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

Audited
By

2022 -12- 0 9

Auditor General South Africa
Mpumalanga Business Unit

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Mpumalanga Business Unit

General Information

Legal form of entity	Dipaleseng Local Municipality
Nature of business and principal activities	Provision of services (sanitation, refuse and other services) to communities in a sustainable manner, to promote social and economic development and to promote a safe and healthy environment.
The following is included in the scope of operation	
	Rates and waste management, Local Economic Development projects,Poverty alieviation,Planing and promotion of intergrated plan, Land , economic and environmental development.
Mayoral committee	The manadate of the municipality is interms of section 152 of the Constitution of South Africa.
Executive Mayor	Councillor: KB Moeketsi (04/11/2021 - 30/06/2022)
Speaker	Councillor: XS Shozi (04/11/2021 - 30/06/2022)
Chief Whip	Councillor: TG Shabalala (04/11/2021 - 30/06/2022)
Councillors	Councillor: MG Miya (Member of Mayoral Commitee) (04/11/2021 - 30/06/2022)
	Councillor: AN Carrim (Member of Mayoral Committee) (04/11/2021 - 30/06/2022)
	Councillor: AK Nyamade (MPAC Chairperson) (04/11/2021 - 30/06/2022)
	Councillor: CDV Pienaar (04/11/2021 - 30/06/2022)
	Councillor: LK Dhladhla (04/11/2021 - 30/06/2022)
	Councillor: MD Makhoba (04/11/2021 - 30/06/2022)
	Councillor: AS Nhlapo (04/11/2021 - 30/06/2022)
	Councillor: RA Motakane (04/11/2021 - 30/06/2022)
	Councillor: ZE Maya (04/11/2021 - 30/06/2022)
	Councillor: M Makhubu (Executive Mayor) (01/07/2021 - 03/11/2021)
	Councillor: D Khanye (Mayoral committee member) (01/07/2021 - 03/11/2021)
	Councillor: WS Davel (01/07/2021 - 03/11/2021)
	Councillor: TJ Mahlangu (01/07/2021 - 03/11/2021)
	Councillor: SME Nhlapo (01/07/2021 - 03/11/2021)
	Councillor: LM Maruping (01/07/2021 - 03/11/2021)
	Councillor: ZS Ngwenya (Mayoral committee member) (01/07/202 - 03/11/2021)
	Councillor: PM Mokoena (Chief Whip) (01/07/2021 - 03/11/2021)
	Councillor: MF Dlamini (01/07/2021 - 03/11/2021)
	Councillor: BG Shongwe (01/07/2021 - 03/11/2021)
Grading of local authority	2
Chief Finance Officer (CFO)	Mr MH Thokoane
Accounting Officers	Mr L Cindi (Acting) (05/2022) Ms NB Khanye (Acting) (07/2021 - 04/2022)

General Information

Registered office	Cnr of Johnny Mokoena Drive and Themba Shozi Street Balfour Mpumalanga 2410
Audit Committee	SJ Masite - Chairperson L Langalibalele D Thwala
Postal address	Private Bag X1005 Balfour Mpumalanga 2410
Bankers	First National Bank South Africa
Auditors	Auditor General South Africa Registered Auditors

Audited
By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

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

Index

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

The accounting officer certifies that the salaries, allowances and benefits of councillor's as disclosed in Note 28 and 29 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

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

Mr L Cindi (Acting) (05/2022)

Audited
By

2022 -12- 0 9

Auditor General South Africa
Mpumalanga Business Unit

Accounting Officer's Report

The accounting officer submit his report for the year ended 30 June 2022.

1. Review of activities

Main business and operations

The municipality is engaged in service delivery and operates principally in South Africa.

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

Net surplus of the municipality was R 61 886 960 (2021: surplus R 83 578 925).

2. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of R 677 747 097 and that the municipality's total assets exceed its liabilities by R 677 747 097.

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

The municipality is substantially dependent on the government for continued funding of operations. Dipaleseng Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.The Municipality has been affected by the Covid-19 pandemic which resulted in a lockdown from 26 March 2020 to 4 April 2022. The lockdown has affected the implementation of the municipality projects and other operations in the municipality. The effects of the pandemic have been assessed to date and no significant threats have been identified which could impact on the going concern of the Municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

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

5. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name
Mr L Cindi (Acting) (05/2022)
Ms NB Khanye (Acting) (07/2021 -04/2022)

6. Corporate governance

The Council:

The Council:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Audit and performance committee

J Masite was the chairperson of the audit committee for the year under review.

Accounting Officer's Report

Internal audit

In terms of Section 165 of the Municipal Finance Management Act, municipality, must appoint members of the Audit Committee. National Treasury policy requires that parent municipalities should appoint further members of the municipality's audit committees who are not directors of the municipal entity onto the audit committee.

7. Bankers

The municipality has its primary bank account with First National Bank.

8. Auditors

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

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

Mr L Cindi (Acting) (05/2022)

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By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

Dipaleseng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	12	7 221 024	6 454 128
Receivables from non-exchange transactions	11	33 529 726	19 211 251
Receivables from exchange transactions	10	257 650 514	174 177 092
Inventories	9	135 595	129 065
Prepayments		-	2 883 333
		298 536 859	**202 854 869**
Non-Current Assets			
Investment property	3	39 999 773	40 403 811
Property, plant and equipment	4	792 347 468	766 360 137
Intangible assets	5	93 930	99 548
		832 441 171	**806 863 496**
Total Assets		**1 130 978 030**	**1 009 718 365**
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	267 774 312	188 289 098
VAT payable	16	21 888 579	22 138 656
Consumer deposits	17	2 804 322	1 885 466
Employee benefit obligation	6&7	1 007 000	591 000
Unspent conditional grants and receipts	13	3 793 001	5 155 746
Other loans		-	12 400 000
		297 267 214	**230 459 966**
Non-Current Liabilities			
Provisions	14	141 770 719	145 844 655
Employee benefit obligation	7	14 193 000	14 216 000
		155 963 719	**160 060 655**
Total Liabilities		**453 230 933**	**390 520 621**
Net Assets		**677 747 097**	**619 197 744**
Accumulated surplus		677 747 097	619 197 744
Total Net Assets		**677 747 097**	**619 197 744**

* See Note 54

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods	19	2 417 705	4 497 737
Service charges	20	125 579 695	113 553 380
Rental of facilities and equipment	21	264 694	272 294
Licences and permits	23	4 575 391	5 539 649
Gain on donated asset received		-	2 465 106
Interest received - bank	25	220 608	413 091
Actuarial gains	6&7	1 504 000	-
Interest received - receivables from exchange transactions	25	41 625 241	36 372 045
Total revenue from exchange transactions		**176 187 334**	**163 113 302**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	33 396 127	31 693 898
Transfer revenue			
Government grants & subsidies	27	154 363 745	182 577 906
Public contributions and donations	28	623 363	63 104
Fines, Penalties and Forfeits	22	2 520 850	1 604 308
Total revenue from non-exchange transactions		**190 904 085**	**215 939 216**
Total revenue	18	**367 091 419**	**379 052 518**
Expenditure			
Employee related costs	29	(69 120 396)	(69 308 471)
Remuneration of councillors	30	(5 415 743)	(5 073 041)
Depreciation and amortisation	31	(22 228 687)	(20 643 261)
Impairment	32	(732 956)	(1 064 329)
Finance costs	33	(23 274 002)	(17 407 093)
Lease rentals on operating lease	24	(314 861)	(427 974)
Debt Impairment	34	(5 427 748)	(46 209 962)
Bad debts written off		(4 665 941)	(6 564 653)
Bulk purchases	35	(86 757 617)	(78 626 714)
Contracted services	36	(32 198 999)	(22 609 941)
Loss on disposal of assets and liabilities		(3 049 141)	(395 757)
Fair value adjustments		(404 038)	(1 620 124)
Inventory Consumed		(30 064 952)	(10 643 574)
General Expenses	37	(21 549 378)	(14 878 699)
Total expenditure		**(305 204 459)**	**(295 473 593)**
Surplus for the year		**61 886 960**	**83 578 925**

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By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

* See Note 54

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2020	**532 281 219**	**532 281 219**
Changes in net assets		
Surplus for the year	83 578 925	83 578 925
Total changes	83 578 925	83 578 925
Opening balance as previously reported	615 860 137	615 860 137
Adjustments		
Prior year adjustments	3 337 612	3 337 612
Restated* Balance at 01 July 2021 as restated*	**619 197 749**	**619 197 749**
Changes in net assets		
Reclassification of prior year error	(3 337 612)	(3 337 612)
Net error reclassified to prior period	(3 337 612)	(3 337 612)
Surplus for the year	61 886 960	61 886 960
Total recognised income and expenses for the year	58 549 348	58 549 348
Total changes	58 549 348	58 549 348
Balance at 30 June 2022	**677 747 097**	**677 747 097**

Note(s)

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By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

* See Note 54

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Property rates		21 598 502	34 915 492
Grants		153 001 000	187 682 152
Interest income		220 608	413 091
Sale of goods and rendering of services		90 989 304	82 963 489
		265 809 414	305 974 224
Payments			
Employee costs		(75 121 139)	(75 708 512)
Suppliers		(89 217 761)	(55 537 167)
Finance costs		(23 274 002)	(17 407 093)
Other cash item		(9 852 882)	(15 322 272)
		(197 465 784)	(163 975 044)
Net cash flows from operating activities	40	**68 343 630**	**141 999 180**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(55 176 734)	(89 716 142)
Purchase of other intangible assets	5	-	(17 800)
Net cash flows from investing activities		**(55 176 734)**	**(89 733 942)**
Cash flows from financing activities			
Movement in other liability		(12 400 000)	(48 926 851)
Net increase/(decrease) in cash and cash equivalents		**766 896**	**3 338 387**
Cash and cash equivalents at the beginning of the year		6 454 128	3 115 741
Cash and cash equivalents at the end of the year	12	**7 221 024**	**6 454 128**

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By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

* See Note 54

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance											
Property rates	33 417 816	-	33 417 816	-		33 417 816	33 396 127		(21 689)	100 %	100 %
Service charges	128 640 000	1 057 000	129 697 000	-		129 697 000	125 579 695		(4 117 305)	97 %	98 %
Investment revenue	604 000	(400 000)	204 000	-		204 000	41 845 849		41 641 849	20 513 %	6 928 %
Transfers recognised - operational	90 321 000	-	90 321 000	-		90 321 000	89 332 200		(988 800)	99 %	99 %
Other own revenue	50 657 000	2 674 000	53 331 000	-		53 331 000	11 282 640		(42 048 360)	21 %	22 %
Total revenue (excluding capital transfers and contributions)	**303 639 816**	**3 331 000**	**306 970 816**	**-**		**306 970 816**	**301 436 511**		**(5 534 305)**	**98 %**	**99 %**
Employee costs	(71 856 000)	1 190 000	(70 666 000)	-	-	(70 666 000)	(69 120 396)	-	1 545 604	98 %	96 %
Remuneration of councillors	(6 042 000)	-	(6 042 000)	-	-	(6 042 000)	(5 415 743)	-	626 257	90 %	90 %
Debt impairment	-	-	-			-	(5 427 748)	-	(5 427 748)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(28 262 496)	-	(28 262 496)			(28 262 496)	(22 961 643)	-	5 300 853	81 %	81 %
Finance charges	(5 199 996)	(2 800 004)	(8 000 000)	-	-	(8 000 000)	(23 274 002)	-	(15 274 002)	291 %	448 %
Materials and bulk purchases	(95 405 000)	(7 475 000)	(102 880 000)	-	-	(102 880 000)	(86 757 617)	-	16 122 383	84 %	91 %
Other expenditure	(108 685 000)	14 941 000	(93 744 000)	-	-	(93 744 000)	(92 247 310)	-	1 496 690	98 %	85 %
Total expenditure	**(315 450 492)**	**5 855 996**	**(309 594 496)**	**-**	**-**	**(309 594 496)**	**(305 204 459)**	**-**	**4 390 037**	**99 %**	**97 %**
Surplus/(Deficit)	**(11 810 676)**	**9 186 996**	**(2 623 680)**	**-**		**(2 623 680)**	**(3 767 948)**		**(1 144 268)**	**144 %**	**32 %**

Audited
By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	50 478 000	-	50 478 000	-		50 478 000	65 031 545		14 553 545	129 %	129 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	623 363		623 363	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**38 667 324**	**9 186 996**	**47 854 320**	**-**		**47 854 320**	**61 886 960**		**14 032 640**	**129 %**	**160 %**
Surplus/(Deficit) for the year	**38 667 324**	**9 186 996**	**47 854 320**	**-**		**47 854 320**	**61 886 960**		**14 032 640**	**129 %**	**160 %**
Financial Position											
Total current assets	190 597 368	56 583 353	247 180 721	-		247 180 721	298 536 859		51 356 138	121 %	157 %
Total non-current assts	765 188 617	(48 755 096)	716 433 521	-		716 433 521	832 441 171		116 007 650	116 %	109 %
Total current liabilities	(228 893 000)	1 358 000	(227 535 000)	-		(227 535 000)	297 267 214		524 802 214	(131)%	(130)%
Total non-current liabilities	44 847 000	-	44 847 000	-		44 847 000	155 963 719		111 116 719	348 %	348 %
Community wealth / equity	682 045 000	9 187 000	691 232 000	-		691 232 000	681 084 710		(10 147 290)	99 %	100 %
Capital expenditure and funds sources											
Total capital expenditure	98 332 000	(48 755 000)	49 577 000	-		49 577 000	60 716 809		11 139 809	122 %	62 %

Audited
By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	17 483 000	10 991 000	28 474 000	-		28 474 000	68 343 630		39 869 630	240 %	391 %
Net cash from (used) investing	(98 332 000)	46 871 000	(51 461 000)	-		(51 461 000)	(55 176 734)		(3 715 734)	107 %	56 %
Net cash from (used) financing	-	-	-	-		-	(12 400 000)		(12 400 000)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**(80 849 000)**	**57 862 000**	**(22 987 000)**	**-**		**(22 987 000)**	**766 896**		**23 753 896**	**(3)%**	**(1)%**
Cash and cash equivalents at the beginning of the year	161 469 000	-	161 469 000	-		161 469 000	6 454 128		(155 014 872)	4 %	4 %
Cash and cash equivalents at year end	**80 620 000**	**57 862 000**	**138 482 000**	**-**		**138 482 000**	**7 221 024**		**131 260 976**	**5 %**	**9 %**

Explanations on material budget variances have been disclosed under note 55.

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Mpumalanga Business Unit

Accounting Policies

Figures in Rand | Note(s) | 2022 | 2021

1. Presentation of Annual Financial Statements

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

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

Trade receivables

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

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

Allowance for doubtful debts

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

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for

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2022 -12- 0 9
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Mpumalanga Business Unit

1.5 Investment property (continued)

- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Fair value

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

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

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

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

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Buildings	Straight-line	0 - 100 years
Plant and machinery	Straight-line	5 - 15 years
Furniture and fixtures	Straight-line	5 - 7 years
Motor vehicles	Straight-line	5 - 12 years
Office equipment	Straight-line	5 - 12 years
IT equipment	Straight-line	3 - 5 years
Computer software	Straight-line	3 - 5 years
Infrastructure	Straight-line	0 - 100 years
Community	Straight-line	0 - 100 years
Other property, plant and equipment	Straight-line	5 -12 years
Specialised vehicles	Straight-line	7 - 12 years

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

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

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2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

1.8 Intangible assets

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

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

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	3 years
Servitudes	Straight-line	indefinite

1.9 Financial instruments

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

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By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

1.9 Financial instruments (continued)

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

Classification

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

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

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

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
VAT payabe	Financial liability measured at amortised cost

1.10 Statutory receivables

Identification

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

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

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

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

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

Recognition

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

1.10 Statutory receivables (continued)

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

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

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

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

Derecognition

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

Accounting Policies

1.10 Statutory receivables (continued)

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

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

1.11 Leases

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

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

Operating leases - lessor

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

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

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

Operating leases - lessee

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

1.12 Inventories

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

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

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

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

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

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

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

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

1.12 Inventories (continued)

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

1.13 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Designation

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

The municipality designates an asset or a cash-generating unit as cash-generating when:

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

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

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.15 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

Short-term employee benefits

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

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

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

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

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

1.15 Employee benefits (continued)

Post-employment benefits

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

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

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

Insured benefits

Where the entity pays insurance premiums to fund a post-employment benefit plan, the entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Post-employment benefits: Defined contribution plans

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

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

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

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

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

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

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

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

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

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

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

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

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

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

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

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

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

1.15 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

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1.16 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:

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

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

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

Accounting Policies

1.16 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

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

1.18 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

1.19 Revenue from non-exchange transactions

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

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

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

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

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

1.19 Revenue from non-exchange transactions (continued)

Property rates

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

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.20 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

1.21 Investment income

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

1.22 Borrowing costs

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

1.22 Borrowing costs (continued)

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

1.23 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.24 Comparative figures

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

1.25 Unauthorised expenditure

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

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

1.26 Fruitless and wasteful expenditure

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

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

1.27 Irregular expenditure

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

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

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

1.28 Segment information

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

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

1.29 Budget information

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

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

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

1.29 Budget information (continued)

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

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

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

1.30 Related parties

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

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

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

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

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

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

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

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

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

1.31 Events after reporting date

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

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

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

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

2. Standards and interpretations

2.1 Standards and Interpretations approved and effective for 2021/22 Financial Year

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statements

GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors

GRAP 4 The Effects of Changes in Foreign Exchange Rates

GRAP 5 Borrowing Costs

GRAP 9 Revenue from Exchange Transactions

GRAP 10 Financial Reporting in Hyperinflationary Economies

GRAP 11 Construction Contracts

GRAP 12 Inventories

GRAP 13 Leases

GRAP 14 Events After the Reporting Date

GRAP 16 Investment Property

GRAP 17 Property Plant and Equipment

GRAP 18 Segment Reporting

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

GRAP 20 Related Party Disclosures

GRAP 21 Impairment of Non -Cash Generating Assets

GRAP 23 Revenue from Non- Exchange Transactions (Taxes and Transfers)

GRAP 24 Presentation of Budget Information in Financial Statements

GRAP 25 Employee Benefits

GRAP 26 Impairment of Cash-Generating Assets

GRAP 27 Agriculture

GRAP 31 Intangible Assets

GRAP 32 Service Concession Arrangements: Grantor

GRAP 34 Separate Financial Statements

GRAP 35 Consolidated Financial Statements

GRAP 36 Investments in Associates and Joint Ventures

GRAP 37 Joint Arrangements

GRAP 38 Disclosure of Interests of Other Entities

Notes to the Annual Financial Statements

2. Standards and interpretations (continued)

GRAP 100 Discounted Operations

GRAP 103 Heritage Assets

GRAP 104 Financial Instruments

GRAP 105 Transfer of Functions Between Entities Under Common Control

GRAP 106 Transfer of Functions Between Entities Not Under common Control

GRAP 107 Mergers

GRAP 108 Statutory Receivables

GRAP 109 Accounting by Principals and Agents

GRAP 110 Living and Non-Living resources

IGRAP 1 Applying the Probability Test on Initial Recognition of Revenue

IGRAP 2 Changes in Existing Decommissioning, Restoration and Similar Liabilities

IGRAP 3 Determining whether an arrangement contains a lease

IGRAP 4 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds

IGRAP 5 Applying the restatement approach under the Standard of GRAP on financial reporting in hyperinflationary economies

IGRAP 6 Loyalty Programmes

IGRAP 7 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IGRAP 8 Agreements for the Construction of Assets from Exchange Transactions

IGRAP 9 Distributions of Non-cash Assets to Owners

IGRAP 10 Assets Received from Customers

IGRAP 13 Operating Leases – Incentives

IGRAP 14 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IGRAP 15 Revenue – Barter Transactions Involving Advertising Services

IGRAP 16 Intangible Assets – Website Costs

IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

IGRAP 18 Recognition and Derecognition of Land

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	39 999 773	-	39 999 773	40 403 811	-	40 403 811

Reconciliation of investment property - 2022

	Opening balance	Fair value adjustments	Total
Investment property	40 403 811	(404 038)	39 999 773

Reconciliation of investment property - 2021

	Opening balance	Fair value adjustments	Total
Investment property	42 229 102	(1 825 291)	40 403 811

Pledged as security

No investment property is pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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3. Investment property (continued)

Details of valuation

The effective date of the revaluations was Thursday, 30 June 2022. Revaluations were performed by an independent valuer, Erina Otto of i@ Consulting. i@ Consulting are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The municipality applied fair value adjustment on the investment properties at the end of the financial year. The fair value adjustments of the investment properties being for improved and unimproved land was determined based on the trend of the general market growth rate figure as indicated through the FNB house price indices for June 2022, being a rate of 3.4%, adjusted to reflect the current market conditions per suburb.

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Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 902 500	-	2 902 500	2 902 500	-	2 902 500
Plant and machinery	897 835	(608 172)	289 663	982 935	(752 820)	230 115
Furniture and fixtures	2 075 392	(1 636 970)	438 422	2 699 104	(2 135 264)	563 840
Motor vehicles	1 085 862	(637 627)	448 235	1 644 431	(270 946)	1 373 485
IT equipment	1 069 580	(747 884)	321 696	1 206 468	(873 917)	332 551
Infrastructure	1 210 839 390	(477 485 087)	733 354 303	1 162 802 146	(458 693 325)	704 108 821
Community	92 103 622	(45 953 146)	46 150 476	92 103 622	(44 624 145)	47 479 477
Other property, plant and equipment	62 824 628	(54 382 455)	8 442 173	62 832 169	(53 462 821)	9 369 348
Total	**1 373 798 809**	**(581 451 341)**	**792 347 468**	**1 327 173 375**	**(560 813 238)**	**766 360 137**

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Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	WIP	Disposals	Additions through provisions	Depreciation	Impairment loss	Total
Land	2 902 500	-	-	-	-	-	-	2 902 500
Plant and machinery	230 115	310 109	-	(153 078)	-	(97 483)	-	289 663
Furniture and fixtures	563 840	76 150	-	(50 000)	-	(151 568)	-	438 422
Motor vehicles	1 373 485	672 421	-	(736 129)	-	(228 575)	(632 967)	448 235
IT equipment	332 551	188 984	-	(73 544)	-	(126 295)	-	321 696
Infrastructure	704 108 834	22 331 252	38 675 679	(2 036 390)	(10 329 693)	(19 311 337)	(84 042)	733 354 303
Community	47 479 477	48 388	-	-	-	(1 377 389)	-	46 150 476
Other property, plant and equipment	9 369 348	28 800	-	(9 608)	-	(930 422)	(15 945)	8 442 173
	766 360 150	**23 656 104**	**38 675 679**	**(3 058 749)**	**(10 329 693)**	**(22 223 069)**	**(732 954)**	**792 347 468**

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Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	WIP	Disposals	Other adjustments	Additions through provisions	Depreciation	Impairment loss	Prior year corrections	Total
Land	2 902 500	-	-	-	-	-	-	-	-	2 902 500
Plant and machinery	217 577	87 633	-	-	-	-	(75 095)	-	-	230 115
Furniture and fixtures	725 470	75 610	-	(39 128)	-	-	(196 932)	(1 180)	-	563 840
Motor vehicles	1 644 430	-	-	-	-	-	(270 945)	-	-	1 373 485
IT equipment	619 687	90 000	-	(145 135)	-	-	(210 130)	(21 871)	-	332 551
Infrastructure	592 291 489	13 632 725	76 907 752	(174 924)	58 597	35 642 481	(17 114 516)	(413 807)	3 279 024	704 108 821
Community	45 571 531	4 275 516	(167 094)	(36 567)	-	-	(1 536 437)	(627 472)	-	47 479 477
Other PPE	10 446 495	160 001	-	-	-	-	(1 237 148)	-	-	9 369 348
	654 419 179	**18 321 485**	**76 740 658**	**(395 754)**	**58 597**	**35 642 481**	**(20 641 203)**	**(1 064 330)**	**3 279 024**	**766 360 137**

Pledged as security

No assets are pledged as security.

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4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Opening balance	Prior year correction	Other adjustments	Additions	Completed	Total
Other property, plant and equipment - Work in progress	-	-	-	28 800	(28 800)	-
Community - Work in progress	12 789 311	-	-	-	-	12 789 311
Infrastructure - Work in progress	278 866 797	-	-	58 951 018	(20 275 339)	317 542 476
Subtotal	291 656 108	-	-	58 979 818	(20 304 139)	330 331 787
	291 656 108	**-**	**-**	**58 979 818**	**(20 304 139)**	**330 331 787**

Reconciliation of Work-in-Progress 2021

	Opening balance	Prior year correction	Other adjustments	Additions	Completed	Total
Other property, plant and equipment - Work in progress	-	-	-	160 000	(160 000)	-
Community - Work in progress	12 789 311	-	-	1 487 546	(1 654 640)	12 622 217
Infrastructure - Work in progress	198 621 411	3 279 024	58 597	87 878 457	(10 970 692)	278 866 797
Subtotal	211 410 722	3 279 024	58 597	89 526 003	(12 785 332)	291 489 014
	211 410 722	**3 279 024**	**58 597**	**89 526 003**	**(12 785 332)**	**291 489 014**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Audited By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	17 800	(7 676)	10 124	17 800	(2 058)	15 742
Servitudes	83 806	-	83 806	83 806	-	83 806
Total	**101 606**	**(7 676)**	**93 930**	**101 606**	**(2 058)**	**99 548**

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	15 742	(5 618)	10 124
Servitudes	83 806	-	83 806
	99 548	**(5 618)**	**93 930**

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	-	17 800	(2 058)	15 742
Servitudes	83 806	-	-	83 806
	83 806	**17 800**	**(2 058)**	**99 548**

Pledged as security

No intangible assets are pledged as security:

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

6. Employee Benefit Obligations

Short term and long term portion of employee benefit obligations have been disclosed in note 8.

Long service awards

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service.

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of every year. The Projected Unit Credit Method has been used to value the liabilities. The latest valuation was performed for Dipaleseng Local Municipality as at 30 June 2022 by qualified experts.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 (Employee Benefits).

Long service award relate to the legal obligation to provide long service leave awards. Actuarial benefits have been calculated
for 177 eligible employees as at 30 June 2022 that are entitled to long service awards. The long service awards liability is not a
funded arrangement. i.e. no separate assets have been set aside to meet this liability.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	3 671 000	3 259 000

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

Opening balance	3 259 000	2 850 000
Benefits paid	(284 000)	(214 000)
Net expense recognised in the statement of financial performance	696 000	623 000
	3 671 000	**3 259 000**

Net expense recognised in the statement of financial performance

Current service cost	286 000	283 000
Interest cost	352 000	205 000
Actuarial (gains) losses	58 000	135 000
	696 000	**623 000**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	58 000	135 000

Audited
By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

6. Employee Benefit Obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2022	2021
Discount rate	Yield Curve	7.75 %
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	3.90 %
Normal Salary Increase Rate	Equal to CPI+1%	4.90 %
Net Effective Discount Rate	Yield Curve Based**	3.90 %
Average Retirement Age (years)	62	62
Normal Retirement Age (years)	65	65
Mortality Rates	SA85-90	SA85-90

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

We use the nominal and real zero curves as at 30 June 2022 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

**The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2022 of 4.9%. The next salary increase was assumed to take place on 01 July 2023.

Sensitivity analysis

Mortality rate

We have tested the effect of a 20% p.a change in the normal mortality rate. The effect is as follows:

	-20 Withdrawal rate	+20 Withdrawal rate
Total Accrued Liability	3 848 000	3 509 000
Current Service Cost	335 000	293 000
Interest cost	458 000	415 000
	4 641 000	**4 217 000**

Audited By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

Figures in Rand	2022	2021

6. Employee Benefit Obligations (continued)

Other assumptions

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

	One percentage point increase	One percentage point decrease
Total Accrued Liability	3 893 000	3 467 000
Current Service Cost	336 000	292 000
Interest Cost	463 000	410 000

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

	2022 R	2021 R	2020 R	2019 R	2018 R
Defined benefit obligation	3 671 000	3 259 000	2 850 000	2 630 850	2 019 000

Defined contribution plan

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

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

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

7. Employee benefit obligations

Post-employment Medical Aid Liabilities

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. The previous actuaries however assumed that only 75% of those currently on medical aid would be on medical aid in retirement. However, they also assumed that 15% of those not currently on medical aid would be on medical aid in retirement. We also assumed that all active members will remain on the same medical aid option at retirement.

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e., no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	11 529 000	11 548 000

Figures in Rand	2022	2021

7. (continued)

7. Employee benefit obligations (continued)

The major categories of plan assets as a percentage of total plan assets are as follows:

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

	2022	2021
Opening balance	11 548 000	9 601 000
Benefits paid	(263 000)	(246 000)
Net expense recognised in the statement of financial performance	244 000	2 193 000
	11 529 000	**11 548 000**

Net expense recognised in the statement of financial performance

	2022	2021
Current service cost	558 000	482 000
Interest cost	1 248 000	979 000
Actuarial (gains) losses	(1 562 000)	732 000
	244 000	**2 193 000**

Calculation of actuarial gains and losses

	2022	2021
Actuarial (gains) losses – Obligation	(1 562 000)	732 000

Key assumptions used

Assumptions used at the reporting date:

Discount Rate	Yield Curve		7.75 %
CPI (Consumer Price Inflation)	Difference between nominal and yield curves		3.90 %
Medical Aid Contribution Inflation	CPI+1 %		4.90 %
Net Effective Discount Rate	Yield curve based**		3.90 %
Average Retirement Age	62	62	
Normal Retirement Age	65	65	

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

We used the nominal and real zero curves as at 30 June 2022 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

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

Other assumptions

Audited By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

7. (continued)

7. Employee benefit obligations (continued)

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.
We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

	One percentage point increase	One percentage point decrease
Total Accrued Liability	12 316 000	10 472 000
Interest Cost	1 474 000	1 249 000
Service Cost	643 000	523 000

Mortality Rate

We have tested the effect of a 20% p.a change in the normal mortality rate. The effect is as follows:

	+20% Mortality rate	-20% Mortality rate
Total Accrued Liability	10 744 000	12 459 000
Interest cost	1 283 000	1 491 000
Service Cost	553 000	643 000
	-	-

8. Employee benefit obligation split

	2022	2021
Current Liabilities	1 007 000	591 000
Non-current Liabilities	14 193 000	14 216 000
	15 200 000	**14 807 000**

9. Inventories

	2022	2021
Maintenance materials	111 420	100 303
Water for distribution	24 175	28 762
	135 595	**129 065**

Inventory pledged as security

No Inventory has been pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

10. Receivables from exchange transactions

Gross balances		
Other debtors - deposits	216 815	216 815
Consumer debtors - Electricity	85 923 693	62 627 952
Consumer debtors - Water	134 279 580	114 431 182
Consumer debtors - Waste water	152 537 087	128 629 687
Consumer debtors - Refuse	85 254 811	72 317 538
Consumer debtors - Property Rental	1 916 886	1 581 520
Consumer debtors - Other	102 149 346	97 643 016
	562 278 218	**477 447 710**

Less: Allowance for impairment		
Consumer debtors - Electricity	(48 382 694)	(41 657 019)
Consumer debtors - Water	(75 186 095)	(73 170 759)
Consumer debtors - Waste water	(84 912 922)	(82 784 231)
Consumer debtors - Refuse	(53 125 231)	(46 652 511)
Consumer debtors - Property Rental	(1 335 221)	(1 004 825)
Consumer debtors - Other	(41 685 541)	(58 001 273)
	(304 627 704)	**(303 270 618)**

Net balance		
Other debtors - deposits	216 815	216 815
Consumer debtors - Electricity	37 540 999	20 970 933
Consumer debtors - Water	59 093 485	41 260 423
Consumer debtors - Waste water	67 624 165	45 845 456
Consumer debtors - Refuse	32 129 580	25 665 027
Consumer debtors - Property Rental	581 665	576 695
Consumer debtors - Other	60 463 805	39 641 743
	257 650 514	**174 177 092**

Electricity		
Current (0 -30 days)	6 126 558	2 813 273
31 - 60 days	5 330 408	1 546 794
61 - 90 days	1 756 026	1 526 946
91 - 120 days	1 634 168	1 298 242
121 - 365 days	11 405 183	9 412 361
> 365 days	59 671 350	46 247 226
	85 923 693	**62 844 842**

Water		
Current (0 -30 days)	2 972 683	2 250 891
31 - 60 days	2 899 134	1 688 826
61 - 90 days	1 831 250	1 956 435
91 - 120 days	1 808 375	1 586 198
121 - 365 days	12 454 056	11 246 505
> 365 days	112 314 082	96 188 521
	134 279 580	**114 917 376**

Audited
By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

Figures in Rand	2022	2021

10. Receivables from exchange transactions (continued)

Waste water		
Current (0 -30 days)	2 978 682	2 050 108
31 - 60 days	2 985 738	1 959 856
61 - 90 days	2 123 802	1 955 812
91 - 120 days	2 092 084	1 887 242
121 - 365 days	14 404 826	12 715 160
> 365 days	127 951 955	108 156 612
	152 537 087	**128 724 790**

Refuse		
Current (0 -30 days)	1 287 930	1 159 787
31 - 60 days	1 244 625	1 130 638
61 - 90 days	1 217 460	1 117 480
91 - 120 days	1 206 860	1 105 299
121 - 365 days	8 256 872	7 367 954
> 365 days	72 041 064	60 436 380
	85 254 811	**72 317 538**

Property Rental		
Current (0 -30 days)	30 281	29 136
31 - 60 days	29 599	28 731
61 - 90 days	29 287	28 149
91 - 120 days	29 006	27 978
121 - 365 days	197 207	210 496
> 365 days	1 601 506	1 257 030
	1 916 886	**1 581 520**

Consumer debtors - Other		
Current (0 -30 days)	527 832	452 218
31 - 60 days	1 136 878	396 602
61 - 90 days	434 607	390 897
91 - 120 days	622 295	406 792
121 - 365 days	2 982 754	2 515 549
> 365 days	96 444 980	94 581 878
	102 149 346	**98 743 936**

Figures in Rand	2022	2021

10. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Industrial/ commercial		
Current (0 -30 days)	7 705 275	2 807 197
31 - 60 days	7 663 516	1 495 728
61 - 90 days	1 592 014	1 597 115
91 - 120 days	1 701 309	1 282 702
121 - 365 days	10 604 297	9 250 514
> 365 days	105 713 248	93 172 531
	134 979 659	**109 605 787**
Residential		
Current (0 -30 days)	5 794 193	5 439 288
31 - 60 days	5 667 373	5 067 127
61 - 90 days	5 509 355	5 155 859
91 - 120 days	5 434 916	4 840 394
121 - 365 days	37 308 100	32 930 154
> 365 days	349 295 984	300 238 852
	409 009 921	**353 671 674**
National and provincial government		
Current (0 -30 days)	81 737	106 298
31 - 60 days	62 517	23 582
61 - 90 days	60 602	43 402
91 - 120 days	43 272	19 172
121 - 365 days	255 296	224 550
> 365 days	1 862 213	1 621 381
	2 365 637	**2 038 385**
Consumer debtors - Other		
Current (0 -30 days)	292 165	402 631
31 - 60 days	180 496	165 011
61 - 90 days	182 933	179 343
91 - 120 days	165 241	169 482
121 - 365 days	1 207 238	1 062 807
> 365 days	13 311 731	11 834 882
	15 339 804	**13 814 156**
Total		
Current (0 -30 days)	13 873 370	8 755 414
31 - 60 days	13 573 902	6 751 447
61 - 90 days	7 344 904	6 975 719
91 - 120 days	7 344 738	6 311 751
121 - 365 days	49 374 931	43 468 024
> 365 days	471 386 409	406 867 647
	562 898 254	479 130 002
Less: Allowance for impairment	(304 627 706)	(303 270 618)
	258 270 548	**175 859 384**

Audited By
2022-12-09
Auditor General South Africa
Mpumalanga Business Unit

Figures in Rand	2022	2021

10. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(303 270 618)	(284 121 060)
Contributions to allowance	(1 357 086)	(19 149 558)
	(304 627 704)	**(303 270 618)**

Receivables from exchange transactions general information

Basis used to assess and test whether receivables from exchange transactions are impaired

The estimate were determined by the judgment of the management of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt. The effects of the time value of money has been ignored due to the fact that the debt is immediately payable.

In assessing whether statutory receivables are impaired, management assessed whether there are any indications that:
(a) Individually significant receivables are impaired; and/or
(b) Groups of similar, individually insignificant, receivables are impaired.

The following accounts are specifically excluded from the assessment for impairment:
Receivable accounts with a total credit balance at reporting date;
Receivable accounts where the total balance at reporting date is zero;
Receivable accounts where the municipality is the owner, as this is raised on the debtor system and rebated accordingly; and
Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due

In estimating the future cash flows, management considered both the amount and timing of the cash flows that it will receive in future. In line with par 12 of the Credit Control Policy, the municipality does not see itself as a credit provision institution and hence the effect of the time value of money is not considered as all outstanding amounts are immediately payable.

In determining the amount impaired, management estimates the cash flows that it expects to collect based on facts and circumstances at the reporting date.

The future cash flows of a group of receivables that were individually or collectively evaluated for impairment were estimated using historical experience. For this purpose management adopted the payment pattern of each receivable.

Individual receivable impairment shall identify individual receivable accounts that meet any one of the following criteria:

A debtor that has been placed under or applied for liquidation or sequestration;
Debtors where the last payment date by the customer was before 31 March of the current financial year;
Accounts handed over to debt collectors and/or power of attorney;
All accounts indicated as in-active accounts on the system;
When a formal arrangement is made on arrears debt, and the debtor has defaulted on this arrangement for a period in excess of 30 days during the financial year; and
When accounts have been formally presented to the CFO for consideration for write off

A group assessment of receivables shall further be conducted on the remaining receivables taking into account the following criteria:

All accounts with balances outstanding for longer than ninety (90) days as these accounts are considered to be past due.

Receivables from exchange pledged as security

No receivables from exchange transactions were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

10. Receivables from exchange transactions (continued)

Receivables from exchange debtors impaired

As of 30 June 2022, receivables from exchange of R 562 061 403 (2021: R 477 230 895) were impaired and provided for.

The amount of the provision was R 304 627 704 as of 30 June 2022 (2021: R 303 270 618).

The ageing of the amounts considered for impairment are as follows::

1 month past due	8 970 550	8 755 414
2 months past due	6 751 007	6 751 447
3 months past due	7 003 621	6 975 719
3 to 6 months	6 336 998	6 311 751
Over 6 months	532 999 227	448 436 564

11. Receivables from non-exchange transactions

Gross balances		
Consumer debtors - Rates	115 419 583	88 430 139
Gert Sibande District	-	10 983 207
Other debtors	389 322	389 322
Fines	5 143 650	2 760 750
	120 952 555	**102 563 418**
Less: Allowance for impairment		
Consumer debtors - Rates	(82 422 335)	(80 699 633)
Fines	(5 000 494)	(2 652 534)
	(87 422 829)	**(83 352 167)**
Net balance		
Consumer debtors - Rates	32 997 248	7 730 506
Other debtors	389 322	389 322
Fines	143 156	108 216
	33 529 726	**8 228 044**
Rates		
Current (0 -30 days)	3 393 677	3 088 596
31 - 60 days	2 858 277	2 656 124
61 - 90 days	2 782 330	2 578 569
91 - 120 days	2 741 226	2 449 022
121 - 365 days	17 977 524	15 928 799
> 365 days	85 666 549	63 198 982
	115 419 583	**89 900 092**

Audited
By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

Audited By
2022 -12- 09
Auditor General South Africa
Mpumalanga Business Unit

Figures in Rand	2022	2021

11. Receivables from non-exchange transactions (continued)

Summary of debtors by customer classification

Industrial/ commercial		
Current (0 -30 days)	998 310	911 925
31 - 60 days	705 787	639 146
61 - 90 days	669 602	598 985
91 - 120 days	655 191	585 683
121 - 365 days	4 333 184	3 926 806
> 365 days	24 397 081	19 019 709
	31 759 155	**25 682 254**
Residential		
Current (0 -30 days)	941 809	852 308
31 - 60 days	845 247	761 805
61 - 90 days	830 828	742 875
91 - 120 days	819 559	730 579
121 - 365 days	5 518 387	4 852 970
> 365 days	28 031 747	20 470 627
	36 987 577	**28 411 164**
National and provincial government		
Current (0 -30 days)	566 533	499 986
31 - 60 days	571 139	493 091
61 - 90 days	566 668	488 776
91 - 120 days	557 448	476 385
121 - 365 days	3 326 598	2 748 015
> 365 days	10 293 420	5 653 621
	15 881 806	**10 359 874**
Other		
Current (0 -30 days)	887 026	824 377
31 - 60 days	736 104	762 082
61 - 90 days	715 232	747 932
91 - 120 days	709 028	656 375
121 - 365 days	4 799 356	4 401 009
> 365 days	24 701 720	18 055 026
	32 548 466	**25 446 801**
Total		
Current (0 -30 days)	3 393 677	3 088 596
31 - 60 days	2 858 277	2 656 124
61 - 90 days	2 782 330	2 578 569
91 - 120 days	2 741 226	2 449 022
121 - 365 days	17 997 524	15 928 799
> 365 days	87 403 968	63 198 982
	117 177 002	89 900 092
Less: Allowance for impairment	(82 442 335)	(80 699 633)
	34 734 667	**9 200 459**

Figures in Rand	2022	2021

11. Receivables from non-exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(80 699 633)	(61 561 218)
Contributions to allowance	(1 722 701)	(19 138 415)
	(82 422 334)	**(80 699 633)**

Included in receivables from non-exchange transactions above are statutory receivables as described below:

Audited
By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

11. Receivables from non-exchange transactions (continued)

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines are governed by Administrative Adjudication of Road Traffic Offences Act, No. 46 of 1998 (AARTO) and National Road Traffic Act, No. 93 of 1996 of South Africa, hence this is therefore recognised as a statutory receivable. The receivable is calculated by determining the value of the fine to be paid on initial recognition, and accounting for subsequent measurement by taking into account reductions and discounts made to the value of the fine payable in terms of the court of law. No interest is charged on outstanding fines, and any additional penalties applied by the court is paid by the offender to the court directly, and is therefore not considered to be revenue for the municipality.

Property rates is levied in terms of the Municipal Property Rates Act 6 of 2004, hence this is therefore recognised as a statutory receivable. The receivable is calculated by applying the Council approved rates randages against the valuation of individual properties within the municipality jurisdiction. Council approved rebates and exemptions are further applied to reduce the receivable.

Basis used to assess and test whether a statutory receivable is impaired

The estimate were determined by the judgment of the management of the municipality, supplemented by experience of past practices and statistics in relation to uncollectable debt. The effects of the time value of money has been ignored due to the fact that the debt is immediately payable.

In assessing whether statutory receivables are impaired, management assessed whether there are any indications that:
(a) Individually significant receivables are impaired; and/or
(b) Groups of similar, individually insignificant, receivables are impaired.

The following accounts are specifically excluded from the assessment for impairment:
Receivable accounts with a total credit balance at reporting date;
Receivable accounts where the total balance at reporting date is zero;
Receivable accounts where the municipality is the owner, as this is raised on the debtor system and rebated accordingly; and
Receivable account balances that have not been outstanding for more than 30 days at reporting date as these account balances are considered not to be past due

In estimating the future cash flows, management considered both the amount and timing of the cash flows that it will receive in future. In line with par 12 of the Credit Control Policy, the municipality does not see itself as a credit provision institution and hence the effect of the time value of money is not considered as all outstanding amounts are immediately payable.

In determining the amount impaired, management estimates the cash flows that it expects to collect based on facts and circumstances at the reporting date.

The future cash flows of a group of receivables that were individually or collectively evaluated for impairment were estimated using historical experience. For this purpose management adopted the payment pattern of each receivable.

Traffic fines will be impaired when the possibility of collecting the fines cannot be ascertained and where the prospects of a successful prosecution of an offender are not certain.

The National Prosecuting Authority (NPA) has issued a countrywide instruction that all outstanding traffic fines issued in terms of the Criminal Procedure Act should be cancelled after 18 months if no summons has been issued.

Additionally, where a summons has been issued and the alleged transgressor fails to appear in court, resulting in a warrant of arrest, the warrant has a lifetime of two years from the date of issue. Should it not been executed within two years, it should also be cancelled.

Based on the above mentioned, individual traffic fines will be assessed to identify the following:

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

11. Receivables from non-exchange transactions (continued)

Traffic fines issued in terms of the Criminal Procedure Act, that are outstanding for a period greater than or equal to 18 months, and no summons have been issued; and

Traffic fines where warrants of arrest remain outstanding for greater than or equal to two years, from the date the warrant has been issued.

The above mentioned traffic fines will be considered for **100% of impairment** of the rand value outstanding, as it is probable that these traffic fines will be written off by the municipality.

A group assessment of receivables shall further be conducted on the remaining traffic fine receivables taking into account the following criteria:

All fines with balances outstanding beyond the due date for payment.

Statutory receivables past due but not impaired

All statutory debtors are considered for impairment.

Statutory receivables impaired

As of 30 June 2022, Statutory receivables of R120 952 555 (2021: R91 190 889) were impaired and provided for.

The amount of the provision was R85 969 088 as of 30 June 2022 (2021: R85 969 088).

The ageing of the amounts past due and impaired is as follows:

1 month past due	3 154 383	3 088 596
2 months past due	2 712 699	2 656 124
3 months past due	2 633 493	2 578 569
3 to 6 months	2 501 186	2 449 022
Over 6 months	109 950 794	80 418 578

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	7 221 024	6 454 128

Cash and cash equivalents pledged as collateral

No cash and cash equivalents has been pledged as collateral security in the current year.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021		30 June 2022	30 June 2021	
First National BANK - Cheque Account - 51590840208	127 587	5 265 595	-	1 926 027	6 282 624	-
First National BANK - Current Account - 62054655827	43 459	52 394	-	892 156	52 394	-
First National BANK - Call Account - 62033239783	4 539 163	186 069	-	4 384 606	119 109	-
Total	**4 710 209**	**5 504 058**	**-**	**7 202 789**	**6 454 127**	**-**

Figures in Rand	2022	2021

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	3 266 189	-
Energy Efficiency and Demand Side Management Grant	30 952	24 652
Expanded Public Works Programme Integrated Grant	-	51 500
Integrated National Electrification Programme Grant	495 860	-
Regional Bulk Infrastructure Grant	-	5 079 594
	3 793 001	**5 155 746**

See note 27 for reconciliation of grants from National/Provincial Government.

14. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	70 898 819	(10 329 693)	6 255 757	66 824 883
Provision - Department of water & sanitation	74 945 836	-	-	74 945 836
	145 844 655	**(10 329 693)**	**6 255 757**	**141 770 719**

Reconciliation of provisions - 2021

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	32 823 860	35 642 481	2 432 478	70 898 819
Provision - Department of water & sanitation	74 945 836	-	-	74 945 836
	107 769 696	**35 642 481**	**2 432 478**	**145 844 655**

Environmental rehabilitation provision

The landfill rehabilitation is created for the rehabilitation of the current operational sites which are evaluated at each year-end toreflect the best estimate at reporting date. The sites under consideration are the Greylingstad, Siyathemba, and Grootvlei landfill sites.

The valuation for the landfill site was performed by Mr Seakle Godschalk Pr Sci Nat. from Environmental and Sustainability Solutions (ESS). Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientist Profession as well as the Southern African Institute of Ecologists and Environmental Scientists. Mr Godschalk is also a member of the Institute of Municipal Finance Officers and Institute of Directors.

Key financial assumptions used in this calculation were as follows:

			Greylingstad	Grootvlei	
Siyathemba	CPI			6.61%	
6.61%	6.61%	Discount rate			9.61%
10.61%	10.61%	Net effective discount rate			3.00%
4.00%	4.00%				

Department of Water and Sanitation

The accounting records of the Department of Water and Sanitation indicate that the Municipality owes the department an amount of R 74 945 836 in historic debt. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The timing of the outflow is unknown as engagements between the Municipality and the department are underway

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

15. Payables from exchange transactions

Trade payables	189 771 009	118 259 418
Amounts received in advance	8 225 988	8 066 611
Retentions	12 577 531	8 727 456
Accrued leave pay	11 692 236	11 043 967
Accrued bonus	1 236 554	1 267 549
Accrued expense	31 253 582	32 800 541
Unallocated Deposits	10 351 537	8 059 323
Salary Clearing Control	2 665 875	64 233
	267 774 312	**188 289 098**

16. VAT payable

VAT payables	21 888 579	22 138 656

17. Consumer deposits

Electricity	2 804 322	1 885 466

18. Revenue

Sale of goods	2 417 705	4 497 737
Service charges	125 579 695	113 553 380
Rental of facilities and equipment	264 694	272 294
Licences and permits	4 575 391	5 539 649
Actuarial gains/losses	1 504 000	-
Interest received - investment	220 608	413 091
Interest received	41 625 241	36 372 045
Property rates	33 396 127	31 693 898
Government grants & subsidies	154 363 745	182 577 906
Public contributions and donations	623 363	63 104
Fines, Penalties and Forfeits	2 520 850	1 604 308
	367 091 419	**376 587 412**

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	2 417 705	4 497 737
Service charges	125 579 695	113 553 380
Rental of facilities and equipment	264 694	272 294
Licences and permits	4 575 391	5 539 649
Other income 1	-	2 465 106
Interest received - investment	220 608	413 091
Interest received - receivables	41 625 241	36 372 045
	174 683 334	**163 113 302**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	33 396 127	31 693 898
Transfer revenue		
Government grants & subsidies	154 363 745	182 577 906
Public contributions and donations	623 363	63 104
Fines, Penalties and Forfeits	2 520 850	1 604 308
	190 904 085	**215 939 216**

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2022 -12- 09
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Mpumalanga Business Unit

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

19. Sale of Goods

Tender Documents	178 261	368 696
Advertisements	1 148	-
Cemetery	177 920	231 985
Escort Fees	347	-
Clearance certificates	467 020	393 589
Occupation Certificates	11 129	11 429
Town Planning and Servitudes	1 529 739	3 426 514
Valuation Services	301	287
Administrative Handling Fees	51 084	65 225
Incidental Cash Surpluses	756	12
	2 417 705	**4 497 737**

20. Service charges

Sale of electricity	70 616 978	61 708 655
Sale of water	23 463 615	23 368 186
Solid waste	8 570 300	7 219 043
Sewerage and sanitation charges	22 928 802	21 257 496
	125 579 695	**113 553 380**

21. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	264 694	272 294

22. Fines, Penalties and Forfeits

Overdue Books Fines	1 450	1 983
Municipal Traffic Fines	2 519 400	1 602 325
	2 520 850	**1 604 308**

23. Licences and permits (exchange)

Road and Transport	4 575 391	5 539 649

24. Lease rentals on operating lease

Equipment		
Contractual amounts	-	24 100
Plant and equipment		
Contractual amounts	314 861	403 874
	314 861	**427 974**

25. Investment revenue

Interest revenue		
Receivables	41 625 241	36 372 045
Interest revenue		
Bank	220 608	413 091
	41 845 849	**36 785 136**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

26. Property rates

Rates received

Property rates	33 396 127	31 693 898

Valuations

Residential	1 273 007 100	1 269 697 100
Commercial	355 982 500	342 943 500
State	388 367 400	388 367 400
Mining	34 506 000	34 506 000
Vacant Land	53 171 000	46 268 000
Agriculture	2 097 076 000	2 097 076 000
Public Service Property	138 739 270	138 739 270
Place of worship	37 160 000	37 160 000
Multi purpose properties	2 560 000	2 560 000
	4 380 569 270	**4 357 317 270**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Audited By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Annual Financial Statements

Audited By
2022 -12- 09
Auditor General South Africa
Mpumalanga Business Unit

Figures in Rand	2022	2021

27. Government grants and subsidies

Operating grants		
Equitable share	82 053 500	91 101 000
Energy Efficiency and Demand Side Management Grant	2 993 700	2 699 500
Expanded Public Works Programme Integrated Grant	1 485 000	1 770 000
Local Government Financial Management Grant	2 800 000	2 600 000
	89 332 200	**98 170 500**
Capital grants		
Municipal Infrastructure Grant	24 150 811	18 487 000
Integrated National Electrification Programme Grant	35 801 140	10 000 000
Regional Bulk Infrastructure Grant	5 079 594	55 920 406
	65 031 545	**84 407 406**
	154 363 745	**182 577 906**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	72 310 745	91 101 100
Unconditional grants received	82 053 000	91 476 806
	154 363 745	**182 577 906**

Equitable Share

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

All registered indigents receive a monthly subsidy which is funded from the grant.

Energy Efficiency and Demand Side Management Grant

Balance unspent at beginning of year	24 652	-
Current-year receipts	3 000 000	2 700 000
Conditions met - transferred to revenue	(2 993 700)	(2 700 000)
Unspent	-	24 652
	30 952	**24 652**

Conditions still to be met - remain liabilities (see note 13).

Expanded Public Works Programme Integrated Grant

Balance unspent at beginning of year	51 500	51 500
Current-year receipts	1 485 000	1 770 000
Conditions met - transferred to revenue	(1 485 000)	(1 770 000)
Amount withheld by treasury	(51 500)	-
	-	**51 500**

Conditions still to be met - remain liabilities (see note 13).

Amount withheld by treasury - .

Local Government Financial Management Grant

Current-year receipts	2 800 000	2 600 000
Conditions met - transferred to revenue	(2 800 000)	(2 600 000)

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

27. Government grants and subsidies (continued)

	-	-

Regional Bulk Infrastructure Grant

Balance unspent at beginning of year	5 079 594	-
Current-year receipts	-	61 000 000
Conditions met - transferred to revenue	(5 079 594)	(55 920 406)
	-	**5 079 594**

Conditions still to be met - remain liabilities (see note 13).

Integrated National Electrification Programme Grant

Current-year receipts	36 297 000	10 000 000
Conditions met - transferred to revenue	(35 801 140)	(10 000 000)
Unspent	(495 860)	-
	-	-

Municipal Infrastructure Grant

Current-year receipts	27 417 000	18 487 000
Conditions met - transferred to revenue	(24 150 810)	(18 487 000)
Unspent	(3 266 190)	-
	-	-

Conditions still to be met - remain liabilities (see note 13).

28. Public contributions and donations

Public contributions and donations	623 363	63 104

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By
2022 -12- 0 9
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Mpumalanga Business Unit

Figures in Rand	2022	2021

29. Employee related costs

Basic	42 725 037	43 395 798
Bonus	2 746 848	2 744 018
Medical aid - company contributions	4 668 556	4 929 118
UIF, SDL & IN	1 546 649	1 501 245
Leave pay	1 044 643	559 814
Pension contribution	6 768 508	7 059 094
Travel, motor car, accommodation, subsistence and other allowances	220 037	-
Overtime payments	6 216 074	5 018 148
Long-service awards	322 319	390 758
Acting allowances	825 705	432 770
Car allowance	1 273 764	1 665 114
Housing benefits and allowances	352 734	502 581
Standby allowance	409 522	396 649
Cellphone allowance	-	623 897
Bargain council	-	89 467
	69 120 396	**69 308 471**

Remuneration of municipal manager

Acting Allowance	184 452	92 553

Remuneration of chief finance officer

Annual Remuneration	127 618	953 633
Car Allowance	5 758	190 727
Acting allowance	136 363	-
Contributions to UIF, Medical and Pension Funds	1 653	-
Cellphone Allowance	-	95 363
Housing Allowance	-	143 045
	271 392	**1 382 768**

Remuneration of Corporate Services Director

Annual Remuneration	141 051	846 307
Contributions to UIF, Medical and Pension Funds	37 997	8 573
Acting Allowance	143 515	-
	322 563	**854 880**

Remuneration of Community Services Director

Annual Remuneration	846 307	846 307
Contributions to UIF, Medical and Pension Funds	65 400	9 886
Travel allowance	18 721	-
	930 428	**856 193**

Remuneration of Planning and Development

Annual Remuneration	846 307	423 153
Contributions to UIF, Medical and Pension Funds	10 756	5 124
	857 063	**428 277**

Remuneration of Technical Services Director

Annual Remuneration	950 907	950 907

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

29. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	11 486	10 501
Travel allowance	24 014	-
	986 407	**961 408**

The remuneration of key management disclosed above has been incorporated in the employee related costs of R 69 120 396, R 69 308 471 (2021).

30. Remuneration of councillors

Executive Mayor	838 706	822 278
Chief Whip	513 245	275 755
Mayoral Committee Members	1 284 163	1 282 076
Speaker	647 827	661 065
Councillors	2 131 802	2 031 867
	5 415 743	**5 073 041**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The salaries, allowances and benefits are within the upper limits of the framework envisaged in section 219 of the Constitution.

Refer to note 44: Related Parties for the detailed disclosure regarding councillors' remuneration.

31. Depreciation and amortisation

Property, plant and equipment	22 223 069	20 641 203
Intangible assets	5 618	2 058
	22 228 687	**20 643 261**

32. Impairment of assets

Impairments		
Property, plant and equipment	732 956	1 064 329

33. Finance costs

Trade and other payables	16 666 245	14 769 615
Interest cost(Provisions)	6 607 757	2 637 478
	23 274 002	**17 407 093**

34. Debt impairment

Debt impairment	5 427 748	46 209 962

35. Bulk purchases

Electricity - Eskom	86 423 310	73 110 474
Water	334 307	5 516 240
	86 757 617	**78 626 714**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

36. Contracted services

Outsourced Services		
Burial Services	32 385	17 905
Business and Advisory	8 956 476	5 730 520
Security Services	7 826 997	7 010 465
Transport Services	4 054 800	4 054 337
Consultants and Professional Services		
Business and Advisory	-	16 058
Infrastructure and Planning	3 428 009	-
Legal Cost	3 284 431	2 161 899
Contractors		
Maintenance of Buildings and Facilities	264 980	103 079
Maintenance of Equipment	2 666 072	-
Maintenance of Unspecified Assets	850 000	2 699 999
Prepaid Electricity Vendors	834 849	815 679
	32 198 999	**22 609 941**

37. General expenses

Advertising	1 030 796	660 313
Auditors remuneration	7 074 663	5 888 727
Bank charges	698 351	606 681
Fines and penalties	667 956	-
Insurance	3 266 667	3 266 667
IT expenses	175 216	149 260
Levies	729 103	-
Protective clothing	753 604	603 786
Subscriptions and membership fees	793 714	11 060
Telephone and fax	2 400 130	1 193 219
Travel - local	951 456	441 213
Title deed search fees	12 456	9 746
Drivers Licences and Permits	2 995 266	2 048 027
	21 549 378	**14 878 699**

38. Fair value adjustments

Investment property (Fair value model)	(404 038)	(1 620 124)

39. Auditors' remuneration

Fees	7 074 663	5 888 727

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By

2022 -12- 0 9

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Mpumalanga Business Unit

Notes to the Annual Financial Statements

40. Cash generated from operations

Figures in Rand	2022	2021
Surplus	61 886 960	83 578 925
Adjustments for:		
Depreciation and amortisation	22 228 687	20 643 261
Loss on disposal of assets and liabilities	3 049 141	395 757
Fair value adjustments	404 038	1 620 124
Impairment deficit	732 956	1 064 329
Debt impairment	5 427 748	46 209 962
Bad debts written off	4 665 941	6 564 653
Gain on disposal of assets and liabilities	-	(2 465 106)
Movements in retirement benefit assets and liabilities	416 000	(11 860 000)
Movements in provisions	(4 073 936)	-
Changes in working capital:		
Inventories	(6 530)	3 387 089
Receivabes from exchange transactions	(83 473 422)	(78 792 161)
Receivables from non-exchange transactions	(19 398 069)	(1 617 268)
Prepayments	2 883 333	3 266 667
Payables from exchange transactions	79 485 214	64 550 765
VAT	(250 077)	77 328
Unspent conditional grants and receipts	(6 442 339)	5 104 246
Consumer deposits	918 856	270 609
Other	(110 871)	-
	68 343 630	**141 999 180**

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By
2022 -12- 0 9
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Mpumalanga Business Unit

41. Financial instruments disclosure

Categories of financial instruments

Current liabilities

Financial assets

	At fair value	Total
Trade and other receivables from exchange transactions	257 650 514	257 650 514
Trade and other receivables from non-exchange transactions	33 529 726	33 529 726
Cash and cash equivalents	7 221 024	7 221 024
	298 401 264	**298 401 264**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	269 674 687	269 674 687
Consumer deposits	2 644 472	2 644 472
Vat payable	22 479 388	22 479 388
	294 798 547	**294 798 547**

2021

Financial assets

	At fair value	Total
Trade and other receivables from exchange transactions	174 177 092	174 177 092
Trade and other receivables from non-exchange transactions	19 211 251	19 211 251
Cash and cash equivalents	6 454 128	6 454 128
	199 842 471	**199 842 471**

Financial liabilities

	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	187 252 596	-	187 252 596
Consumer deposits	1 725 617	-	1 725 617
Vat payable	23 340 282	-	23 340 282
Other loans	-	12 400 000	12 400 000
	212 318 495	**12 400 000**	**224 718 495**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

42. Commitments

Authorised capital expenditure

Approved and contracted for		
• Property, plant and equipment	7 309 835	30 332 190
Total capital commitments		
Approved and contracted for	7 309 835	30 332 190

Authorised operational expenditure

Already contracted for but not provided for		
• Expenditure	11 281 324	20 372 796
Total operational commitments		
Already contracted for but not provided for	11 281 324	20 372 796

Total commitments

Total commitments		
Authorised capital expenditure	7 309 835	30 332 190
Authorised operational expenditure	11 281 324	20 372 796
	18 591 159	**50 704 986**

This committed expenditure relates to plant and equipment and will be financed by available government grant, existing cash resources, funds internally generated, etc.

Audited
By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

43. Contingencies

The table below comprises all the law suits which are deemed to be possible obligations and neither the expense nor the accompanying liability was recognised. Thulamela Municipality's legal counsel has indicated that the likelihood of the court ruling being in favour of the applicant is very slim albeit not remote.

Case	Applicant	Case No.	2022	2021
The company is suing the Municipality for an alleged breach of contract in the amount of Twenty Five Million and Two hundred Thousand (R25 00 200.00). The matter is filled in the North Gauteng Division of the High Court under Case 23132/2018. Upon receipt of the summons a notice of intention to defend on the following basis: •That the alleged signed agreement is fraudulent and the signature thereof may be forged and that as a consequence of that, the agreement is ipso facto void and thus unenforceable •The fundamental differences on the purported signatures by the former Municipal Manager on the so called conformation of order and the Service Level Agreement. The Applicant approached the court for a Summary Judgement on the 27th of July 2018. They obtain a warrant of Execution in respect of the Municipal account. The Municipal approached the Court on urgent basis seeking the upliftment of the attachment on the bank account. The court granted an order in favour of the Municipality. An Applicant for a rescission of judgment is filled and awaits a set down for hearing from the Register of Court. •Somewhere towards end of August the same company issued fresh summons in the High Court on the basis of breach of contract for an amount of Four Million and Three Hundred and Fifty Thousand. The matter was set down for trial on the 3rd June 2019. The first respondents raised failure to company with certain directives from the judge. The judge then ordered wasted costs for the day against the Applicant's Attorneys of Record for not having the explanatory affidavit before the court. In the month of July the Applicant proposed an out of Court settlement which was outright rejected. The Municipality is steadfast that it is not indebted to the Applicant at all hence no settlement agreement would be considered. •The matter was set down and heard by the full bench in the Pretoria High Court on the 13th of December 2019 and the court ordered as following: •The Application for the rescission and setting aside of the summary judgement of 2017 June 2018 by Rautenbanch J is granted. •The Applicant is granted leave to deliver its plea with 10(ten) days of date to this order. •The warrant of execution issued on 29 June 2018 is set aside •Costs are granted against the first responder on the scale between attorney and client. •The Gauteng Legal Practice Council is directed in this matter complied with the requirements of the Legal/practice Act, Rules and Code of Conduct	Smart and Safer Solutions (PTY) LTD	23132/2018	25 000 200	25 000 200

Audited By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Annual Financial Statements

Figures in Rand | 2022 | 2021

43. Contingencies (continued)

This matter pertains to one Municipal employee who was allegedly assaulted in 2018 whilst there was protest by the employees. It is allegedly that she suffered head injuries which resulted from concussion and she suffered from depression and post-traumatic stress. As a consequent therefore, the Municipality is sued in the tune of R 1 000 000 .00. According to HR records the employee attended three consultations on separate occasions and is due to submit a close-up report for the claim to be submitted to COIDA for lodgement. Municipality has since filed a notice citing bare denial on the liability claimed. Upon receipt of Summons Municipality will aggressively oppose any claim as per the notice letter. -	NOTICE IN TERMS OF SECTION 3(1) OF THE INSTITUTION OF LEGAL PROCEEDINGS AGIANST CERTAIN ORGANS OF STATE ACT NO 40 OF 2002		1 000 000	1 000 000
The Plaintiff has issued Combined Summons against the Municipality in the Regional Court held in Evander wherein an amount of R 293 816.57 plus interest is claimed against the Municipality. It is alleged in the Particulars of Claim the Plaintiff has supplied a 100KVA transformer and dismantling of the older transformer. The matter has been opposed based on the irregular appointment of the service provider and it is currently at a Discovery stage. The matter is now ripe and due for a set down in the foreseeable future -	KF PHETLA PROJECTS CC		293 817	293 817
The Department of Water and Sanitation issued summons against the Municipality for an amount of R19 668 311.37 in respect of water consumption for from April 2013 to 31 August 2016. The Municipality through its legal representative file a Notice of Intention to Defend and subsequently a Plea was filed on the 6th of February 2021. The Plaintiff has set the matter down for a pre-trial conference which will culminate into a trial date. The attorney of record for the Municipality has been terminated on the matter due to apparent conflict of interest. A request has been sent to Finance Department for the appointment of a new attorney of record. A new attorney of record has since been appointed and subsequently filed the required papers -	DEPARTMENT OF WATER AND SANITATION /DLM		-	-
The Municipality received a notice in terms of the above section, wherein it is alleged that in October 2020 there was interruptions to power supply through the negligence on the part of the Municipality. Owing to surges in the electricity supply the resident suffered damages in that pump motors burned. She alleged that she suffered damages in the amount of R116 400.00 -	CATHERINA JOHANNA CLAUDINA		116 400	116 400

Audited By
2022 -12- 09
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Annual Financial Statements

Figures in Rand			2022	2021

43. Contingencies (continued)

Council in its meeting held in March 2020 under item B-01/03/20, resolved to dismiss the Municipal Manager Mr I.P Mutshinyali based on the outcome of DC Hearing The former Municipal Manager referred the matter to CCMA for Conciliation and Arbitration. The Arbitration convened the 14th of June 2021, the parties presented their verbal arguments. Therefore the Commissioner resolved that both parties should submit formal written closing arguments that will be considered in issuing the final award on the matter. On the basis of the above under case number MPMB 975-20 the Commissioner ruled in favour of the Municipality as follows: That the dismissal of the applicant, Isaac Pandelani Mutshinyali, by the responder Dipaleseng Local Municipality was procedurally and substantively fair. The case management to close the file. Based on the above background the former Municipal Manager Mr IP.Mutshinyali exercise his constitutional right to refer the matter to the Labour Court. The Council should note that the former Municipal Manager intends to bring application to the Labour Court on the following terms. Reviewing ,correcting and setting aside the award made by the Arbitrator Mr Freddy Baloyi Reinstating the applicant as from the date of his dismissal being 13 March 2020 on the same terms and conditions that existed at that time prior to his dismissal Granting costs of this in an event of any of the respondents opposing it Granting further and/or alternative relief -	IP MUTSHINYALI		-	-
			-	-
-				
			-	-
-				
-	-	23 132	26 410 417	26 410 417

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

44. Related parties

Relationships	
Councillors	Refer to general information on page 2
Accounting officers	Refer to general information on page 2
Company owned by Close family member	Nomdric Electrical Director is a close family member of the Municipal Manager
Members of key management	NB Khanye - Acting Municipal Manager (01 July 2021 - 19 April 2022) and Director Community Services and Public Relations L Cindi - Acting Municipal Manager and Director Planning and Economic Development LM Msibi - Director Infrastructure Services TP Mokoena - Director Corporate Services MH Thokoane - CFO P Phakoa - Acting CFO (01 July 2022 - May 2022) B Ntuli - Acting Director Corporate Services S Radebe - Acting Director Corporate Services

Related party balances

Councillors' arrears accounts are disclosed in note 50.

Remuneration of key management

The remuneration of members of key management is disclosed in note 29.

Audited By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Annual Financial Statements

Figures in Rand

Audited
By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

44. Related parties (continued)

Remuneration of management

Management class: Mayoral committee

2022

Name	Basic salary	Car allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Cllr KB Moeketsi - Executive Mayor	505 125	-	27 200	4 955	537 280
Cllr MG Miya - Member	383 395	-	7 735	11 257	402 387
Cllr AN Carrim - Member	383 395	-	27 200	13 767	424 362
Cllr M Makhubu - Executive Mayor (01/07/2021 - 03/11/2021)	287 289	-	11 551	2 585	301 425
Cllr KB Moeketsi -Speaker (01/07/2021 - 03/11/2021)	161 213	53 738	11 551	1 916	228 418
Cllr PM Mokoena - Chief Whip (01/07/2021 - 03/11/2021)	69 671	21 258	11 922	890	103 741
Cllr D Khanye - Member (01/07/2021 - 03/11/2021)	163 139	50 859	13 600	1 945	229 543
Cllr ZS Ngwenya - Member (01/07/2021 - 03/11/2021)	163 160	50 859	11 922	1 929	227 870
	2 116 387	**176 714**	**122 681**	**39 244**	**2 455 026**

2021

Name	Basic salary	Car allowance	Cellphone allowance	Total
Cllr M Makhubu - Executive Mayor	806 066	-	16 212	822 278
Cllr KB Moeketsi - Speaker	483 640	161 213	16 212	661 065
Cllr D Khanye - Member	457 730	152 577	40 800	651 107
Cllr ZS Ngwenya - Member	457 730	152 577	20 664	630 971
Cllr PM Mokoena - Chief Whip	191 318	63 773	20 664	275 755
	2 396 484	**530 140**	**114 552**	**3 041 176**

The Mayoral committee remuneration above of R 2 455 026, R 3 041 176 (2021) has been included in the remuneration of councillors below.

Figures in Rand

44. Related parties (continued)

Management class: Councillors

2022

Name	Basic salary	Car allowance	Cellphone allowance	Pension, Medical Aid, SDL & Other benefits	Total
Mayoral committee members	2 116 387	176 714	122 681	39 244	2 455 026
Cllr XS Shozi - Speaker	407 246	-	8 306	3 857	419 409
Cllr TG Shabalala - Chief Whip	392 341	-	8 306	8 856	409 503
Cllr AK Nyamade	245 525	81 842	24 839	8 668	360 874
Cllr CDV Pienaar	164 531	-	27 200	9 610	201 341
Cllr LK Dhladhla	164 531	-	27 200	1 790	193 521
Cllr MD Makhoba	164 531	-	12 975	9 430	186 936
Cllr AS Nhlapo	164 531	-	27 200	1 790	193 521
Cllr RA Motakane	164 531	-	27 200	1 790	193 521
Cllr ZE Maya	164 531	-	12 604	1 644	178 779
Cllr WS Davel (01/07/2022 - 03/11/2021)	69 671	21 258	13 600	907	105 436
Cllr TJ Mahlangu (01/07/2022 - 03/11/2021)	90 928	-	12 521	907	104 356
Cllr SME Nhlapo (01/07/2022 - 03/11/2021)	90 928	-	11 401	896	103 225
Cllr LM Maruping (01/07/2022 - 03/11/2021)	90 928	-	11 922	901	103 751
Cllr MF Dlamini (01/07/2022 - 03/11/2021)	69 671	21 258	9 302	864	101 095
Cllr BG Shongwe (01/07/2022 - 03/11/2021)	90 928	-	13 600	918	105 446
	4 651 739	**301 072**	**370 857**	**92 072**	**5 415 740**

2021

Name	Basic salary	Car allowance	Cellphone allowance	Total
Mayoral committee members	2 396 484	530 140	114 552	3 041 176
Cllr WS Davel	191 318	63 773	40 800	295 891
Cllr TJ Mahlangu	255 091	-	27 852	282 943

Notes to the Annual Financial Statements

Figures in Rand

44. Related parties (continued)

Cllr SME Nhlapo	255 091	-	14 412	269 503
Cllr LM Maruping	255 091	-	20 664	275 755
Cllr AK Nyamande	245 525	81 842	14 412	341 779
Cllr MF Dlamini	191 318	63 773	15 012	270 103
Cllr BG Shongwe	255 091	-	40 800	295 891
	4 045 009	**739 528**	**288 504**	**5 073 041**

Company owned by Close family member

Nomdric Electrical Director is a close family member of the Municipal Manager.

The Municipality has a payable amount to Nomdric Electrical and projects for R3, 085, 750 (4,835,750.00: 2021). An amount of R1 750 000 was paid in the 2022 financial period.

45. Risk management

Financial risk management

Liquidity risk

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

45. Risk management (continued)

Credit risk

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

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

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

Financial instrument	2022	2021
Cash and cash equivalents	7 221 024	6 454 128
Receivables from exchange transactions	257 650 514	174 177 092
Receivables from non-exchange transactions	33 529 726	19 211 251

Market risk

Interest rate risk

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

46. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of R 677 747 097 and that the municipality's total assets exceed its liabilities by R 677 747 097.

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

The municipality is substantially dependent on the government for continued funding of operations. Dipaleseng Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.The Municipality
has been affected by the Covid-19 pandemic which resulted in a lockdown from 26 March 2020 to 4 April 2022. The lockdown has affected the implementation of the municipality projects and other other operations in the municipality. The effects of the pandemic have been assessed to date and no significant threats have been identified which could impact on the going concern of the Municipality.

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

We draw attention to the fact that at 30 June 2022, the municipality's current assets exceeded its current liabilities by R 688 406 348.

The Municipality had challenges in paying its creditors within the 30 day payment policy. There was also a challenge in the collection from debtors during the 2022 financial year. This has now prompted the Municipality to embark on a revenue recovery programme in the 2023 financial year in order to improve its cash flow.

The municipality has reviewed its working capital for the year to 30 June 2022 and, in the light of this review the municipality is
satisfied that the working capital is adequate for it to continue in operational existence for the foreseeable future.

47. Events after the reporting date

No adjusting events after the reporting date have been identified.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

48. Unauthorised expenditure

Opening balance as previously reported	247 017 791	217 116 960
Opening balance as restated	**247 017 791**	**217 116 960**
Add: Expenditure identified - current	52 403 118	29 900 831
Closing balance	**299 420 909**	**247 017 791**

Unauthorised expenditure incurred relates to overspending due to the costing allocation amongst the departments.

49. Fruitless and wasteful expenditure

Opening balance as previously reported	22 301 221	22 301 221
Opening balance as restated	**22 301 221**	**22 301 221**
Add: Expenditure identified - current	17 657 544	-
Closing balance	**39 958 765**	**22 301 221**

Fruitless and wasteful expenditure incurred relates to interest on late payment to suppliers do to cashflow constraints which the municipality is facing and attempting to curb.

50. Irregular expenditure

Opening balance as previously reported	163 981 582	160 664 052
Correction of prior period error	(1 186 909)	-
Opening balance as restated	**162 794 673**	**160 664 052**
Add: Irregular Expenditure - current	77 009 634	3 317 530
Closing balance	**239 804 307**	**163 981 582**

Irregular expenditure incurred relates to bid committees which were not correctly constituted in awarding tenders..

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Opening balance	761 714	-
Current year fee	32 000	761 714
Amount paid - current year	(32 000)	-
Amount paid - previous years	(761 714)	-
	-	**761 714**

Audited By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

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

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

Distibution losses

Distribution loss- electricity	25 055 660	19 242 496
Distribution loss -Water	48 291 208	47 214 106
	73 346 868	**66 456 602**

Electricity losses

Electricity distribution losses for the current year of R25 055 660 (2021: R19 242 496) was incurred, which represents 28.99% (2021: 24.87%). These electricity distribution losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network and non-technical losses being theft, faults etc. Attempts are currently being made to reduce these non-technical losses

Water losses

Water losses comprises of water lost during the distribution process. These losses are made up of unauthorised connections (theft), unauthorised consumption, plus all technical and administrative inaccuracies associated with customer metering and billing.The water losses amount to R48 291 208 (2021: R47 214 106) which represents 76% (2021: 74%)

Audit fees

Opening balance	4 508 844	3 893 533
Current year fee	10 822 856	5 579 676
Amount paid - current year	(1 746 840)	(4 964 365)
	13 584 860	**4 508 844**

PAYE and UIF

Opening balance	2 953 101	3 348 993
Current year subscription / fee	10 338 379	9 918 018
Amount paid - current year	(12 381 942)	(10 313 910)
	909 538	**2 953 101**

Pension and Medical Aid Deductions

Opening balance	-	6 931 216
Current year subscription / fee	10 538 878	10 713 280
Amount paid - current year	(9 567 386)	(17 644 496)
	971 492	**-**

The amount represents pension and medical aid contributions deducted from employees.

South African Local Government Association

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

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Khethiwe Moeketsi	2 208	32 567	34 775
Cllr Mojalefa Miya	1 106	49 750	50 856
Cllr Kent Nyamade	2 480	163 110	165 590
Cllr Muzikayise Makhoba	1 711	78 342	80 053
	7 505	**323 769**	**331 274**

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr SME Nhlapo	979	4 571	5 550
Cllr PP Moeketsi	2 960	20 888	23 848
Cllr W Davel	2 062	-	2 062
Cllr MF Dlamini	1 516	10 239	11 755
Cllr L Makhubu	1 352	18 908	20 260
Cllr K Nyamade	3 832	146 478	150 310
Cllr R Ngwenya	1 271	5 838	7 109
Cllr DE Moeketsi	2 399	76 022	78 421
Cllr MD Khanye	1 683	-	1 683
Cllr M Rantshema	1 243	14 985	16 228
Cllr S Shongwe	1 023	12 944	13 967
	20 320	**310 873**	**331 193**

30 June 2022	Highest outstanding amount	
Cllr Kent Nyamade	165 591	-

30 June 2021	Highest outstanding amount	Aging (in days)
Cllr SME Nhlapo	150 301	-
Cllr PP Moeketsi	78 421	-
Cllr W Davel	23 847	-
Cllr MF Dlamini	20 261	-
Cllr TE Mokoena	16 228	-
Cllr L Makhubu	13 967	-
Cllr K Nyamade	11 755	-
Cllr R' Ngwenya	7 109	-
Cllr DE Moeketsi	5 550	-
Cllr MD Khanye	2 062	-
Cllr M Rantshema	1 683	-
	331 184	**-**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

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

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been approved by the Municipal Manager and noted by council.

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

Incident		
Emergency	23 044 390	3 240 869
Impractical or Impossible to follow the process	75 264	76 661
Minor Breaches	-	409 148
	23 119 654	**3 726 678**

52. Segment information

General information

Identification of segments

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.
Activities relating to Finance and Administration, Executive and Council and Planning and Development fall under unallocated.

The four key business units comprise of:

- Community which includes cemetries, community halls & parks and libraries.
- Public safety which includes licensing and control of animals, police forces, traffic and street parking control.
- Trading services which includes energy sources, water management, waste water management and waste management services;
- Roads which includes roads services.

Audited By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

Notes to the Annual Financial Statements

Figures in Rand

52. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Current liabilities

	Trading services	Community	Public safety	Roads	Unallocated	Total
Revenue						
Revenue from exchange transactions	125 929 744	189 048	4 972 374	-	45 096 167	176 187 333
Revenue from non-exchange transactions	76 698 053	1 450	2 519 400	13 156 157	98 529 024	190 904 084
Total segment revenue	**202 627 797**	**190 498**	**7 491 774**	**13 156 157**	**143 625 191**	**367 091 417**
Entity's revenue						**367 091 417**
Expenditure						
Employee related costs	16 425 339	7 045 750	5 325 738	2 605 903	37 717 666	69 120 396
Remuneration of councillors	-	-	-	-	5 415 725	5 415 725
Depreciation and Amortisation	15 606 072	2 307 811	-	3 705 265	609 538	22 228 686
Impairment	-	-	-	-	732 956	732 956
Finance costs	6 255 757	-	-	-	17 018 245	23 274 002
Lease rentals on operating lease	-	-	-	-	314 861	314 861
Debt impairment	-	-	-	-	5 427 748	5 427 748
Bad debts written off	-	-	-	-	4 665 941	4 665 941
Bulk purchases	86 757 617	-	-	-	-	86 757 617
Contracted services	8 164 527	8 217 907	22 768	199 388	15 594 408	32 198 998
Loss on disposal of assets and liabilities	1 861 617	-	174 773	-	1 012 751	3 049 141
Fair value adjustments	-	-	-	-	404 038	404 038
Inventory consumed	29 408 315	232 430	-	160 000	264 207	30 064 952
General expenses	-	-	291 978	-	21 257 377	21 549 355
Total segment expenditure	**164 479 244**	**17 803 898**	**5 815 257**	**6 670 556**	**110 435 461**	**305 204 416**
Total segmental surplus/(deficit)						**61 887 001**

Audited By
2022-12-09
Auditor General South Africa
Mpumalanga Business Unit

52. Segment information (continued)

	Trading services	Community	Public safety	Roads	Unallocated	Total
Assets						
Cash and cash equivalents	(27 709 821)	(66 750 119)	64 871 296	(54 409 680)	91 219 349	7 221 025
Receivables from exchange transactions	3 925 063	-	-	-	253 725 452	257 650 515
Receivables from non-exchange transactions	8 388 920	-	5 298 900	-	19 841 907	33 529 727
Inventories	166 326	-	-	-	(30 731)	135 595
Investment property	-	-	-	-	39 999 773	39 999 773
Property, plant and equipment	205 861 180	(26 134 613)	-	(66 241 165)	678 862 066	792 347 468
Intangible assets	-	-	-	-	93 930	93 930
Total segment assets	**190 631 668**	**(92 884 732)**	**70 170 196**	**(120 650 845)**	**1 083 711 746**	**1 130 978 033**
Total assets as per Statement of financial Position						**1 130 978 033**
Liabilities						
Payables from exchange transactions	144 508 116	9 528 343	19 945 599	6 980 713	86 811 535	267 774 306
VAT payable	248 946	(7 615 105)	17 786 016	(5 675 730)	17 144 452	21 888 579
Consumer deposits	(41 426)	-	-	-	2 845 748	2 804 322
Unspent conditional grants and receipts	(110 711 807)	-	-	(13 156 157)	127 660 965	3 793 001
Provisions	69 908 753	-	-	-	71 861 966	141 770 719
Employee benefit obligation	-	-	-	-	15 200 000	15 200 000
Total segment liabilities	**103 912 582**	**1 913 238**	**37 731 615**	**(11 851 174)**	**321 524 666**	**453 230 927**
Total liabilities as per Statement of financial Position						**453 230 927**

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

2021

	Trading services	Community	Public safety	Roads	Unallocated	Total

Notes to the Annual Financial Statements

Figures in Rand

52. Segment information (continued)

Revenue						
Revenue from non-exchange transactions	83 319 906	1 983	4 202 325	-	128 415 002	215 939 216
Revenue from exchange transactions	114 719 514	243 413	6 328 656	-	41 821 719	163 113 302
Total segment revenue	**198 039 420**	**245 396**	**10 530 981**	**-**	**170 236 721**	**379 052 518**
Entity's revenue						**379 052 518**
Expenditure						
Employee related costs	14 740 963	6 583 608	5 441 299	3 030 861	39 169 550	68 966 281
Remuneration for councillors	-	-	-	-	5 415 237	5 415 237
Depreciation and amortisation	12 484 590	2 773 586	-	4 629 925	755 161	20 643 262
Impairment	-	-	-	-	1 064 330	1 064 330
Finance costs	-	-	-	-	17 407 093	17 407 093
Lease rental on operating lease	-	-	-	-	427 974	427 974
Debt impairment	-	-	-	-	46 209 962	46 209 962
Bad debts written off	-	-	-	-	6 564 653	6 564 653
Bulk purchases	78 626 714	-	-	-	-	78 626 714
Contracted services	4 049 267	7 284 352	177 863	-	11 098 459	22 609 941
Loss on disposal of asset and liabilities	133 171	36 566	-	41 755	184 264	395 756
Fair value adjustment	-	-	-	-	1 620 124	1 620 124
Inventory consumed	10 275 926	116 180	-	116 976	134 493	10 643 575
General Expenses	93 782	25 811	302 175	-	14 456 931	14 878 699
Total segment expenditure	**120 404 413**	**16 820 103**	**5 921 337**	**7 819 517**	**144 508 231**	**295 473 601**
Total segmental surplus/(deficit)						**83 578 917**

Audited
By
2022 -12- 0 9
Auditor General South Africa
Mpumalanga Business Unit

Figures in Rand

52. Segment information (continued)

	Trading services	Community	Public safety	Roads	Unallocated	Total
Assets						
Cash and cash equivalents	(27 556 540)	(56 369 001)	36 426 368	(38 628 849)	92 582 150	6 454 128
Receivables from exchange transactions	(45 663 689)	-	-	-	219 840 783	174 177 094
Receivables from non-exchange transactions	8 388 920	-	2 916 000	-	7 906 331	19 211 251
Inventories	124 744	-	-	-	4 321	129 065
Prepayments	-	-	-	-	2 883 333	2 883 333
Investment property	-	-	-	-	40 403 811	40 403 811
Property, plant and equipment	184 256 878	(24 786 024)	-	(72 192 066)	679 099 162	766 377 950
Intangible assets	-	-	-	-	81 748	81 748
Total segment assets	**119 550 313**	**(81 155 025)**	**39 342 368**	**(110 820 915)**	**1 042 801 639**	**1 009 718 380**
Total assets as per Statement of financial Position						**1 009 718 380**
Liabilities						
Payables from exchange transactions	75 870 195	3 195 600	5 597 596	9 316 952	94 308 756	188 289 099
VAT payable	2 920 421	(6 455 917)	9 061 096	(3 817 937)	20 430 994	22 138 657
Consumer deposits	(27 372)	-	-	-	1 912 829	1 885 457
Employee benefit obligation	-	-	-	-	14 807 000	14 807 000
Unspent conditional grants and receipts	-	(70 923 848)	-	-	76 079 594	5 155 746
Other loans	-	-	-	-	12 400 000	12 400 000
Provisions	80 238 446	-	-	-	65 606 209	145 844 655
Total segment liabilities	**159 001 690**	**(74 184 165)**	**14 658 692**	**5 499 015**	**285 545 382**	**390 520 614**
Total liabilities as per Statement of financial Position						**390 520 614**

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

Measurement of segment surplus or deficit, assets and liabilities

53. Accounting by principals and agents

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

Figures in Rand	2022	2021

53. Accounting by principals and agents (continued)

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The municipality has a payable to the Department of Community Safety, Security and Liaison.

The expected timing of remittance of resources from the prinicpal is on a monthly basis.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R4 575 391 (2021: R5 539 649).

Dipaleseng Local Municipality entered into transaction with the Department of Community Safety, Security and Liaison through the Licencing operations which run through the financial year where the Municipality earns a commission of 20% and payment over 80% to the Department.

Entity as principal

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

Ontec Systems (Pty) Ltd sells prepaid electricity on behalf of the Municipality.

The municipality has no receivable from Ontec Pty (Ltd) for vending of prepaid electricity.

The expected timing of remittance of resources by the agent to the Municipality is on a monthly basis.

Ontec Systems (Pty) Ltd will use its own equipment and software to management the vending of prepaid electricity. The system will ensure a 24-hour platform for prepaid electricity purchase 7 days a week of the month which enhances revenue to the Municipality.

Significant changes

There were no significant changes in the terms and conditions of the agreement between the Municipality and Ontec (Pty) Ltd during the year.

Fee paid

Fee paid as compensation to the agent	834 849	735 055

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

Either party may terminate the contract if the other party fails to cure any material breach of the contract within 30 days of written notice.

Unless the agreement is terminated on account of a breach by the Municipality Ontec shall use commercially reasonable efforts to transition to a new service provider.

54. Prior-year adjustments

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

Inventory

Consumable inventory balance was incorrectly calculated resulting in an overstatement of inventory assets by R2 620 313 in 2021. The error also resulted in an understatement of inventory consumed by R2 620 313 in 2021 thereby understating accumulated surplus by the same amount.

Receivables from exchange

54. Prior-year adjustments (continued)

Other debtors were incorrectly overstated by R 7 272 404 due to an error in recognition of debt resulting in a overstatement of accumulated surplus by the same amount.

Impairment of other debtors amounting to R 7 489 219 was incorrectly recognized in the financial statement resulting in an overstatement of impairment provision and debt impairment expense.

Consumer debtors

In 2021, an adjustment was made to consumer debtors relating to own billing amounting to R 904 355. The adjustment resulted in a reduction of consumer debtors of R 904 355, water revenue by R 825 983 and VAT by R 78 372. The adjustment was not accepted by Auditor General and therefore the amount was reversed

The correct amount of R 367 574 has been effected to correct the own billing error.

Prepayments

Gert Sibande District Municipality debtor amount was erroneously recorded as a prepayment resulting in an understatement by R 5 079 594 and an overstatement of prepayments by the same amount. The error did not affect the accumulated surplus as the net effect is nil.

Receivables from non- exchange

Fines

In 2021, traffic fines were overstated by R4 620 922 in error resulting in an overstatement of accumulated surplus by the same amount. Impairment of traffic fines was also overstated by R2 616 921 resulting in overstatement of debt impairment by the same amount.

Gert Sibande District Municipality Debtor & Prepayments

Gert Sibande District Municipality debtor amount was erroneously recorded as a prepayment resulting in an understatement by R 5 079 594 and an overstatement of prepayments by the same amount. The error did not affect the accumulated surplus as the net effect is nil.

Consumer debtors – Property Rates

In 2021, an adjustment was made to consumer debtors relating to own billing amounting to R1 221 548 the adjustment resulted in a reduction of property rates debtors and property rates revenue by R1 221 548. The adjustment was not accepted by Auditor General and therefore the amount was reversed.

The correct amount of R 37 256 has been effected to correct the own billing error.

Investment Property

A correction of a historic fair value adjustment was made to investment property resulting in a reduction of investment property by R 136 126 and a reduction in accummulated surplus by R 136 126.

Property, Plant and Equipment

The increase of R 3 250 931 is due to corrections of previous misstatements on Property, Plant and Equipment.

Unspent Conditional grants

A reclassification of R 24 652 was done in order to correct VAT which was incorrectly classified under unspent conditional grants.

Intangible assets

The decrease in Intangible assets of R14 357 is due to a typing error of previously omitted investment. This correction decreases investment property opening balance in 2020-21 financial year.

54. Prior-year adjustments (continued)

VAT

The decrease in VAT of R 2 256 521 is due to an aggregate amount relating to retention correction on amounts previously ommitted on the retention payable amounting to R 315 530 (decrease), an eskom accrual VAT correction of R 1,201,626 (decrease), a Department of Water & Sanitation correction of R 673 974 (decrease), own billing correction by R119 111 (decrease), unspent conditional grant by R 24 652 (increase), Regional Infrastructure grant of R24 661 (decrease) and other sundry adjustments of R 4 407 (decrease).

Trade and other payables

Retention

The increase in retention of R 3 950 280 is due to the recognition of previously ommitted retention payable.

Advance payments - In the prior year, advance payments were errouneously understated by R 6 557 144 resulting in an understatement of payables from exchange transactions and an overstatement of accummulated surplus.

Eskom accrual - In the prior year an amount of R 3 318 252.27 was ommitted from the Eskom creditor resulting in an understatement of payables from exchange transactions and an overstatement of accummulated surplus by the same amount.

Auditor general accrual - In the prior year an amount of R 309 050.72 was ommitted from the Auditor general creditor resulting in an understatement of payables from exchange transactions and an overstatement of accummulated surplus by the same amount.

Department of Water and sanitation (DWS) - In 2020 an amount of R 12 734 852 was omitted from the DWS creditor and R 504 615 in 2021 resulting in an understatement of payables from exchange transactions and an overstatement of accumulated surplus through understatement of expenditure by the stated amounts.

Payables listing – In 2021 the payables listing was overstated by R1 205 099 resulting in understatement of accumulated surplus. An alignment correction was done in 2022 on comparative amount.

Accruals listing - In 2021 the accruals listing was overstated by R7 942 846 resulting in understatement of accumulated surplus. An alignment correction was done in 2022 on comparative amount.

Interest received

Interest received investment was reclassified into correct categories.

An amount of R 413 091 was reclassified to interest received from bank and R 36 583 340 was reclassified to interest received from receivables.

54. Prior-year adjustments (continued)

Fines, Penaltties and Forfeits

Traffic fines were incorrectly overstated by R 25 000 due to a capturing error resulting in an overstatement of fines revenue and receivables from non-exchange transactions

Consumer deposits

Consumer deposits were understated in the 2021 financial period resulting in the overstatement of accummulated surplus. The correction of the error has been effected as a prior year adjustment.

Accummulated surplus

2020

- In 2020 there was an accumulated surplus correction amounting to R 21 343 106 relating to changes in assets and liabilities. The effect of the changes was a reduction in accumulated surplus of R 21 343 106

2021

- In 2021 there was an accummulated surplus correction amounting to R 686 650 relating to various compontents on the statement of financial performance as well as the statement of financial position. The effect of the changes was an increase in accumulated surplus of R 686 650.

Reclassification error: An amount of R 3 337 612 relating to prior year error correction on assets was reclassified to the correct financial period.

The net effect of the prior year error adjustments resulted in a decrease in accumulated surplus of R 18 692 144.

Bulk Purchases

Bulk purchases on water were over accrued for in 2021 by R 14 302.17. Bulk purchases on electricity were under accrued by R 743 833.73.
This resulted in an understatement of Bulk purchases by R 729 532 and overstating accummulated surplus by the same amount.
The restated amount on bulk electricity is R 73 110 474 and the restated amount for bulk purchases water is R 5 516 240.
The total restated bulk purchases amount to R 78 626 714.

Finance cost

Finance costs on department of water and sanitation were understated by R 521 062.55 in 2021 . Finance cost on Eskom were understated by R 1 372 792.53.
This resulted in an understatement of finance costs by a total amount of R 1 893 855 and overstating accummulated surplus by the same amount.
The restated amount on finance costs is R 17 407 093 and the previously reported amount was R 15 513 238.

Fair value adjustments

Fair value adjustment of R 69 040 is due to a computation error in the 2021 financial year. The error resulted in a decrease in Fair value adjustments from R 1 689 164 to R 1 620 124 and an increase in accummulated surplus of R 69 040.

Gains and losses on disposal of assets & liabilities

During the 2021 financial year, losses on disposal of assets amounting to R 395 757 was classified as gains.on disposal of asset. The net effect on accumulated surplus will however be nill.

Depreciation and amortisation

Depreciation and amortisation was incorrectly understated by R 304 406. This was due to a computation error on property, plant & equipment depreciation as well as an omission on intangible assets amortisation.

Figures in Rand	2022	2021

54. Prior-year adjustments (continued)

Disclosures

Commitments

Capital commitments were incorrectly disclosed as R 43 768 531. The amount has been restated to R 30 332 190. Operational commitments were incorrectly disclosed as R 25 390 435. The amount has been restated to R 20 372 796.

There was a computation error in the 2021 financial year.

Irregular expenditure

Irregular expenditure was incorrectly disclosed as R 163 981 582. The amount has been restated to R 162 794 673.

There was a computation error in the 2021 financial year.

Additional disclosure in terms of Municipal Finance Management Act

In the prior year a fee by the South African Local Government Association was incorrectly ommitted on disclosure note 51 amounting to R 761 714.

Water Distribution Losses

In 2021 the water distribution losses were incorrectly disclosed as R 215 596. The amount has been restated to R 47 214 106.

This was due to a computational error in 2021 as an incorrect formula was used. A production loss was disclosed instead of a distribution loss.

Statement of financial position

Current Assets

	Note	As previously reported	Correction of error	Restated
Inventories	9	2 749 378	(2 620 313)	129 065
Receivables from Non exchange transactions	11	16 384 063	2 827 188	19 211 251
Prepayments		7 962 927	(5 079 594)	2 883 333
Receivables from exchange transactions	10	174 955 027	(777 935)	174 177 092
		202 051 395	**(5 650 654)**	**196 400 741**

Non Current Assets

	Note	As previously reported	Correction of error	Restated
Investment Property	3	40 539 938	(136 127)	40 403 811
Property, plant and equipment	4	763 109 219	3 250 931	766 360 150
Intangible Asset	5	101 606	(2 058)	99 548
		803 750 763	**3 112 746**	**806 863 509**

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2022 -12- 0 9
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Mpumalanga Business Unit

54. Prior-year adjustments (continued)

Current liabilities

	Note	As previously reported	Correction of error	Re-classification	Restated
Payables from exchange transactions	7	170 062 850	18 226 248	-	188 289 098
VAT Payable	14	24 395 177	(2 231 868)	(24 653)	22 138 656
Consumer deposits		1 725 617	159 849	-	1 885 466
Unspent conditional grants and receipts		5 131 094	-	24 653	5 155 747
		201 314 738	**16 154 229**	-	**217 468 967**

Net Assets

	Note	As previously reported	Correction of error	Re-classification	Restated
Accumulated Surplus		637 889 893	(22 029 756)	3 337 612	619 197 749

Statement of financial performance

Revenue

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	20	112 678 267	875 113	-	113 553 380
Sale of goods	19	4 682 762	(185 025)	-	4 497 737
Interest received - investment	28	36 996 431	(211 295)	(36 785 136)	-
Interest received - bank		-	-	413 091	413 091
Interest received - receivables		-	-	36 372 045	36 372 045
Gains on disposal of assets and liabilities		2 069 349	-	395 757	2 465 106
Property rates		30 509 606	1 184 292	-	31 693 898
Fines, Penalties and Forfeits		1 629 308	(25 000)	-	1 604 308
Surplus for the year		**188 565 723**	**1 638 085**	**395 757**	**190 599 565**

Expenditure

	Note	As previously reported	Correction of error	Re-classification	Restated
Depreciation and amortisation	31	20 338 855	304 406	-	20 643 261
Debt impairment	34	51 046 647	(4 836 685)	-	46 209 962
Inventory consumed		8 023 261	2 620 313	-	10 643 574
Bulk purchases	35	77 897 182	729 532	-	78 626 714
Finance Cost	33	15 513 238	1 893 855	-	17 407 093
Loss on disposal of assets		-	-	395 757	395 757
Fair value adjustments		1 689 164	(69 040)	-	1 620 124
General Expenses	37	14 569 648	309 054	-	14 878 702
Surplus for the year		**189 077 995**	**951 435**	**395 757**	**190 425 187**

Errors

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54. Prior-year adjustments (continued)

Other disclosures - Prior Period error

	As previously reported	Correction of error	Restated
Water distribution losses	215 596	46 998 510	47 214 106
Capital Commitments	43 768 531	(13 436 341)	30 332 190
Operational Commitments	25 390 435	(5 017 639)	20 372 796

55. Budget differences

Material differences between budget and actual amounts

In terms of MFMA section 31 and Virement Policy of the municipality, the municipality can shift funds within budget parameters.The changes between Schedule B (Final Approved Budget) and Final Budget were due to reallocation within budget parameters.

In this disclosure, materiality has been assumed to be all the variance which are 10% or more. Below are explanation of differences identified:

Budget vs Adjusted Budget differences

Investment Revenue

The decrease is material and this was due to the trend on the perfomance of the Municiplaity for the 1st 6 moth of the Financial year. The municiplaity did not have sufficient funds to invest in order to earn interest.

Other Revenue

The decrease is material and this was due to the trend on the perfomance of the Municiplaity for the 1st 6 month of the Financial year.

Finace Charges

The increase was due to the trend for the 1st 6 months. The Municipality was epieriencing the financial problems and it was billled interest for late payments.

Other Expenditure

The decrease was based on the ttrend and the municipality intention to implement the cost containment measures.

Materials and Bulk Purchases

the increase was due to the trend for the 1st 6 months of the finacial year. The Municiplaity under budgeted in the line items.

Final Budget vs Actuals differences

Other revenue

The Municipality is struggling in terms of revenue collection hence the decline in other revenue is being expirienced.

Interest income

Notes to the Annual Financial Statements

55. Budget differences (continued)

The increase is due to the non payment by the customers. The amounts relates to the cutomer debtors.

Remuneration of Councillors

The Minister did not approve any increase on the councillors remuneration for the year under review.

Finace Charges

the increase was due to the late payment of the acounts with Eskom as well DWS.

Materials and Bulk Purchases

The reduction was due to the cost containment measures that were applied by the Municipality.

Transfers recognised - Capital

The Municipality received additional funds due to good performance on MIG as well as INEP. This resulted in more spending than what was orgininally budgeted.

Total current assets

The Municpality experienced an unanticipated increase in receivables from both exchange and non-exchange transactions due long outstanding debtors balances.

Total non-current assets

The municipality received additional grant funding due to good performance. This resulted in more spending and thus an increase in total non-current assets.

Total current liabilities

The municipality faced cash flow contraints in the current year which led to difficulties in paying suppliers.

56. Change in estimate

Property, plant and equipment

The useful lives of the following asset classes were adjusted at the beginning of the 2021/2022 financial year to more accurately reflect the period of economic benefits or service potential derived from these assets.

-Computer Equipment

- Furniture and Office Equipment

- Machinery and Equipment

- Transport Assets

- Community Facilities

- Electrical Infrastructure

- Housing

- Operational Buildings

- Roads infrastructure

- Sanitation Infrastructure

- Solid Waste Infrastructure

- Sport and recreation facilities

- Storm water infrastructure

- Water Supply Infrastructure

The effect of changing the remaining useful life of assets for the Municipality during 2021/2022 has decreased the depreciation charge for the current year by R 2 200 598. It is impracticable to estimate the effect of these changes on future periods.