditure

National Treasury	-	9 078
LG Support Grant Humanitarian Relief	-	639 436
Own Funding	-	3 340 198
Total Funding for COVID-19 Expenditure	<u>-</u>	<u>3 988 712</u>



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60. GOING CONCERN ASSESSMENT

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community. As a result of the robust financial model applied by the municipality however, the overall going concern and financial position remains relatively unchanged due to continued support by those members of the community who can afford to do so.

Management also considered the following matters in relation to the Going Concern position of Hessequa Municipality:

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.



A U D I T O R - G E N E R A L
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61. SEGMENT REPORTING

For management purposes the municipality is broadly organised into business units based on the nature of operations and the services they provide. The municipality has eight primary reportable segments:

- **The segment for Executive and Council Services:-**
- This segment consists of executive services and support services to the executive.
- **The segment for Finance and Administration Services:-**
- This segment consists of services such as finance & administration.
- **The segment for Community and Social Services:-**
- This segment consists of all services for community & social development, public safety, providing of health to the community and sport & recreation.
- **The segment for Road Transport Services:-**
- This segment consists of all services for providing roads & storm water in the municipal area.
- **The segment for Energy Sources:-**
- This segment consists of all services for energy supply to the community.
- **The segment for Waste Management:-**
- This segment consists of all services for the management of solid waste in the municipal area.
- **The segment for Waste Water Management:-**
- This segment consists of all services for the management of waste water, including sewage, in the municipal area.
- **The segment for Water Management:-**
- This segment consists of all services for water supply to the community.

No individually material operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on non-financial metrics and the segment's operating surplus or deficit, measured consistently with the accounting policies applied in the Annual Financial Statements. However, the municipality's financing (including finance costs and finance income) and revenue from taxes are managed on a group basis and are not allocated to operating segments.

Inter-business unit services are set off against each other as internal charges, and are therefore eliminated and not reported in Segment Reporting. The quality of services provided internally is monitored as part of the service performance information.

The municipality operates within the following geographical areas:

The municipality does however not monitor operating results for these geographical segments, and operational results are only monitored within the business units as previously disclosed.

61.1 Segmental Analysis of Financial Performance

Year Ended 30 June 2023

Description	Executive and Council	Finance and Administration	Community and Social Services	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Total for Municipality
	R	R	R	R	R	R	R	R	R
REVENUE									
Revenue from Non-exchange Transactions									
Property Rates	-	119 965 470	-	-	-	-	-	0	119 965 470
Fines, Penalties and Forfeits	-	1 553 398	52 877 938	-	9 078	-	-	-	54 440 413
Licences and Permits	-	-	2 019 737	-	-	-	-	0	2 019 737
Transfers and Subsidies	54 287 000	14 013 297	10 374 822	12 596 261	6 893 000	-	2 347 939	2 791 921	103 304 239
Service Charges	-	-	-	-	5 426 342	-	2 811 885	2 232 229	10 470 455
Interest, Dividends and Rent on Land Earned	-	778 756	-	-	-	-	-	0	778 756
Revenue from Exchange Transactions									
Service Charges	-	-	-	-	179 079 873	31 316 431	26 818 280	49 048 505	286 263 089
Sales of Goods and Rendering of Services	-	33 285 911	14 787 323	183 565	-	13 491	-	0	48 270 290
Income from Agency Services	-	-	3 062 218	-	-	-	-	0	3 062 218
Rental from Fixed Assets	-	3 154 690	351 467	26 790	-	-	-	0	3 532 947
Interest, Dividends and Rent on Land Earned	-	29 520 142	-	-	384 469	494 191	472 605	800 126	31 671 533
Operational Revenue	617 080	3 468 007	673 787	70 635	-	-	-	0	4 829 509
Gains on Disposal of Property, Plant and Equipm	-	-	-	-	-	-	-	0	-
Total Revenue	54 904 080	205 739 671	84 147 293	12 877 251	191 792 762	31 824 113	32 450 708	54 872 780	668 608 657
EXPENDITURE									
Employee Related Costs	18 007 925	58 304 379	53 635 965	24 379 249	14 855 600	13 235 761	13 034 473	13 891 063	209 344 415
Remuneration of Councillors	8 412 974	-	-	-	-	-	-	0	8 412 974
Depreciation and Amortisation	80 607	1 803 608	3 537 908	13 042 238	5 014 808	9 301 879	5 975 498	4 433 048	43 189 594
Impairment Losses	10 358	3 706 827	41 952 316	-	(498 871)	1 948 337	1 894 396	2 572 012	51 585 375
Interest, Dividends and Rent on Land	-	250 997	652 649	2 638 267	4 125 800	7 483 423	3 105 060	2 373 479	20 629 676
Bulk Purchases	-	-	-	-	139 141 289	-	-	0	139 141 289
Contracted Services	1 894 070	35 097 325	13 362 312	3 052 716	2 071 011	2 981 082	3 836 886	1 829 678	64 125 078
Inventory Consumed	44 367	1 368 240	5 887 134	7 551 006	8 939 283	2 903 394	3 656 427	11 961 860	42 311 711
Transfers and Subsidies Paid	1 427 621	139 885	98 606	-	-	-	-	0	1 666 112
Operating Leases	-	1 384 430	202 434	112 335	16 667	119 468	39 510	0	1 874 845
Operational Costs	5 462 326	12 238 127	3 463 963	2 029 767	3 847 307	955 974	1 097 762	1 810 541	30 905 767
Statutory Payments other than Taxes	-	-	-	-	-	-	-	0	-
Loss on Disposal of Property, Plant and Equipme	33 987	823 775	108 306	262 475	(222 472)	(1 041 287)	(239 003)	-385 023	(659 242)
Total Expenditure	35 374 235	115 117 592	122 901 594	53 068 052	177 290 422	37 888 032	32 401 009	38 486 658	612 527 594
Other Operations:									
Gains on Other Operations	15 254 958	4 582 191	21 716	424 916	46 404	8 116 259	663	2 411	28 449 517
Losses on Other Operations	(0)	0	0	-	-	-	-	-614 805	(614 805)
Surplus/(Deficit) for the Year	34 784 803	95 204 270	(38 732 585)	(39 765 885)	14 548 743	2 052 340	50 362	15 773 727	83 915 774

Year Ended 30 June 2022

Description	Executive and Council	Finance and Administration	Community and Social Services	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Total for Municipality
	R	R	R	R	R	R	R	R	R
REVENUE									
Revenue from Non-exchange Transactions									
Property Rates	-	112 849 907	-	-	-	-	-	0	112 849 907
Fines, Penalties and Forfeits	-	1 788 159	60 138 503	-	5 000	-	-	0	61 931 662
Licences and Permits	-	-	1 988 190	-	-	-	-	0	1 988 190
Transfers and Subsidies	51 429 545	56 781 954	10 827 640	3 595 974	4 756 375	-	10 928 041	720 480	139 040 010
Service Charges	-	-	-	-	5 468 146	-	2 708 657	2 269 728	10 446 531
Interest, Dividends and Rent on Land Earned	-	551 001	-	-	-	-	-	0	551 001
Revenue from Exchange Transactions									
Service Charges	-	-	-	-	185 888 273	31 168 533	25 482 338	46 252 220	288 791 364
Sales of Goods and Rendering of Services	-	5 488 984	14 669 609	-	-	41 882	-	0	20 200 475
Income from Agency Services	-	-	2 893 648	-	-	-	-	0	2 893 648
Rental from Fixed Assets	-	3 095 582	282 286	22 851	-	-	-	0	3 400 720
Interest, Dividends and Rent on Land Earned	-	19 536 912	-	-	372 446	344 019	360 328	587 656	21 201 362
Operational Revenue	845 830	921 002	1 008 787	18 368	-	-	-	26 657	2 820 645
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0	-
Total Revenue	52 275 376	201 013 502	91 808 663	3 637 194	196 490 240	31 554 433	39 479 364	49 856 742	666 115 515
EXPENDITURE									
Employee Related Costs	14 612 228	55 306 193	50 777 755	23 046 129	13 169 061	12 347 137	12 509 352	13 493 410	195 261 265
Remuneration of Councillors	7 929 971	-	-	-	-	-	-	0	7 929 971
Depreciation and Amortisation	70 320	1 546 562	3 383 010	9 007 718	3 752 041	1 426 333	5 255 745	4 169 328	28 611 057
Impairment Losses	2 415	20 391 683	46 407 040	-	1 265 350	2 642 982	2 529 548	3 436 372	76 675 390
Interest, Dividends and Rent on Land	-	287 450	734 470	3 100 709	4 922 242	4 229 829	3 553 481	2 659 344	19 487 523
Bulk Purchases	-	-	-	-	141 118 373	-	-	0	141 118 373
Contracted Services	1 937 688	4 808 809	16 477 835	3 965 234	2 327 129	2 495 173	2 509 556	1 645 582	36 167 005
Inventory Consumed	71 575	1 456 644	5 998 467	6 300 330	3 746 872	2 221 329	2 597 459	9 852 490	32 245 166
Transfers and Subsidies Paid	2 898 151	-	546 740	-	-	-	-	0	3 444 891
Operating Leases	-	1 233 810	101 215	69 231	23 022	171 660	37 528	0	1 636 466
Operational Costs	4 815 102	11 346 648	3 397 569	1 857 534	3 717 786	1 005 162	1 144 789	1 766 063	29 050 653
Loss on Disposal of Property, Plant and Equipment	574	207 918	82 584	26 726	18 837	-	23 148	56 957	416 745
Total Expenditure	32 338 023	96 585 718	127 906 685	47 373 610	174 060 711	26 539 605	30 160 605	37 079 545	572 044 502
Other Operations:									
Gains on Other Operations	2 745 534	36 931 922	-	-	-	-	-	0	39 677 456
Losses on Other Operations	-	0	0	-	(0)	-	(0)	-962 603	(962 603)
Surplus/(Deficit) for the Year	22 682 887	141 359 705	(36 098 022)	(43 736 416)	22 429 529	5 014 829	9 318 759	11 814 594	132 785 865

61.2 Other Segmental Analysis Disclosures

Year Ended 30 June 2023

Description	Executive and Council	Finance and Administration	Community and Social Services	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Total for Municipality
	R	R	R	R	R	R	R	R	R
Financial Position									
The main components of the Financial Position that is currently considered, and managed, within the defined municipal segments have been determined as follows:									
Receivables from Exchange Transactions:									
- Deposits	-	319 782	-	-	-	-	-	0	319 782
- Electricity	-	-	-	-	17 263 443	-	-	0	17 263 443
- Refuse	-	-	-	-	-	3 310 795	-	0	3 310 795
- Sewerage	-	-	-	-	-	-	2 598 913	0	2 598 913
- Water	-	-	-	-	-	-	-	5 691 369	5 691 369
- Other Receivables	-	5 820 303	-	-	-	-	-	0	5 820 303
	-	6 140 085	-	-	17 263 443	3 310 795	2 598 913	5 691 369	35 004 605
Statutory Receivables from Non-exchange Transactions:									
- Fines	-	-	12 671 029	-	-	-	-	0	12 671 029
- Property Rates	-	12 003 649	-	-	-	-	-	0	12 003 649
	-	12 003 649	12 671 029	-	-	-	-	0	24 674 678
Capital Assets:									
- Property, Plant and Equipment	-	1 038 522 579	-	-	-	-	-	0	1 038 522 579
- Intangible Assets	-	207 014	-	-	-	-	-	0	207 014
- Investment Property	-	91 795 790	-	-	-	-	-	0	91 795 790
- Heritage Assets	-	8 451 599	-	-	-	-	-	0	8 451 599
	-	1 138 976 982	-	-	-	-	-	0	1 138 976 982
Total for Financial Position	-	1 157 120 715	12 671 029	-	17 263 443	3 310 795	2 598 913	5 691 369	1 198 656 264
Capital Expenditure									
Property, Plant and Equipment	-	84 149 693	-	-	-	-	-	0	84 149 693
Total for Capital Expenditure	-	84 149 693	-	-	-	-	-	0	84 149 693



Description	Executive and Council	Finance and Administration	Community and Social Services	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Total for Municipality
	R	R	R	R	R	R	R	R	R
Financial Position									
The main components of the Financial Position that is currently considered, and managed, within the defined municipal segments have been determined as follows:									
Receivables from Exchange Transactions:									
- Deposits	-	270 502	-	-	-	-	-	0	270 502
- Electricity	-	-	-	-	18 097 729	-	-	0	18 097 729
- Refuse	-	-	-	-	-	3 195 687	-	0	3 195 687
- Sewerage	-	-	-	-	-	-	2 494 019	0	2 494 019
- Water	-	-	-	-	-	-	-	5 646 727	5 646 727
- Other Receivables	-	4 473 653	-	-	-	-	-	0	4 473 653
	-	4 744 155	-	-	18 097 729	3 195 687	2 494 019	5 646 727	34 178 316
Statutory Receivables from Non-exchange Transactions:									
- Fines	-	-	11 914 661	-	-	-	-	0	11 914 661
- Property Rates	-	10 712 248	-	-	-	-	-	0	10 712 248
	-	10 712 248	11 914 661	-	-	-	-	0	22 626 909
Capital Assets:									
- Property, Plant and Equipment	-	993 825 114	-	-	-	-	-	0	993 825 114
- Intangible Assets	-	220 598	-	-	-	-	-	0	220 598
- Investment Property	-	91 486 333	-	-	-	-	-	0	91 486 333
- Heritage Assets	-	8 451 512	-	-	-	-	-	0	8 451 512
	-	1 093 983 556	-	-	-	-	-	0	1 093 983 556
Total for Financial Position	-	1 109 439 959	11 914 661	-	18 097 729	3 195 687	2 494 019	5 646 727	1 150 788 781
Capital Expenditure									
Property, Plant and Equipment	-	116 428 881	-	-	-	-	-	0	116 428 881
Heritage Assets	-	123 000	-	-	-	-	-	0	123 000
Total for Capital Expenditure	-	116 551 881	-	-	-	-	-	0	116 551 881



APPENDIX A
HESSEQUA LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2023

				R	R	R	R
ANNUITY LOANS							
ABSA Bank	10,20%	4068858722	30/06/2027	12 444 452	-	2 020 315	10 424 137
Development Bank South Africa	8,90%	61007148	30/06/2023	2 331 587	-	2 331 587	-
Development Bank South Africa	9,98%	61007233	30/06/2024	7 117 675	-	3 385 167	3 732 508
Development Bank South Africa	9,20%	61007562	30/06/2029	23 639 960	-	2 538 132	21 101 828
Standard Bank	11,26%	536633	30/06/2026	22 926 902	-	4 828 396	18 098 506
Standard Bank	7,78%	606256	30/06/2030	25 279 083	-	2 383 316	22 895 767
Standard Bank	8,85%	654745	30/06/2031	56 123 552	-	4 304 142	51 819 410
Standard Bank	11,54%	797131	30/06/2033		40 037 940		40 037 940
Total Annuity Loans				149 863 211	40 037 940	21 791 055	168 110 096
TOTAL EXTERNAL LOANS				149 863 211	40 037 940	21 791 055	168 110 096

APPENDIX D
HESSEQUA LOCAL MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

2022 Actual Income R	2022 Budgeted Income R	2022 Actual Expenditure R	2022 Budgeted Expenditure R	2022 Surplus/ (Deficit) R	Description	2023 Actual Income R	2023 Budgeted Income R	2023 Actual Expenditure R	2023 Budgeted Expenditure R	2023 Surplus/ (Deficit) R
55 019 090	49 943 000	29 298 009	30 828 979	25 721 080	Municipal Governance and Administration Services Executive and Council Finance and Administration Internal Audit	70 147 215	55 453 000	32 260 737	31 600 495	37 886 478
188 122 287	143 047 215	90 134 978	77 052 222	97 987 309		171 480 881	159 744 010	62 199 051	65 425 977	109 281 830
-	-	1 847 803	1 983 596	(1 847 803)		-	-	1 935 510	2 223 896	(1 935 510)
10 401 284	10 516 128	22 647 631	23 301 415	(12 246 347)		Community and Public Safety Services Community and Social Services Public Safety Sport and Recreation	10 193 946	10 799 998	22 886 825	23 978 469
65 352 534	59 243 956	77 601 221	76 646 611	(12 248 687)	58 776 427		61 704 749	72 319 669	80 059 233	(13 543 242)
15 426 418	14 926 819	30 403 708	33 272 367	(14 977 289)	14 613 310		15 823 165	30 446 303	33 862 867	(15 832 993)
52 601 175	35 155 887	1 918 138	7 418 486	50 683 037	Housing Services Housing	31 180 512	41 681 766	31 672 324	41 664 851	(491 811)
628 426	665 202	5 183 284	5 622 633	(4 554 858)	Economic and Environmental Services Environmental Protection Planning and Development Road Transport	585 326	712 114	5 699 801	5 763 292	(5 114 475)
16 078 971	12 309 210	10 529 822	11 979 840	5 549 149		7 660 469	3 544 502	11 018 653	12 439 424	(3 358 184)
3 854 922	1 312 698	47 444 028	49 888 106	(43 589 106)		13 302 167	13 460 666	52 920 047	51 617 251	(39 617 880)
214 898 506	209 837 379	189 817 041	198 939 702	25 081 464		Trading Services Energy Sources Waste Management Waste Water Management Water Management	191 839 165	197 147 293	173 475 775	194 857 261
31 942 499	27 958 401	33 902 026	36 078 359	(1 959 527)	39 940 372		32 479 520	38 162 066	34 453 524	1 778 306
45 049 713	35 783 298	39 018 887	38 264 278	6 030 825	32 451 371		35 007 299	39 310 882	41 706 593	(6 859 511)
52 644 651	52 159 488	44 826 726	45 944 081	7 817 925	54 875 190		55 269 621	37 656 771	42 443 227	17 218 420
1 820	-	1 192 210	1 230 614	(1 190 391)	Other Services Other	11 822	-	1 177 988	1 219 110	(1 166 165)
752 022 295	652 859 281	625 765 513	638 451 289	126 256 782	Sub-Total	697 058 174	682 827 703	613 142 399	663 315 470	83 915 774
752 022 295	652 859 281	625 765 513	638 451 289	126 256 782	Total	697 058 174	682 827 703	613 142 399	663 315 470	83 915 774

**APPENDIX F
HESSEQUA LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grants and Subsidies Received

Name of Grant	Balance as at 30 June 2022	Total Receipts	Transferred to Revenue		Paid back to National Revenue Fund	Balance as at 30 June 2023
			Operating Expenditure	Capital Expenditure		
National Government Grants						
Equitable Share	-	54 287 000	54 287 000	-	-	-
Accelerated Community Infrastructure Programme	30 907	-	-	-	-	30 907
Energy Efficiency and Demand Side Management Grant	92 150	4 000 000	137 972	3 862 028	92 150	-
Skills Development	842 177	61 265	39 695	-	-	863 747
Expanded Public Works Programme	-	1 164 000	1 164 000	-	-	-
Integrated National Electrification Grant	-	2 893 000	-	2 893 000	-	-
Finance Management Grant	-	1 550 000	1 550 000	-	-	-
Municipal Infrastructure Grant	-	24 982 000	749 100	24 232 900	-	-
Total National Government Grants	965 234	88 937 265	57 927 767	30 987 928	92 150	894 655
Provincial Government Grants						
Community Development Workers	-	38 000	38 000	-	-	-
Department Economic Development & Tourism SMMIE Booster Fund	1 580 247	-	-	1 490 392	-	89 855
Human Settlement Development Grant - Acceleration of Housing	-	2 200 000	526 458	1 673 542	-	-
Human Settlement Development Grant - Beneficiaries	-	29 092 851	29 092 851	-	-	-
Human Settlement Development Grant - Transfer Fees	3 265 102	3 266 000	47 371	-	3 265 102	3 218 629
Library Grant - Conditional	-	4 073 000	4 073 000	-	-	-
Library Grant - Municipal Replacement Funding	594 292	5 852 000	5 103 911	389 661	594 292	358 428
Local Government Public Employment Support Grant	875 142	-	875 142	-	-	-
Municipal Service Delivery and Capacity Building Grant	49 164	250 000	-	-	-	299 164
Western Cape Financial Management Capability Grant	0	300 000	212 298	-	-	87 703
Municipal Water Resilience Grant	-	400 000	90 229	-	-	309 771
Emergency Loadshedding Relief	-	3 800 000	125 000	-	-	3 800 000
Proclaimed Roads	-	125 000	-	-	-	-
Total Provincial Government Grants	6 363 947	49 396 851	40 184 259	3 553 595	3 859 394	8 163 551
Other Grant Providers						
Africana Centre	103 037	-	-	-	-	103 037
Asla Devco - Water meters Slangrivier	-	-	-	-	-	-
Public Participation Strategy	57 086	-	-	-	-	57 086
Tourism	-	-	-	-	-	-
Total Other Grant Providers	160 124	-	-	-	-	160 124
Total Grants and Subsidies	7 489 305	138 334 116	98 112 026	34 541 522	3 951 543	9 218 329