



CHRIS HANI
DISTRICT MUNICIPALITY
SUSTAINING GROWTH
THROUGH OUR PEOPLE

Chris Hani District Municipality
(Registration number District Municipality DC13)
Consolidated Annual Financial Statements
for the year ended 30 June 2021

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

General Information

Legal form of entity	District Municipality DC 13
Nature of business and principal activities	Chris Hani District Municipality is a South African Category C Municipal (District Municipality) as defined by the Municipal Structure Act. (Act no 117 of 1998). The nature of business of the Municipality is provision of service (water and sanitation) 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	The Municipality's operations are governed by: <ul style="list-style-type: none">- Municipal Finance Management Act 56 of 2003.- Municipal Structure Act 117 of 1998.- Municipal Systems Act 32 of 2000 and various other acts and regulations.- Division of Revenue Act .- Supply Chain Management Regulations 2005- The Constitution of South Africa.- Water Services Act 108 of 1997
Mayoral committee Executive Mayor	Cllr: W. Gela Cllr: N. September-Caba: Deputy Executive Mayor Cllr: M.C. Koyo: Speaker Cllr: T. Bikwana: Chief Whip from 01/07/2020 - 30/03.2021 Portfolio Head - Engineering from 31/03/2021 Cllr M.L. Papiyana: Chief Whip from 31/03/2021 Cllr: N. Goniwe: portfolio Head - Health & Community Services (Deceased 29/08/2020) Cllr: T. Bobo: Portfolio Head - Health & Community Services Cllr: S. Mbotshane: Portfolio Head - Integrated Planning & Economic Development Cllr: N. Jack: Portfolio Head - Budget & Treasury Cllr: N. Mgidi: Portfolio Head - Special Programmes Unit Cllr: S. Nxosi: Portfolio Head - Corporate Services Cllr: L. Bonga-Tyali: Portfolio Head - Engineering from 01/07/2020 - 30/03/2021. Portfolio Head - Special Programmes Unit from 31/03/2021
Councillors	Cllr: M. Desha Cllr: M. Xhelisilo Cllr: K. Mjezu Cllr: S. Tame Cllr: E.G. Bomela Cllr: B. Ntsere Cllr. M. Adonisi Cllr: N. Mtyobile Cllr: F.A.N. Hendricks Cllr: E.L. Gubula Cllr: S.E. Mvana Cllr: N.A.Dayisi Cllr: S. Myataza Cllr: Z. Qayiya Cllr: Z.N.E. Ralane Cllr: S.B. Nxawe

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

General Information

	Cllr: N.C. Lali
	Cllr: J. Cengani
	Cllr: Z.R. Shweni
	Cllr: M. Kondile
	Cllr: K. Bizana
	Cllr: Z. Deliwe
	Cllr: R. Venske
	Cllr: S. Zangqa
	Cllr: N. Koni
	Cllr: M. Adonis
	Cllr: Y. Zicina
	Cllr: N. Ndlebe
	Cllr: Z.N. Njoli
	Cllr: N. Nkotha
Grading of local authority	Grade 5
Chief Finance Officer (CFO)	Mr. C. Mapeyi
Accounting Officer	Mr. G. Mashiyi
Registered office	15 Bells Road Queenstown 5320
Bankers	First National Bank Limited
Auditors	Auditor General South Africa Registered Auditors
Attorneys	McWilliams & Elliott Incorporated Clark Laing Inc
Chief Executive Officer (CEO) - CHDA	Mr. Z. Duze
Chief Financial Officer (CFO) - CHDA	Mr. A. Hlubi

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Index

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

	Page
Accounting Officer's Responsibilities and Approval	4
	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9
Accounting Policies	10 - 46
Notes to the Consolidated Annual Financial Statements	47 - 109

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
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)

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

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 consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated 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 consolidated annual financial statements and was given unrestricted access to all financial records and related data.

The consolidated 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 consolidated 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 place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these 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 consolidated 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 2022 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's consolidated annual financial statements. The consolidated annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The consolidated annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2021 and were signed on its behalf by:

Accounting Officer
Municipal Manager

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2021	2020 Restated*	2021	2020 Restated*
Assets					
Current Assets					
Inventories	9	13 994 321	17 063 194	13 994 321	17 063 194
Receivables from exchange transactions - CHDA	10	17 920 439	2 405 148	-	-
Receivables from non-exchange transactions	11	25 758 609	31 938 570	25 758 609	31 938 570
VAT receivable	12	1 262 297 486	1 116 014 163	1 262 297 486	1 115 820 086
Prepayments	8	373 652	315 675	315 675	315 675
Receivables from exchange transactions	13	383 543 146	315 327 009	383 543 146	315 327 009
Cash and cash equivalents	14	171 667 878	42 606 715	171 220 612	42 247 058
		1 875 555 531	1 525 670 474	1 857 129 849	1 522 711 592
Non-Current Assets					
Property, plant and equipment	3	4 622 510 859	4 283 304 335	4 596 031 694	4 252 581 315
Intangible assets	4	264 291	746 746	260 692	728 301
Investments in controlled entities	5	-	-	1 500 000	1 500 000
		4 622 775 150	4 284 051 081	4 597 792 386	4 254 809 616
Total Assets		6 498 330 681	5 809 721 555	6 454 922 235	5 777 521 208
Liabilities					
Current Liabilities					
Operating lease liability	6	2 113 590	1 291 772	2 113 590	1 291 772
Payables from exchange transactions	19	293 571 026	223 984 865	271 056 313	219 575 281
VAT payable		1 276 893 880	1 058 528 714	1 275 326 543	1 058 528 714
Consumer deposits	20	649 012	507 696	649 012	507 696
Employee benefit obligation	7	4 480 085	4 174 994	4 480 085	4 174 994
Unspent conditional grants and receipts	17	83 232 766	77 189 913	82 542 352	75 869 676
Provisions	18	84 122 918	84 122 918	84 122 918	84 122 918
		1 745 063 277	1 449 800 872	1 720 290 813	1 444 071 051
Non-Current Liabilities					
Employee benefit obligation	7	73 072 530	63 435 951	73 072 530	63 435 951
Total Liabilities		1 818 135 807	1 513 236 823	1 793 363 343	1 507 507 002
Net Assets		4 680 194 874	4 296 484 732	4 661 558 892	4 270 014 206
Accumulated surplus	16	4 679 667 809	4 294 233 318	4 661 558 892	4 270 014 206
Total Net Assets		4 679 667 809	4 294 233 318	4 661 558 892	4 270 014 206

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2021	2020 Restated*	2021	2020 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	22	370 644 302	300 505 479	370 644 302	300 505 479
Mechanisation centre income		2 475 071	708 189	-	-
Other income	23	3 929 553	1 313 001	1 048 119	978 577
Interest received - investment	24	70 371 834	78 861 111	70 296 407	78 495 610
Total revenue from exchange transactions		447 420 760	381 387 780	441 988 828	379 979 666
Revenue from non-exchange transactions					
Taxation revenue					
Indirect taxes (VAT, customs duty)		-	1 773 913	-	-
Transfer revenue					
Government grants & subsidies	26	1 271 181 327	1 042 665 648	1 271 181 327	1 042 665 648
Total revenue from non-exchange transactions		1 271 181 327	1 044 439 561	1 271 181 327	1 042 665 648
Total revenue	21	1 718 602 087	1 425 827 341	1 713 170 155	1 422 645 314
Expenditure					
Employee related costs	27	(399 619 148)	(366 551 852)	(378 278 226)	(348 452 307)
Remuneration of councillors	28	(12 917 916)	(12 225 799)	(12 917 916)	(12 225 799)
Depreciation and amortisation	29	(181 543 984)	(159 795 512)	(173 632 255)	(154 926 598)
Finance costs	31	(528 703)	(88 064)	(456 019)	(88 047)
Debt Impairment	32	(304 179 614)	(278 891 121)	(304 179 614)	(278 891 121)
Bulk purchases	33	(38 811 973)	(16 506 193)	(33 625 187)	(16 046 762)
Contracted services	34	(184 196 066)	(166 902 602)	(184 196 066)	(166 902 602)
Transfers and Subsidies	25	(23 455 684)	(100 254 129)	(54 880 616)	(129 439 041)
Cost of housing sold		(82 072)	(94 178)	-	-
General Expenses	35	(164 518 494)	(155 906 041)	(156 145 625)	(146 260 669)
Total expenditure		(1 309 853 654)	(1 257 215 491)	(1 298 311 524)	(1 253 232 946)
Operating surplus		408 748 433	168 611 850	414 858 631	169 412 368
Loss on disposal of assets and liabilities		(6 203)	(312 667)	(6 203)	(312 667)
Actuarial gains/losses	7	(1 694 878)	8 986 709	(1 694 878)	8 986 709
Impairment loss	30	(8 244 322)	(73 768)	(8 244 322)	(73 768)
		(9 945 403)	8 600 274	(9 945 403)	8 600 274
Surplus for the year		398 803 030	177 212 124	404 913 228	178 012 642

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Balance at 01 July 2019	4 173 676 083	4 173 676 083
Changes in net assets		
Correction of prior period error	(56 654 889)	(56 654 889)
Net income (losses) recognised directly in net assets	(56 654 889)	(56 654 889)
Surplus for the year	177 212 124	177 212 124
Total recognised income and expenses for the year	120 557 235	120 557 235
Total changes	120 557 235	120 557 235
Opening balance as previously reported	4 294 233 318	4 294 233 318
Adjustments		
Prior year adjustments	(13 368 543)	(13 368 543)
Restated* Balance at 01 July 2020 as restated*	4 280 864 775	4 280 864 775
Changes in net assets		
Surplus for the year	398 803 030	398 803 030
Total changes	398 803 030	398 803 030
Balance at 30 June 2021	4 679 667 805	4 679 667 805
Note(s)		
Controlling entity		
Balance at 01 July 2019	4 148 656 452	4 148 656 452
Changes in net assets		
Correction of prior period error	(56 654 889)	(56 654 889)
Net income (losses) recognised directly in net assets	(56 654 889)	(56 654 889)
Surplus for the year	178 012 642	178 012 642
Total recognised income and expenses for the year	121 357 753	121 357 753
Total changes	121 357 753	121 357 753
Opening balance as previously reported	4 270 014 206	4 270 014 206
Adjustments		
Prior year adjustments	(13 368 543)	(13 368 543)
Restated* Balance at 01 July 2020 as restated*	4 256 645 663	4 256 645 663
Changes in net assets		
Surplus for the year	404 913 228	404 913 228
Total changes	404 913 228	404 913 228
Balance at 30 June 2021	4 661 558 891	4 661 558 891
Note(s)		

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2021	2020 Restated*	2021	2020 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services		215 925 283	328 430 155	225 947 969	285 631 589
Grants		1 303 384 649	842 371 747	1 277 854 003	818 033 667
Interest income		7 602 710	21 079 812	7 527 283	20 714 310
		<u>1 526 912 642</u>	<u>1 191 881 714</u>	<u>1 511 329 255</u>	<u>1 124 379 566</u>
Payments					
Employee costs		(404 290 272)	(371 175 326)	(382 949 350)	(355 268 766)
Suppliers		(462 140 744)	(842 105 492)	(474 081 100)	(794 916 880)
Finance costs		(528 703)	(88 064)	(456 019)	(88 047)
		<u>(866 959 719)</u>	<u>(1 213 368 882)</u>	<u>(857 486 469)</u>	<u>(1 150 273 693)</u>
Net cash flows from operating activities	38	<u>659 952 923</u>	<u>(21 487 168)</u>	<u>653 842 786</u>	<u>(25 894 127)</u>
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(526 840 309)	(310 379 321)	(526 698 746)	(310 201 491)
Proceeds from sale of property, plant and equipment	3	1 648 617	423 350	1 629 514	423 350
Purchase of other intangible assets	4	(5 785)	(1 866)	-	-
Net cash flows from investing activities		<u>(525 197 477)</u>	<u>(309 957 837)</u>	<u>(525 069 232)</u>	<u>(309 778 141)</u>
Net increase/(decrease) in cash and cash equivalents		129 061 163	(335 721 099)	128 973 554	(335 672 268)
Cash and cash equivalents at the beginning of the year		42 606 715	378 327 814	42 247 058	377 919 326
Cash and cash equivalents at the end of the year	14	<u>171 667 878</u>	<u>42 606 715</u>	<u>171 220 612</u>	<u>42 247 058</u>

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	329 012 000	(91 602 000)	237 410 000	370 644 302	133 234 302	
Mechanisation Centre Own Income	3 000 000	-	3 000 000	2 475 071	(524 929)	
Other income	86 293 677	5 605 970	91 899 647	3 929 553	(87 970 094)	
Interest received - investment	78 634 620	(21 772 000)	56 862 620	70 371 834	13 509 214	
Total revenue from exchange transactions	496 940 297	(107 768 030)	389 172 267	447 420 760	58 248 493	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1 338 137 349	15 352 808	1 353 490 157	1 271 181 327	(82 308 830)	
Total revenue	1 835 077 646	(92 415 222)	1 742 662 424	1 718 602 087	(24 060 337)	
Expenditure						
Employee Related Costs	(390 064 566)	75 775 000	(314 289 566)	(399 619 148)	(85 329 582)	
Remuneration of councillors	(13 173 000)	2 822 000	(10 351 000)	(12 917 916)	(2 566 916)	
Depreciation and amortisation	(129 462 901)	1 000 000	(128 462 901)	(181 543 984)	(53 081 083)	
Impairment loss/ Reversal of impairments	-	-	-	(8 244 322)	(8 244 322)	
Finance costs	(500 000)	(198 000)	(698 000)	(528 703)	169 297	
Debt Impairment	(129 735 000)	129 735 000	-	(304 179 614)	(304 179 614)	
Bulk purchases	(17 863 553)	(7 329 137)	(25 192 690)	(38 811 973)	(13 619 283)	
Contracted Services	(295 381 000)	74 676 000	(220 705 000)	(184 196 066)	36 508 934	
Transfers and Subsidies	(62 031 000)	24 500 000	(37 531 000)	(54 880 616)	(17 349 616)	
Staff Gifts and Welfare	-	-	-	(82 072)	(82 072)	
General Expenses	(120 049 332)	(1 452 000)	(121 501 332)	(164 600 567)	(43 099 235)	
Total expenditure	(1 158 260 352)	299 528 863	(858 731 489)	(1 349 604 981)	(490 873 492)	
Operating surplus	676 817 294	207 113 641	883 930 935	368 997 106	(514 933 829)	
Loss on disposal of assets and liabilities	-	-	-	(6 203)	(6 203)	
Actuarial gains/losses	-	-	-	(1 694 878)	(1 694 878)	
	-	-	-	(1 701 081)	(1 701 081)	
Surplus before taxation	676 817 294	207 113 641	883 930 935	367 296 025	(516 634 910)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	676 817 294	207 113 641	883 930 935	367 296 025	(516 634 910)	
Reconciliation						

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2021	2020	2021	2020

1. Presentation of Consolidated Annual Financial Statements

The consolidated 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 consolidated 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 consolidated annual financial statements, are disclosed below.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Summary of significant accounting policies

These standards are summarised as follows:

Reference	Description
GRAP	Framework Framework for the preparation and presentation of financial statements
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 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
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 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources
IFRS 4	Insurance contracts
IAS 12	Income taxes
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 16	Intangible Assets – Website Costs
IGRAP 20	Accounting for Adjustments to Revenue
Directive 5	GRAP Reporting Framework
Guideline	The Application of Materiality to Financial Statements

The cash flow statement is prepared using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with GRAP 3. Where required, accounting policies were developed for standards of GRAP that have been issued by the Accounting Standards Board, but for which an effective date have not been determined by the Minister of Finance.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.1 Presentation currency

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

All figures have been rounded off to the nearest rand.

1.2 Going concern assumption

These consolidated 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 Consolidation

Basis of consolidation

Consolidated consolidated annual financial statements are the consolidated annual financial statements of the municipality presented as those of a single entity.

The consolidated consolidated annual financial statements incorporate the annual financial statements of the municipality and the municipal agency, which is controlled by the municipality.

Consolidated consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the municipality has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a municipal agency are included in the consolidated consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the municipal agency are based on the values of the assets and liabilities recognised in the municipality's consolidated annual financial statements at the acquisition date.

The consolidated annual financial statements of the municipality and its agency used in the preparation of the consolidated consolidated annual financial statements are prepared as of the same date.

Adjustments are made when necessary to the consolidated annual financial statements of the municipal agency to bring their accounting policies in line with those of the municipality.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the agency is identified and recognised separately from the municipality's interest therein, and are recognised within net assets.

Changes in a municipality's ownership interest in a agency that do not result in a loss of control are accounted for as transactions that affect net assets.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Transfer of functions between entities under common control

Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

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

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which municipality to the transaction or event is the transferor(s) and which municipality is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which municipality is the acquirer and which municipality is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Transfer of functions between entities under common control (continued)

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the municipality recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the municipality can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the municipality de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality reports in its consolidated annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality retrospectively adjusts the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the municipality receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The municipality considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The municipality recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the municipality recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the municipality revises comparative information for prior periods presented in consolidated annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the municipality revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Subsequent measurement

The municipality subsequently measures any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

At the transfer date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Transfer of functions between entities under common control (continued)

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its consolidated annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.6 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated 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 consolidated annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

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

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

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

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

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - 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.

1.7 Property, plant and equipment

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

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.7 Property, plant and equipment (continued)

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 economic entity; and
- the cost of the item can be measured reliably.

Initial Recognition and measurement

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Subsequent measurement - Cost model

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		Infinity
Buildings	Straight-line	5 - 100 years
Plant and machinery	Straight-line	2 - 17 years
Furniture and fixtures	Straight-line	3 - 18 years
Transport assets	Straight-line	4 - 20 years
Office equipment	Straight-line	3 - 18 years
IT equipment	Straight-line	3 - 13 years
Infrastructure water	Straight-line	.
Roads and Paving	Straight-line	3 - 100 years
Security measures	Straight-line	7 - 25 years
Sewerage	Straight-line	7 - 100 years
Water infrastructure	Straight-line	5 - 100 years
Infrastructure - Sanitation	Straight-line	.
Community facilities	Straight-line	5 - 30 years
Recreational facilities	Straight-line	10 - 30 years
Emergency equipment	Straight-line	3 - 10 years
WIP - Sanitation	Straight-line	5 - 15 years

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

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

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.7 Property, plant and equipment (continued)

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

The economic entity assesses at each reporting date whether there is any indication that the economic entity 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 economic entity 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.

Derecognition

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 comparatives.

Repairs and Maintenance

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

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

1.8 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.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Intangible assets (continued)

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.

Initial Recognition

Intangible assets are initially recognised at cost.

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.

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Licenses and franchises	Straight-line	2-5 years
Computer software, other	Straight-line	2-5 years

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

Intangible assets are derecognised:

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

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

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.9 Investments in associates

Economic entity consolidated annual financial statements

An investment in an associate is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the municipality's share of the surpluses or surplus (deficit) of the investee after acquisition date. The use of the equity method is discontinued from the date the municipality ceases to have significant influence over an associate.

Any impairment losses are deducted from the carrying amount of the investment in associate.

Distributions received from the associate reduce the carrying amount of the investment.

Surpluses and surplus (deficit) resulting from transactions with associates are recognised only to the extent of unrelated investors' interests in the associate.

On acquisition of the investment any difference (whether positive or negative) between the cost of the investment and the investor's share of the net fair value of the associate's identifiable assets and liabilities is accounted for in accordance with the Standard of GRAP on Transfer of functions between entities not under common control.

The excess of the municipality's share of the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost is excluded from the carrying amount of the investment and is instead included as revenue in the period in which the investment is acquired.

The most recent available consolidated annual financial statements of the associate are used by the investor in applying the equity method. When the end of the reporting period of the investor is different from that of the associate, the associate prepares, for the use of the investor, consolidated annual financial statements as of the same date as the consolidated annual financial statements of the investor unless it is impracticable to do so.

The recognition of the municipality's share of losses is discontinued once the economic entity's share of losses of an associate equals or exceeds its interest in the associate.

Controlling entity consolidated annual financial statements

An investment in an associate is carried at cost.

The municipality applies the same accounting for each category of investment.

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

1.10 Financial instruments

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

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

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

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

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

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

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 (continued)

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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

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

A financial asset is:

- 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 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.

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.

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

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

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

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

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

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 (continued)

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

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

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

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 (continued)

Classification

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

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

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

Class	Category
Long term liabilities	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grant	Financial liability measured at amortised cost

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 (continued)

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

Financial instruments at fair value.

Financial instruments at amortised cost

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

Fair value measurement considerations.

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

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 (continued)

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset 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 asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.10 (continued)

revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the

International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Policies relating to specific financial instruments

Trade and other receivables

Trade and other receivables are classified as loans and receivables and are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

All trade and other receivables are assessed at least annually for possible impairment. Impairment adjustments are made through the use of an allowance account. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from reporting date and are classified as current. Interest is charged on overdue accounts .

Trade and other payables

Trade and other payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Cash and Cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

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.

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

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

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

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.11 Leases (continued)

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 first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.13 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.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Useful life is either:

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

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

Identification

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

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

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

Value in use

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

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

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.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

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.

Redesignation

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

1.14 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.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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

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

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

Useful life is either:

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.16 Employee benefits

Employee benefits are all forms of consideration given by an municipality 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 municipality, 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 municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, 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 municipality to reimburse it for employee benefits already paid.

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

- an municipality's decision to terminate an employee's employment before the normal retirement date; or

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

- 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 municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality 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 municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality 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 municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality'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 municipality 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.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (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.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.17 Impairment of non-cash-generating assets (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 41.

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.

1.18 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.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.18 Commitments (continued)

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

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

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.20 Revenue from non-exchange transactions

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

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

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

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

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

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, an 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.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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.

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.

1.21 Conditional grants and receipts

Revenue received from conditional grants and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the year in which they have been received.

1.22 Investment income

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

1.23 Accounting by principals and agents

Identification

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.23 Accounting by principals and agents (continued)

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 an 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.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.24 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised..

1.25 Comparative figures

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

1.26 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.27 Fruitless and wasteful expenditure

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

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

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.28 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA 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.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

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

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

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

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

1.29 Segment information

A segment is an activity of an entity:

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

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

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.29 Segment information (continued)

Measurement

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

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

1.30 Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the South African Revenue Services is included as part of receivables or payables in the Statement of Financial Position.

1.31 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 cash basis and presented by economic classification linked to performance outcome objectives.

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

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

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

1.32 Related parties

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

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.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.32 Related parties (continued)

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 consolidated annual financial statements.

1.33 Events after reporting date

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

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

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

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

1.34 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted.

Agricultural activity is the management by an municipality of the biological transformation and harvest of biological assets for:

- (a) sale;
- (b) distribution at no charge or for a nominal charge; or
- (c) conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

A bearer plant is a living plant that:

- (a) is used in the production or supply of agricultural produce;
- (b) is expected to bear produce for more than one period; and
- (c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

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

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

(continued)

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

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

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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.

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the consolidated annual financial statements.

The residual value of an asset is the estimated amount that an municipality would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Useful life is the period over which an asset is expected to be available for use by an municipality, or the number of production or similar units expected to be obtained from the asset by an municipality.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

The municipality has applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 April 2020 or later periods:

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- . requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- . defines the principles of control, and establishes control as the basis for consolidation;
- . sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- . sets out the accounting requirements for the preparation of consolidated financial statements; and
- . defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements. Investments entities: Fair value requirement, Transaction provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has expected to adopt the standard for the first time in the 2020/2021 unaudited separate annual financial statements.

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

GRAP 38: Disclosure of interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- . the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- . the effects of those interests on its financial position, financial performance and cash flows.

If furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has expected to adopt the standard for the first time in the 2020/2021 unaudited separate annual financial statements.

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

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associated and joint ventures.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers Definitions, Significant influence, Equity method. Application of the equity method. Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has expected to adopt the standard for the first time in the 2020/2021 unaudited separate annual financial statements.

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

GRAP 37: Joint arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial Statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has expected to adopt the standard for the first time in the 2020/2021 unaudited separate annual financial statements.

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

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- . recognition, measurement, presentation and disclosure requirements for living resources; and
- . disclosure requirements for non-living resources.

It furthermore covers Definitions, Recognition, Measurements, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- . General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- . IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resources is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has expected to adopt the standard for the first time in the 2020/2021 unaudited separate annual financial statements.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

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

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has adopted the standard for the first time in the 2020/2021 unaudited separate annual financial statements.

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

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- . General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 unaudited separate annual financial statements.

The impact of this standard is currently being assessed.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

Economic entity

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	32 913 229	-	32 913 229	32 913 229	-	32 913 229
Buildings	96 944 140	(16 658 517)	80 285 623	97 634 096	(12 234 697)	85 399 399
Plant and machinery	24 408 495	(12 423 245)	11 985 250	23 614 712	(9 839 452)	13 775 260
Furniture and fixtures	24 957 764	(16 853 840)	8 103 924	25 252 599	(15 041 378)	10 211 221
Motor vehicles	96 681 065	(42 595 219)	54 085 846	101 405 882	(40 859 460)	60 546 422
Office equipment	676 740	(651 529)	25 211	651 804	(636 963)	14 841
IT equipment	16 384 780	(12 378 377)	4 006 403	14 978 553	(11 063 489)	3 915 064
Infrastructure	4 326 345 834	(1 250 680 724)	3 075 665 110	4 151 799 319	(1 109 690 344)	3 042 108 975
Community	476 459 490	(189 945 709)	286 513 781	476 616 541	(172 692 478)	303 924 063
Ancillary fleet equipment and security	13 684 165	(3 354 223)	10 329 942	13 684 165	(2 799 906)	10 884 259
Asset found	1 044 497 425	-	1 044 497 425	702 164 372	-	702 164 372
Farming Machinery	14 099 115	-	14 099 115	17 447 230	-	17 447 230
Total	6 168 052 242	(1 545 541 383)	4 622 510 859	5 658 162 502	(1 374 858 167)	4 283 304 335

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Controlling entity

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	30 345 900	-	30 345 900	30 345 900	-	30 345 900
Buildings	85 199 731	(14 258 153)	70 941 578	85 889 687	(10 421 553)	75 468 134
Plant and machinery	24 408 495	(12 423 245)	11 985 250	23 614 712	(9 839 452)	13 775 260
Furniture and fixtures	23 909 738	(16 074 986)	7 834 752	24 215 820	(14 402 288)	9 813 532
Motor vehicles	95 649 554	(41 563 708)	54 085 846	100 374 371	(39 981 862)	60 392 509
IT equipment	14 918 198	(11 086 088)	3 832 110	13 598 248	(9 893 937)	3 704 311
Infrastructure	4 326 345 834	(1 250 680 724)	3 075 665 110	4 151 799 319	(1 109 690 344)	3 042 108 975
Community	476 459 490	(189 945 709)	286 513 781	476 616 541	(172 692 478)	303 924 063
Ancillary fleet equipment and security	13 684 165	(3 354 223)	10 329 942	13 684 165	(2 799 906)	10 884 259
Asset found	1 044 497 425	-	1 044 497 425	702 164 372	-	702 164 372
Total	6 135 418 530	(1 539 386 836)	4 596 031 694	5 622 303 135	(1 369 721 820)	4 252 581 315

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic Entity - 2021

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers received	Transfer Out	Depreciation	Impairment loss	Total
Land	32 913 229	-	-	-	-	-	-	-	32 913 229
Buildings	85 399 399	-	-	(552 845)	-	-	(2 235 894)	(2 325 037)	80 285 623
Plant and machinery	13 775 260	800 058	-	(647)	-	-	(2 589 421)	-	11 985 250
Furniture and fixtures	10 211 221	234 846	-	(19 628)	-	-	(2 322 515)	-	8 103 924
Motor vehicles	60 546 422	3 167 321	-	(826 408)	-	-	(8 801 489)	-	54 085 846
Office equipment	14 841	-	24 936	-	-	-	(14 566)	-	25 211
IT equipment	3 915 064	1 650 201	-	(39 819)	-	-	(1 519 043)	-	4 006 403
Infrastructure Water	3 042 108 975	619 400	-	(410 979)	178 010 494	(3 682)	(139 043 252)	(5 615 846)	3 075 665 110
Infrastructure Sanitation	303 924 063	-	-	(4 494)	-	-	(17 112 818)	(292 970)	286 513 781
Infrastructure Roads	10 884 259	-	-	-	-	-	(543 847)	(10 470)	10 329 942
WIP	702 164 372	520 343 547	-	-	-	(178 010 494)	-	-	1 044 497 425
Farming Machinery	17 447 230	-	-	-	-	-	(3 348 115)	-	14 099 115
	4 283 304 335	526 815 373	24 936	(1 854 820)	178 010 494	(178 014 176)	(177 530 960)	(8 244 323)	4 622 510 859

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment -Economic Entity- 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	32 913 229	-	-	-	-	-	-	32 913 229
Buildings	58 732 574	-	-	-	28 580 800	(1 913 975)	-	85 399 399
Plant and machinery	12 122 275	4 027 375	-	-	-	(2 374 390)	-	13 775 260
Furniture and Office Equipment	10 302 188	2 077 696	-	-	-	(2 168 663)	-	10 211 221
Transport Assets	64 727 273	1 357 009	(727 974)	-	-	(4 809 886)	-	60 546 422
Office equipment	193 265	11 376	-	-	-	(189 800)	-	14 841
Computer Equipment	4 590 072	515 895	(8 043)	-	-	(1 182 860)	-	3 915 064
Infrastructure Water	2 950 132 459	15 861 806	201 484 851	-	-	(125 370 141)	-	3 042 108 975
Infrastructure Sanitation	277 088 048	-	43 912 192	-	-	(17 002 408)	(73 769)	303 924 063
Infrastructure Roads	11 441 693	-	-	-	-	(557 434)	-	10 884 259
WIP	689 614 051	286 528 164	-	(273 977 843)	-	-	-	702 164 372
Farming Machinery	-	17 447 230	-	-	-	-	-	17 447 230
	4 111 857 127	327 826 551	244 661 026	(273 977 843)	28 580 800	(155 569 557)	(73 769)	4 283 304 335

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2021

	Opening balance	Additions	Disposals	Transfers	Revaluations	Transfer Out	Depreciation	Impairment loss	Total
Land	30 345 900	-	-	-	-	-	-	-	30 345 900
Buildings	75 468 134	-	(552 845)	-	-	-	(1 648 674)	(2 325 037)	70 941 578
Plant and machinery	13 775 260	800 058	(647)	-	-	-	(2 589 421)	-	11 985 250
Furniture and fixtures	9 813 532	223 599	(19 628)	-	-	-	(2 182 751)	-	7 834 752
Motor vehicles	60 392 509	3 167 321	(826 408)	-	-	-	(8 647 576)	-	54 085 846
IT equipment	3 704 311	1 544 821	(20 716)	-	-	-	(1 396 306)	-	3 832 110
Infrastructure Water	3 042 108 975	619 400	(410 979)	178 010 494	-	(3 682)	(139 043 252)	(5 615 846)	3 075 665 110
Infrastructure Sanitation	303 924 063	-	(4 494)	-	-	-	(17 112 818)	(292 970)	286 513 781
Infrastructure Roads	10 884 259	-	-	-	-	-	(543 847)	(10 470)	10 329 942
WIP	702 164 372	520 343 547	-	-	(178 010 494)	-	-	-	1 044 497 425
	4 252 581 315	526 698 746	(1 835 717)	178 010 494	(178 010 494)	(3 682)	(173 164 645)	(8 244 323)	4 596 031 694

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	30 345 900	-	-	-	-	-	-	30 345 900
Buildings	48 212 479	-	-	28 580 800	-	(1 325 145)	-	75 468 134
Plant and machinery	12 122 275	4 027 375	-	-	-	(2 374 390)	-	13 775 260
Furniture and office equipment	9 768 957	2 072 762	-	-	-	(2 028 187)	-	9 813 532
Transport assets	64 366 493	1 357 009	(727 974)	-	-	(4 603 019)	-	60 392 509
Computer equipment	4 262 461	354 375	(8 043)	-	-	(904 482)	-	3 704 311
Infrastructure : Water	2 950 132 459	15 861 806	-	201 484 851	-	(125 370 141)	-	3 042 108 975
Infrastructure : Sanitation	277 088 048	-	-	43 912 192	-	(17 002 408)	(73 769)	303 924 063
Infrastructure Roads	11 441 693	-	-	-	-	(557 434)	-	10 884 259
WIP	689 614 051	286 528 164	-	-	(273 977 843)	-	-	702 164 372
	4 097 354 816	310 201 491	(736 017)	273 977 843	(273 977 843)	(154 165 206)	(73 769)	4 252 581 315

Pledged as security

There are no assets that have been pledged as security during the current year:

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

3. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Other Contractors / Repairs and Maintenance	43 583 760	42 030 209	43 583 760	42 030 209
---	------------	------------	------------	------------

The following projects were identified to have taken longer than expected for their completion date. These assets have not been disclosed as slow-moving assets under construction in the financial statements:

Tender/BID Number	Description	Function	Date project awarded per contract register/awarded letter	No. of years project running	WIP register 30 June 2020 (Closing Balance)	WIP register 30 June 2021 (Opening Balance)
10/2018/MD(BN)	Cluster 4 water supply backlog northern scheme primary mains and 1.8ml reservoir from Sikungwini to Lady Frere and Upper Ndonga	Water	18 11 2015	5	R54 760 388.37	R54 760 388.37
33/2015/MD(TN)	CHDM Water Supply Backlog Cluster 9 Tsomo River Abstraction and WWTW Construction	Water	09 12 2015	5	R201 999 846.09	R223 955 061.83
20/2015/MD(TN)	CHDM Water Supply Backlog Cluster 4 Quick Wins Phae 2 Gaseni-B Water Supply	Water	28 03 2015	5	R488 228.38	R488 228.38
37/2010/MD(AM)	Refurbishment & Upgrading of Water and Sewer Infrastructure in Ilinge		18 05 2010	10	R4 550 609.25	R4 709 841.08
	Cobosi Drought relief project.	Water	1		R2 625 681.10	
	Nkomfeni Drought relief project		1		R2 309 335.80	

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Intangible assets

Economic entity	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	7 844 616	(7 583 924)	260 692	7 844 616	(7 116 315)	728 301
Intangible assets 1	703 787	(700 188)	3 599	698 002	(679 557)	18 445
Total	8 548 403	(8 284 112)	264 291	8 542 618	(7 795 872)	746 746

Controlling entity	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	7 844 616	(7 583 924)	260 692	7 844 616	(7 116 315)	728 301

Reconciliation of intangible assets - Economic entity - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	728 301	-	(467 609)	260 692
Computer software	18 445	5 785	(20 631)	3 599
	746 746	5 785	(488 240)	264 291

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 489 707	-	(761 406)	728 301
Compointer software	133 026	1 866	(116 447)	18 445
	1 622 733	1 866	(877 853)	746 746

Reconciliation of intangible assets - Controlling entity - 2021

	Opening balance	Amortisation	Total
Computer software, other	728 301	(467 609)	260 692

Reconciliation of intangible assets - Controlling entity - 2020

	Opening balance	Amortisation	Total
Computer software, other	1 489 707	(761 406)	728 301

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity						
	2021	2020	2021	2020					
5. Investments in controlled entities									
Investments in controlled entities									
Name Jurisdiction	Determination of ownership interest	Economic Entity % ownership interest 2021	Economic Entity % ownership interest 2020	Controlling Entity % ownership interest 2021	Controlling Entity % ownership interest 2020	Economic Entity Carrying amount 2021	Economic Entity Carrying amount 2020	Controlling Entity Carrying amount 2021	Controlling Entity Carrying amount 2020
Chris Hani Development Agency	Chris Hani District Municipality	100,00 %	100,00 %	100,00 %	100,00 %	-	-	1 500 000	1 500 000
						-	-	1 500 000	1 500 000
						-	-	1 500 000	1 500 000

The carrying amounts of controlled entities are shown net of impairment losses.

Interests in controlled entities

6. Operating lease liability / asset

Current liabilities	(2 113 590)	(1 291 772)	(2 113 590)	(1 291 772)
---------------------	-------------	-------------	-------------	-------------

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

7. Employee benefit obligations

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

Carrying value

Defined medical benefits obligations	(60 606 718)	(52 877 247)	(60 606 718)	(52 877 247)
Long service awards benefit obligation	(16 945 897)	(14 733 698)	(16 945 897)	(14 733 698)
	(77 552 615)	(67 610 945)	(77 552 615)	(67 610 945)
Non-current liabilities	(73 072 530)	(63 435 951)	(73 072 530)	(63 435 951)
Current liabilities	(4 480 085)	(4 174 994)	(4 480 085)	(4 174 994)
	(77 552 615)	(67 610 945)	(77 552 615)	(67 610 945)

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

Opening balance	52 877 247	56 272 624	52 877 247	56 272 624
Benefits paid	(2 127 432)	(2 868 929)	(2 127 432)	(2 868 929)
Net expense recognised in the statement of financial performance	9 856 902	(526 448)	9 856 902	(526 448)
	60 606 717	52 877 247	60 606 717	52 877 247

Net expense recognised in the statement of financial performance

Current service cost	3 203 895	3 408 054	3 203 895	3 408 054
Interest cost	6 756 484	5 494 783	6 756 484	5 494 783
Actuarial (gains) losses	(103 477)	(9 429 285)	(103 477)	(9 429 285)
	9 856 902	(526 448)	9 856 902	(526 448)

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

7. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(103 477)	(9 429 285)	(103 477)	(9 429 285)
---------------------------------------	-----------	-------------	-----------	-------------

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

7. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11,29 %	13,04 %	11,29 %	13,04 %
Expected rate of return on assets	6,31 %	7,29 %	6,31 %	7,29 %
Expected rate of return on reimbursement rights	7,81 %	8,79 %	7,81 %	8,79 %
Actual return on reimbursement rights	3,23 %	3,91 %	3,23 %	3,91 %

Long Service Awards Liability

The municipality operates an undefined benefit plan for all its employees under the plan, a long service award is payable after 5 years of continuous service, and every 5 years thereafter, to 45 years of continuous service. The provision is an estimate of the long service based on historical staff turnover.

Reconciliation of long service awards - June 2021	Column heading	Opening Balance	Additions	Utilised during the year	Total
Long Service Awards	-	14 733 698	4 877 824	(2 665 624)	16 945 898

Reconciliation of long service awards - June 2020	Column heading	Opening Balance	Additions	Utilised during the year	Total
Long Service Awards	-	14 915 690	2 483 632	(2 665 624)	14 733 698

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

7. Employee benefit obligations (continued)

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by One Pangaea Expertise & Solutions. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Credit Unit Method.

At year end 30 June 2021, 772 (2020: 819) employees were eligible for the Long service awards.

The current service cost for the year ending 30 June 2021 was estimated to be R1 681 217 whereas the cost of the ensuing year is estimated to be R2 037 226.

The principle assumptions used for the purpose of the actuarial valuation were as follows:

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2020 the duration of liabilities was 5.13 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2021 is 7.72% per annum, and the yield on inflation-linked bonds of a similar term was about 2.77% per annum. This implies an underlying expectation of inflation of 4.33% per annum $([1 + 7.72\% - 0.5\%] / [1 + 1.77\%] - 1)$. We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 5.33% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 2.27% per annum $([1 + 7.41\%] / [1 + 5.33\%] - 1)$.

Discount rate	7.72%	7.41%
Consumer price inflation	4.33%	2.57%
Normal salary increase	5.33%	3.57%
Net effective discount rate	2.27%	3.71%

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

Opening balance	-	14 733 698	14 915 690	14 733 698	14 915 690
Current year service cost	-	1 681 217	953 064	1 681 217	953 064
Interest cost	-	1 015 905	1 087 992	1 015 905	1 087 992
Benefits paid	-	(2 665 624)	(2 665 624)	(2 665 624)	(2 665 624)
Actuarial losses	-	2 180 702	442 576	2 180 702	442 576
	-	16 945 898	14 733 698	16 945 898	14 733 698

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

Present value of the long service awards wholly unfunded	-	16 945 898	14 733 698	16 945 898	14 733 698
--	---	------------	------------	------------	------------

Next expense recognised in the statement of financial performance

Current service cost	-	1 681 217	953 064	1 681 217	953 064
Interest cost	-	1 015 905	1 087 992	1 015 905	1 087 992
Actuarial losses	-	1 798 355	442 576	1 798 355	442 576
	-	4 495 477	2 483 632	4 495 477	2 483 632

Current Employee Benefits for Medical Aid and Long Service Awards

Current Portion of Medical Contribution subsidies	-	1 771 055	2 127 433	1 771 055	2 127 433
Current Portion of Long Service Awards	-	2 709 030	2 047 561	2 709 030	2 047 561

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
7. Employee benefit obligations (continued)				
	-	4 480 085	4 174 994	4 480 085
			4 480 085	4 174 994
8. Prepayments				
Prepayments relate to payments made to Eskom for connections.No connections confirmed as at 30 June 2021 amounting to R315 675.				
Prepayments arise due to the entity's board cellphone data contracts and deposit paid to ESKOM for connection of Electricity paid in advance. Prepayments incurred during the year ending 30 June 2021 amounted to R 57 977.06				
Payments made in advance				
Current assets	-	373 652	315 675	315 675
			315 675	315 675
9. Inventories				
Consumable stores	13 994 321	16 671 342	13 994 321	16 671 342
Water for distribution	-	391 852	-	391 852
	13 994 321	17 063 194	13 994 321	17 063 194
9.1 Inventory Reconciliation				
Chemicals	-	502 773	138 920	502 773
Stationery	-	50 206	996 762	50 206
Cleaning Material	-	38 251	50 478	38 251
Water & Fittings	-	13 403 091	15 485 182	13 403 091
Water Inventory	-	-	391 852	-
	-	13 994 321	17 063 194	13 994 321
			17 063 194	17 063 194
During the year, the municipality council write off an amount of R391 852,00 on water inventory from take over of Water and Sanitation from 2014/15 that was not handed over by Local Municipalities during take on.				
10. Receivables from exchange transactions - CHDA				
Government subsidies	17 920 439	2 405 148	-	-
11. Receivables from non-exchange transactions				
Road work subsidy	6 427 679	6 427 679	6 427 679	6 427 679
Local Municipalities	2 000 004	11 870 640	2 000 004	11 870 640
Rental and Eskom deposits	13 334 496	11 262 233	13 334 496	11 262 233
Other debtors	1 708 445	983 268	1 708 445	983 268
DHS Emergency Housing	2 287 985	1 023 070	2 287 985	1 023 070
Operating Leases	-	371 680	-	371 680
	25 758 609	31 938 570	25 758 609	31 938 570
12. VAT receivables / payables				
VAT receivables	1 262 297 486	1 116 014 163	1 262 297 486	1 115 820 086
VAT payables	(1 276 893 880)	(1 058 528 714)	(1 275 326 543)	(1 058 528 714)
	(14 596 394)	57 485 449	(13 029 057)	57 291 372

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
13. Consumer debtors				
Gross balances				
Water	1 791 506 537	1 487 843 291	1 791 506 537	1 487 843 291
Sewerage	593 174 257	524 419 876	593 174 257	524 419 876
Refuse	2 610 892	2 632 768	2 610 892	2 632 768
	2 387 291 686	2 014 895 935	2 387 291 686	2 014 895 935
Less: Allowance for impairment				
Water	(1 448 459 117)	(1 208 858 992)	(1 448 459 117)	(1 208 858 992)
Sewerage	(552 708 477)	(488 190 178)	(552 708 477)	(488 190 178)
Refuse	(2 580 946)	(2 519 756)	(2 580 946)	(2 519 756)
	(2 003 748 540)	(1 699 568 926)	(2 003 748 540)	(1 699 568 926)
Net balance				
Water	343 047 420	278 984 299	343 047 420	278 984 299
Sewerage	40 465 780	36 229 698	40 465 780	36 229 698
Refuse	29 946	113 012	29 946	113 012
	383 543 146	315 327 009	383 543 146	315 327 009
Water				
Current (0 -30 days)	36 455 447	25 621 427	36 455 447	25 621 427
31 - 60 days	41 448 784	26 947 684	41 448 784	26 947 684
61 - 90 days	106 834 260	25 438 467	106 834 260	25 438 467
91 - 120 days	65 811 840	28 626 008	65 811 840	28 626 008
121 - 365 days	232 538 021	273 659 423	232 538 021	273 659 423
> 365 days	1 329 272 126	1 107 550 281	1 329 272 126	1 107 550 281
Impairment Allowance	(1 448 459 117)	(1 208 165 424)	(1 448 459 117)	(1 208 165 424)
	363 901 361	279 677 866	363 901 361	279 677 866
Sewerage				
Current (0 -30 days)	6 693 864	7 166 327	6 693 864	7 166 327
31 - 60 days	6 672 959	6 171 553	6 672 959	6 171 553
61 - 90 days	6 572 218	6 121 065	6 572 218	6 121 065
91 - 120 days	13 036 455	6 174 822	13 036 455	6 174 822
121 - 365 days	51 243 891	54 301 815	51 243 891	54 301 815
> 365 days	525 323 203	444 510 161	525 323 203	444 510 161
Impairment Allowance	(552 708 477)	(488 883 745)	(552 708 477)	(488 883 745)
	56 834 113	35 561 998	56 834 113	35 561 998
Sundry Debtors				
Current (0 -30 days)	11 000	102 276	11 000	102 276
31 - 60 days	14 563	-	14 563	-
61 - 90 days	4 168	-	4 168	-
91 - 120 days	6 346	2 734	6 346	2 734
121 - 365 days	93 062	24 551	93 062	24 551
> 365 days	2 481 753	2 503 207	2 481 753	2 503 207
Impairment Allowance	(2 580 946)	(2 519 756)	(2 580 946)	(2 519 756)
	29 946	113 012	29 946	113 012

Summary of debtors by customer classification

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

13. Consumer debtors (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(1 699 568 926)	(1 421 501 524)	(1 699 568 926)	(1 421 501 524)
Contributions to allowance	(304 179 614)	(278 067 402)	(304 179 614)	(278 067 402)
	(2 003 748 540)	(1 699 568 926)	(2 003 748 540)	(1 699 568 926)

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7 452	9 612	4 200	4 200
Bank balances	21 795 352	20 951 348	21 351 394	20 599 528
Short-term deposits	149 865 074	21 645 755	149 865 018	21 643 330
	171 667 878	42 606 715	171 220 612	42 247 058

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
First National Bank - Current Account - 62002510693	22 652 807	18 629 607	98 656 166	21 433 512	18 629 607	98 656 166
First National Bank - Call Account - 62004499481	132 631	894 576	61 252	132 631	894 576	61 252
First National Bank - Call Account - 62190652521 (CRR)	30 237 960	241 891	212 916 295	30 237 960	241 891	212 916 295
First National Bank - Call Account - 62187939784	54 397	624 256	59 048 632	54 397	624 256	59 048 632
First National Bank - Call Account - 62187936532 (National)	14 642 214	3 632 818	1 297 853	14 642 214	3 632 818	1 297 853
First National Bank - Call Account - 62187938538 (Provincial)	346 190	16 249 789	399 693	346 190	16 249 789	399 693
First National Bank - Public Sector - Cheque Account - 62610267602	284 116	1 969 921	5 535 177	(82 118)	1 969 921	5 535 177
First National Bank - Call Account - 62868460363 (EPWP)	114 731	-	-	114 731	-	-
First National Bank - Call Account - 62868467418 (RBIG)	104 336 894	-	-	104 336 894	-	-
FNB MAIN 623 636 541 56	374 351	143 683	383 889	374 351	143 683	383 889
FNB SKILLS 623 960 858 99	146	171 602	1 743	146	171 602	1 743
FNB INV 623 789 429 18	56	2 425	5 313	56	2 425	5 313
FNB DEA 624 578 562 96	217	100	3 914	217	100	3 914
FNB CALL 625 418 515 74	11	2 158	3 709	11	2 158	3 709
FNB MECH 625 407 434 83	65 171	29 515	8 010	65 171	29 515	8 010
FNB PETTY 625 407 426 83	3 747	4 763	1 510	4 061	4 763	1 510
Total	173 245 639	42 597 104	378 323 156	171 660 424	42 597 104	378 323 156

15. Share capital / contributed capital

16. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2021

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

16. Accumulated surplus (continued)

	Accumulated Surplus	Total
Opening balance	4 280 864 775	4 280 864 775
Surplus	398 803 030	398 803 030
	-	-
	4 679 667 805	4 679 667 805

Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2020

	Accumulated Surplus	Total
Opening balance	4 117 021 194	4 117 021 194
Surplus	177 212 124	177 212 124
	-	-
	4 294 233 318	4 294 233 318

Ring-fenced internal funds and reserves within accumulated surplus - Controlling entity - 2021

	Accumulated Surplus	Total
Opening balance	4 256 645 663	4 256 645 663
Surplus	404 913 229	404 913 229
	-	-
	4 661 558 892	4 661 558 892

Ring-fenced internal funds and reserves within accumulated surplus - Controlling entity - 2020

	Accumulated Surplus	Total
Opening balance	4 092 001 563	4 092 001 563
Surplus	178 012 643	178 012 643
	-	-
	4 270 014 206	4 270 014 206

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
17. Unspent conditional grants and receipts				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
National: Municipal Infrastructure Grant (MIG)	60 152	1	60 152	1
National: Department of Rural Development and Land Reform	402 614	402 614	402 614	402 614
National: Sport and Development	16 140 327	16 140 327	16 140 327	16 140 327
Provincial: Office of the Premier	21 569	21 569	21 569	21 569
Provincial: Department of Transport	1 732 096	1 732 096	1 732 096	1 732 096
Provincial: Department of Economic Affairs	14 308 884	14 308 884	14 308 884	14 308 884
ECDRDAR	659 112	-	-	-
Other Spheres of Government	43 478	43 478	43 478	43 478
Lapesi Project	42 197	42 197	42 197	42 197
National: EPWP	185 020	93 455	185 020	93 455
Provincial: RBIG	49 259 319	19 514 739	49 259 319	19 514 739
Provincial: Department of Economic Affairs and Trade	360 655	360 655	360 655	360 655
National: Finance Management Grant	1	1	1	1
National: LG SETA	(140 810)	-	(140 810)	-
Municipal Disaster Covid-19	75 740	1 559 319	75 740	1 559 319
National: Department of Transport - Rural Road Asset Mgt Grant	108	1 744 065	108	1 744 065
DEDEAT	-	1 223 200	-	-
National : WSIG	51 003	19 906 277	51 003	19 906 277
National : MWIG	(1)	(1)	(1)	(1)
HWSETA	31 053	96 788	-	-
Other Project Liability	249	249	-	-
	83 232 766	77 189 913	82 542 352	75 869 676

Movement during the year

The nature and extent of government grants recognised in the Consolidated Annual Financial Statements and an indication of other forms of government assistance from which the Municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

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

These amounts are invested in a ring-fenced investment until utilised.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

18. Provisions

Reconciliation of provisions - Economic entity - 2021

	Opening Balance	Total
Other provisions	84 122 918	84 122 918

Reconciliation of provisions - Economic entity - 2020

	Opening Balance	Total
Other provisions	84 122 918	84 122 918

Reconciliation of provisions - Controlling entity - 2021

	Opening Balance	Total
Other provisions	84 122 918	84 122 918

Reconciliation of provisions - Controlling entity - 2020

	Opening Balance	Total
Other provisions	84 122 918	84 122 918

The municipality has made a provision amounting to R84 122 918 for Department of Labour and Zanamanzi (Pty) Ltd while both parties are on engagement with the debt up until the matter is resolved. The matter is coming from 2018/2019 financial year

19. Payables from exchange transactions

Trade payables	158 713 489	125 202 788	140 287 380	123 765 961
Payments received in advanced - contract in process	10 558 013	8 198 082	10 558 013	8 198 082
Retentions	44 216 757	37 211 828	43 524 342	37 139 937
Bonus Provisions	11 852 928	10 970 478	10 024 143	9 097 182
Accrued leave pay	16 096 374	15 659 558	16 096 374	15 659 558
Deposits received (held as Surety)	8 335	8 335	8 335	8 335
Other payables	50 557 726	25 706 226	50 557 726	25 706 226
Provision for 13th cheque - CHDA	70 993	72 761	-	-
Leave pay accrual - CHDA	1 452 211	954 809	-	-
Other Creditors - CHDA	44 200	-	-	-
	293 571 026	223 984 865	271 056 313	219 575 281

20. Consumer deposits

Water	649 012	507 696	649 012	507 696
-------	---------	---------	---------	---------

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
21. Revenue				
Service charges	370 644 302	300 505 479	370 644 302	300 505 479
Mechanisation Centre Income	2 475 071	708 189	-	-
Other income	3 929 553	1 313 001	1 048 119	978 577
Interest received - investment	70 371 834	78 861 111	70 296 407	78 495 610
Indirect taxes (VAT, customs duty)	-	1 773 913	-	-
Government grants & subsidies	1 271 181 327	1 042 665 648	1 271 181 327	1 042 665 648
	1 718 602 087	1 425 827 341	1 713 170 155	1 422 645 314
The amount included in revenue arising from exchanges of goods or services are as follows:				
Service charges	370 644 302	300 505 479	370 644 302	300 505 479
Mechanisation Centre Income	2 475 071	708 189	-	-
Other income	3 929 553	1 313 001	1 048 119	978 577
Interest received - investment	70 371 834	78 861 111	70 296 407	78 495 610
	447 420 760	381 387 780	441 988 828	379 979 666
The amount included in revenue arising from non-exchange transactions is as follows:				
Taxation revenue				
Indirect taxes (VAT, customs duty)	-	1 773 913	-	-
Transfer revenue				
Government grants & subsidies	1 271 181 327	1 042 665 648	1 271 181 327	1 042 665 648
	1 271 181 327	1 044 439 561	1 271 181 327	1 042 665 648
22. Service charges				
Service charges	7 757	7 359	7 757	7 359
Sale of water	307 984 298	241 312 886	307 984 298	241 312 886
Sewerage and sanitation charges	62 652 247	59 185 234	62 652 247	59 185 234
	370 644 302	300 505 479	370 644 302	300 505 479
23. Other income				
Staff recoveries (Telephone)	12 081	-	12 081	-
Tender documents	868 374	536 500	708 971	510 700
VAT on Conditional Grant	74	-	74	-
Sundry receipts	326 993	467 877	326 993	467 877
Other income - CHDA	2 722 031	308 624	-	-
	3 929 553	1 313 001	1 048 119	978 577
24. Investment revenue				
Interest revenue				
Bank	565 743	1 732 156	490 316	1 366 655
Interest - investments	7 036 967	19 347 805	7 036 967	19 347 805
Interest - debtors	62 769 124	57 781 150	62 769 124	57 781 150
	70 371 834	78 861 111	70 296 407	78 495 610

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

25. Transfers and subsidies

Other subsidies

Cooperative Development Centre	6 000 000	-	6 000 000	-
Engcobo Subsidy	2 000 000	-	2 000 000	-
VIP Toilets	1 404 069	89 100 961	1 404 069	89 100 961
Chris Hani Development Agency	14 051 615	11 153 168	45 476 547	40 338 080
	23 455 684	100 254 129	54 880 616	129 439 041

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

26. Government grants and subsidies

Operating grants

Equitable share	649 376 000	543 689 000	649 376 000	543 689 000
Finance Management Grant	1 000 000	1 250 000	1 000 000	1 250 000
Municipal Infrastructure Grant Operational EPWP	52 947 316	123 898 493	52 947 316	123 898 493
Rural Road Asset Management Grant	6 191 435	4 548 545	6 191 435	4 548 545
LG SETA	3 251 957	1 676 935	3 251 957	1 676 935
Rural Sustainable Village	426 602	564 824	426 602	564 824
Municipal DIS Covid-19	-	4 126 374	-	4 126 374
Prov: Roads Subsidies	1 483 579	1 956 681	1 483 579	1 956 681
	-	16 701 091	-	16 701 091
	714 676 889	698 411 943	714 676 889	698 411 943

Capital grants

Municipal Infrastructure Grant	228 495 532	164 724 721	228 495 532	164 724 721
Water Services Infrastructure Grant	69 949 485	93 714 723	69 949 485	93 714 723
Regional Bulk Infrastructure Grant	258 059 421	85 814 261	258 059 421	85 814 261
	556 504 438	344 253 705	556 504 438	344 253 705

Equitable Share

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

CHDM Irrigation Schemes

Balance unspent at beginning of year	873 484	-	-	-
Current-year receipts	5 638 261	6 800 000	-	-
Conditions met - transferred to revenue	(6 273 601)	(5 926 516)	-	-
	238 144	873 484	-	-

Conditions still to be met - remain liabilities (see note 17).

National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	1	81 589 394	1	81 589 394
Current-year receipts	281 503 000	287 034 000	281 503 000	287 034 000
Conditions met - transferred to revenue	(281 442 849)	(288 623 215)	(281 442 849)	(288 623 215)
Other	-	(80 000 178)	-	(80 000 178)
	60 152	1	60 152	1

Conditions still to be met - remain liabilities (see note 17).

CHDM Bursary Fund

Balance unspent at beginning of year	479 697	628 814	-	-
Current-year receipts	2 500 000	1 000 000	-	-
Conditions met - transferred to revenue	(1 227 135)	(1 149 117)	-	-
	1 752 562	479 697	-	-

Conditions still to be met - remain liabilities (see note 17).

ECDRDAR

Current-year receipts	2 712 898	-	-	-
-----------------------	-----------	---	---	---

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
26. Government grants and subsidies (continued)				
Conditions met - transferred to revenue	(1 971 334)	-	-	-
Other	(82 452)	-	-	-
	659 112	-	-	-

Conditions still to be met - remain liabilities (see note 17).

CHDM Biltong

Balance unspent at beginning of year	2 187 000	-	-	-
Current-year receipts	-	2 187 000	-	-
Conditions met - transferred to revenue	(1 929 539)	-	-	-
	257 461	2 187 000	-	-

Conditions still to be met - remain liabilities (see note 17).

National: EPWP

Balance unspent at beginning of year	93 455	-	93 455	-
Current-year receipts	6 376 000	4 642 000	6 376 000	4 642 000
Conditions met - transferred to revenue	(6 191 435)	(4 548 545)	(6 191 435)	(4 548 545)
Other	(93 000)	-	(93 000)	-
	185 020	93 455	185 020	93 455

Conditions still to be met - remain liabilities (see note 17).

CHDM Coal Exploration Mining

Balance unspent at beginning of year	295 986	-	-	-
Current-year receipts	1 000 000	500 000	-	-
Conditions met - transferred to revenue	(354 578)	(204 014)	-	-
	941 408	295 986	-	-

Conditions still to be met - remain liabilities (see note 17).

CHDM Fertiliser Blender Feasibility Study

Balance unspent at beginning of year	104 348	-	-	-
Current-year receipts	-	800 000	-	-
Conditions met - transferred to revenue	-	(695 652)	-	-
	104 348	104 348	-	-

Conditions still to be met - remain liabilities (see note 17).

National: Regional Bulk Infrastructure Grant

Balance unspent at beginning of year	19 514 739	101 046 222	19 514 739	101 046 222
Current-year receipts	307 318 000	105 329 000	307 318 000	105 329 000
Conditions met - transferred to revenue	(258 059 420)	(85 814 261)	(258 059 420)	(85 814 261)
Other	(19 514 000)	(101 046 222)	(19 514 000)	(101 046 222)
	49 259 319	19 514 739	49 259 319	19 514 739

Conditions still to be met - remain liabilities (see note 17).

CHDM Livestock Improvement Beef Infrastructure

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
26. Government grants and subsidies (continued)				
Balance unspent at beginning of year	56 533	-	-	-
Current-year receipts	4 190 000	1 000 000	-	-
Conditions met - transferred to revenue	(4 856 290)	(943 467)	-	-
Other	609 757	-	-	-
	-	56 533	-	-
Conditions still to be met - remain liabilities (see note 17).				
National: Finance Magement Grant				
Balance unspent at beginning of year	1	1	1	1
Current-year receipts	1 000 000	1 250 000	1 000 000	1 250 000
Conditions met - transferred to revenue	(1 000 000)	(1 250 000)	(1 000 000)	(1 250 000)
	1	1	1	1
Conditions still to be met - remain liabilities (see note 17).				
LG SETA				
Current-year receipts	426 602	564 824	426 602	564 824
Conditions met - transferred to revenue	(426 602)	(564 824)	(426 602)	(564 824)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 17).				
Municipal Disaster Covid-19				
Balance unspent at beginning of year	1 559 319	-	1 559 319	-
Current-year receipts	-	3 516 000	-	3 516 000
Conditions met - transferred to revenue	(1 483 579)	(1 956 681)	(1 483 579)	(1 956 681)
	75 740	1 559 319	75 740	1 559 319
Conditions still to be met - remain liabilities (see note 17).				
National DOT - Rural Road Asset Management Grant				
Balance unspent at beginning of year	1 744 065	3 196 975	1 744 065	3 196 975
Current-year receipts	3 252 000	3 421 000	3 252 000	3 421 000
Conditions met - transferred to revenue	(3 251 957)	(1 676 935)	(3 251 957)	(1 676 935)
Other	(1 744 000)	(3 196 975)	(1 744 000)	(3 196 975)
	108	1 744 065	108	1 744 065
Conditions still to be met - remain liabilities (see note 17).				
Provide explanations of conditions still to be met and other relevant information.				
Water Services Infrastructure Grant (WSIG)				
Balance unspent at beginning of year	-	49 692 137	-	49 692 137
Current-year receipts	70 000 000	84 461 000	70 000 000	84 461 000
Conditions met - transferred to revenue	(69 949 485)	(84 461 512)	(69 949 485)	(84 461 512)
Other	-	(49 691 625)	-	(49 691 625)
	50 515	-	50 515	-

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

26. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 17).

Water Service Infrastructure Grant 2

Balance unspent at beginning of year	29 159 488	29 159 488	29 159 488	29 159 488
Repayment of unspent	(29 159 000)	-	(29 159 000)	-
	488	29 159 488	488	29 159 488

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
27. Employee related costs				
Basic	248 101 589	223 456 524	229 910 514	209 860 712
Bonus	17 779 478	16 506 528	17 779 478	14 975 977
Medical aid - company contributions	25 935 696	22 611 305	25 126 159	21 757 210
UIF	1 646 351	1 790 578	1 564 525	1 723 437
WCA	13 820	57 864	-	-
SDL	76 809	125 604	-	-
Leave pay provision charge	7 844 202	6 349 335	6 996 365	5 366 863
Industrial Council Levies	95 830	90 126	95 830	90 126
Defined contribution plans	1 320 018	886 006	-	-
Travel, motor car, accommodation, subsistence and other allowances	26 300 940	31 505 167	26 300 940	31 505 167
Overtime payments	14 543 964	12 831 682	14 543 964	12 831 682
Long-service awards	2 697 122	1 920 862	2 697 122	1 920 862
Housing benefits and allowances	2 132 906	2 144 076	2 132 906	2 144 076
Pension Fund Contributions	35 604 501	33 001 300	35 604 501	33 001 300
Group Life Insurance	1 726 103	1 429 558	1 726 103	1 429 558
	385 819 329	354 706 515	364 478 407	336 606 970
Remuneration of municipal manager - G. Mashiyi				
Annual Remuneration	1 339 874	397 481	1 339 874	397 481
Car and other allowances	538 532	219 235	538 532	219 235
Performance Bonuses	326 502	87 803	326 502	87 803
Contributions to UIF, Medical and Pension Funds	1 813	744	1 813	744
Other	-	18 472	-	18 472
Other	291 727	97 564	291 727	97 564
	2 498 448	821 299	2 498 448	821 299
Remuneration of Acting CFO: L B T Spampoel				
Acting Allowance from March to June 2021		128 258		128 258
Remuneration of Chief Financial Officer - M. Dyushu				
Annual Remuneration	761 477	697 423	761 477	697 423
Car and other allowances	268 731	305 617	268 731	305 617
Performance Bonuses	222 843	88 367	222 843	88 367
Contributions to UIF, Medical and Pension Funds	1 190	1 190	1 190	1 190
Other	165 481	65 742	165 481	65 742
	1 419 722	1 158 339	1 419 722	1 158 339
Remuneration of Director: Corporate Services - Y. Matakane-Dakuse				
Annual Remuneration	1 134 898	1 075 609	1 134 898	1 075 609
Car and other allowances	440 810	415 860	440 810	415 860
Performance Bonuses	285 189	182 998	285 189	182 998
Contributions to UIF, Medical and Pension Funds	255 814	242 324	255 814	242 324
Other	10 344	8 744	10 344	8 744
	2 127 055	1 925 535	2 127 055	1 925 535
Remuneration of Director: Health Services - Y. Sinyanya / N Mnyengeza				
Annual Remuneration	734 202	1 075 609	734 202	1 075 609
Car and other allowances	283 054	427 960	283 054	427 960
Performance Bonuses	221 084	182 981	221 084	182 981

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
27. Remuneration of councillors (continued)				
Contributions to UIF, Medical and Pension Funds	157 645	230 051	157 645	230 051
Other	25 919	8 744	25 919	8 744
	1 421 904	1 925 345	1 421 904	1 925 345

Remuneration of Acting Director Director: Health Services - Q Mpothulo

Acting allowance from February - May 2021 199 592 199 592

Remuneration of Director: Integrated Planning and Development - Z. Shasha

Annual Remuneration	1 123 431	1 064 741	1 123 431	1 064 741
Car and other allowances	442 604	421 223	442 604	421 223
Performance Bonuses	282 278	181 544	282 278	181 544
Contributions to UIF, Medical and Pension Funds	246 690	234 254	246 690	234 254
Other	10 240	8 656	10 240	8 656
	2 105 243	1 910 418	2 105 243	1 910 418

Remuneration of Director: Strategic Services - B. Mthembu

Annual Remuneration	1 134 898	1 092 524	1 134 898	1 092 524
Car and other allowances	452 368	424 577	452 368	424 577
Performance Bonuses	285 645	270 455	285 645	270 455
Contributions to UIF, Medical and Pension Funds	259 047	242 324	259 047	242 324
Other	118	112	118	112
	2 132 076	2 029 992	2 132 076	2 029 992

Remuneration of Director: Technical Services - L. Govu

Annual Remuneration	1 284 508	957 240	1 284 508	957 240
Car and other allowances	446 915	389 045	446 915	389 045
Performance Bonuses	120 302	160 785	120 302	160 785
Contributions to UIF, Medical and Pension Funds	204 030	177 708	204 030	177 708
Other	39 599	26 857	39 599	26 857
	2 095 354	1 711 635	2 095 354	1 711 635

Remuneration of Acting Director: Technical Services - M. Shasha 20 937 20 937

Remuneration of Chief Executive Officer

Annual Remuneration including social contributions	1 783 321	382 428	-	-
Contributions to UIF, Medical and Pension Funds	128 058	33 676	-	-
	1 911 379	416 104	-	-

Remuneration of Chief Finance Officer

Annual Remuneration including social contributions	1 137 656	1 540 267	-	-
Performance Bonuses	-	41 782	-	-
Contributions to UIF, Medical and Pension Funds	120 108	137 645	-	-
	1 257 764	1 719 694	-	-

Remuneration of Executive Manager Operations

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
27. Remuneration of councillors (continued)				
Annual Remuneration including social contribution	1 137 656	1 122 841	-	-
Performance Bonuses	-	106 187	-	-
Contributions to UIF, Medical and Pension Funds	89 625	137 645	-	-
	1 227 281	1 366 673	-	-
28. Remuneration of councillors				
Executive Major	1 966 193	1 452 460	1 966 193	1 452 460
Deputy Executive Mayor	-	513 734	-	513 734
Mayoral Committee Members	5 782 328	4 840 124	5 782 328	4 840 124
Speaker	878 396	878 396	878 396	878 396
Councillors	2 516 948	2 833 297	2 516 948	2 833 297
Chief Whip	826 047	826 011	826 047	826 011
Sec 79 Chair	948 004	881 777	948 004	881 777
	12 917 916	12 225 799	12 917 916	12 225 799
29. Depreciation and amortisation				
Property, plant and equipment	181 076 375	159 034 106	173 164 646	154 165 192
Intangible assets	467 609	761 406	467 609	761 406
	181 543 984	159 795 512	173 632 255	154 926 598
30. Impairment of assets				
Impairments				
Property, plant and equipment	8 244 322	73 768	8 244 322	73 768
31. Finance costs				
Trade and other payables	456 019	88 047	456 019	88 047
Late payment of tax	72 684	17	-	-
	528 703	88 064	456 019	88 047
32. Debt impairment				
Debt impairment	304 179 614	278 891 121	304 179 614	278 891 121
33. Bulk purchases				
Electricity - Eskom	4 494 999	459 431	-	-
Water	34 316 974	16 046 762	33 625 187	16 046 762
	38 811 973	16 506 193	33 625 187	16 046 762
34. Contracted services				
Presented previously				
Outsourced services	41 749 115	64 238 405	41 749 115	64 238 405
Repairs and Maintenance	43 583 760	42 030 209	43 583 760	42 030 209
Consultants and professional fees	43 020 979	11 043 876	43 020 979	11 043 876
Other Contractors	55 842 212	49 590 112	55 842 212	49 590 112

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
35. General expenses				
Accounting fees	85 074	15 521	-	-
Advertising	2 161 822	2 330 767	2 012 068	1 953 967
Auditors remuneration	11 131 901	10 272 520	8 930 968	8 441 686
Bank charges	2 971 771	1 634 383	2 922 620	1 590 321
Cleaning	70 034	47 871	-	-
Computer expenses	14 528 922	13 233 136	13 452 507	12 294 128
Legal fees - CHDA	45 746	-	-	-
Consumables	3 739 484	7 205 267	3 739 484	7 205 267
Entertainment	604 875	1 781 515	439 664	1 686 843
Hire	11 700	195 714	11 700	195 714
Insurance	4 011 562	2 438 951	3 734 670	2 148 916
Community development and training	177 255	830 122	177 255	830 122
Conferences and seminars	-	33 847	-	-
Motor vehicle expenses	3 200 130	978 984	3 200 130	978 434
Fuel and oil	18 422 596	26 734 009	18 339 378	26 612 834
Postage and courier	4 730	10 187	2 064	6 885
Printing and stationery	2 579 271	4 469 459	2 405 143	4 266 901
Protective clothing	496 598	1 548 506	496 598	1 548 506
Repairs and maintenance	177 989	512 265	-	-
Security (Guarding of municipal property)	219 335	421 919	-	-
Staff welfare	478 281	2 158 649	478 281	2 158 649
Subscriptions and membership fees	4 950 097	3 818 296	4 936 278	3 805 208
Telephone and fax	3 075 575	3 700 048	2 951 979	3 565 691
Travel - local	5 211 281	11 967 239	4 770 794	11 176 778
Travel - overseas	-	133 384	-	-
Refuse	89 725	47 613	-	-
Title deed search fees	243 885	89 157	-	-
Assets expensed	1 332 381	2 956 134	1 312 417	2 956 134
Electricity	47 084 954	22 581 562	46 943 231	22 433 984
Gas	824 809	121 921	824 809	121 921
Water	14 316	2 465	14 316	2 465
Refuse	137 559	40 629	137 559	40 629
Sewerage	21 175	23 593	317	156
Public events and Imbizo	126 000	59 500	126 000	59 500
Study Assistance Reimbursement	170 946	191 361	170 946	191 361
Board fees	2 206 873	2 777 402	-	-
Communication	303 254	879 710	303 254	879 710
Recruitment cost	43 155	316 545	-	-
Indigent subsidy	9 161 487	8 948 469	9 161 487	8 948 469
Staff training and development	181 642	169 563	-	-
Chemicals	13 920 228	10 596 260	13 920 228	10 596 260
Convention bureau	3 129 341	2 958 380	3 129 341	2 958 380
Operating leases	7 170 735	6 673 218	7 100 139	6 604 850
	164 518 494	155 906 041	156 145 625	146 260 669
36. Auditors' remuneration				
External Audit Fees	10 158 086	9 460 371	8 930 968	8 441 686
Internal Audit Fees	973 815	812 149	-	-
	11 131 901	10 272 520	8 930 968	8 441 686

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
37. Taxation				
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	28,00 %	28,00 %	28,00 %	28,00 %
38. Cash generated from (used in) operations				
Surplus	398 803 030	177 212 124	404 913 228	178 012 642
Adjustments for:				
Depreciation and amortisation	181 543 984	159 795 512	173 632 255	154 926 598
Gain on sale of assets and liabilities	6 203	312 667	6 203	312 667
Impairment deficit	8 244 322	73 768	8 244 322	73 768
Debt impairment	304 179 614	278 891 121	304 179 614	278 891 121
Movements in operating lease assets and accruals	821 818	691 553	821 818	691 553
Movements in retirement benefit assets and liabilities	9 941 670	(3 577 369)	9 941 670	(3 577 369)
Movements in provisions	84 122 918	(84 122 918)	84 122 918	(84 122 918)
Non cash movements on prior year accumulated surplus adjustment	(391 544 686)	(121 357 754)	(391 544 686)	(121 357 754)
Other non cash items	(10 122 706)	(49 278 020)	(10 122 706)	(49 278 020)
Changes in working capital:				
Inventories	3 068 873	(5 272 831)	3 068 873	(5 272 831)
Receivables from exchange transactions - CHDA	(15 515 291)	(362 682)	-	-
Receivables from exchange transactions	(68 216 137)	(77 153 758)	(68 216 137)	(77 153 758)
Other receivables from non-exchange transactions	6 179 961	(425 706)	6 179 961	(425 706)
Prepayments	(57 977)	2 097 228	-	2 068 313
VAT receivables	(146 477 400)	1 877 384	(146 477 400)	1 877 384
Payables from exchange transactions	51 481 032	(95 046 010)	51 481 032	(95 046 010)
VAT payables	216 797 829	18 051 586	216 797 829	18 051 586
Unspent conditional grants and receipts	6 688 007	(223 235 030)	6 672 676	(224 631 981)
Consumer deposits	141 316	66 588	141 316	66 588
Payable from exchange transaction- CHDA	18 105 129	(1 029 779)	-	-
Vat - CHDA	1 761 414	305 158	-	-
	659 952 923	(21 487 168)	653 842 786	(25 894 127)

39. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2021

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange	-	-	17 920 439	17 920 439
Trade and Other Receivables from exchange transactions	-	401 463 585	-	401 463 585
Prepayments	-	-	57 977	57 977
Cash and cash equivalents	171 667 878	-	447 266	172 115 144
	171 667 878	401 463 585	18 425 682	591 557 145

Financial liabilities

	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	293 571 028	22 514 713	316 085 741
Unspent conditional grants and receipts	-	6 584 700	6 584 700

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

39. Financial instruments disclosure (continued)

293 571 028	29 099 413	322 670 441
--------------------	-------------------	--------------------

Economic entity - 2020

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	317 132 157	-	317 132 157
Receivables from exchange transactions	-	-	2 402 209	2 402 209
VAT receivables	-	-	108 316	108 316
Cash and cash equivalents	42 606 715	-	359 657	42 966 372
	42 606 715	317 132 157	2 870 182	362 609 054

Financial liabilities

	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	223 984 802	3 750 399	227 735 201
Unspent conditional grants and receipts	-	6 569 116	6 569 116
	223 984 802	10 319 515	234 304 317

Controlling entity - 2021

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	401 463 585	401 463 585
Other receivables from non-exchange transactions	-	25 758 609	25 758 609
Cash and cash equivalents	171 667 878	-	171 667 878
	171 667 878	427 222 194	598 890 072

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	293 571 028	293 571 028

Controlling entity - 2020

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	317 732 157	317 732 157
Other receivables from non-exchange transactions	-	31 938 570	31 938 570
Cash and cash equivalents	42 606 715	-	42 606 715
	42 606 715	349 670 727	392 277 442

Financial liabilities

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
39. Financial instruments disclosure (continued)				
			At amortised cost	Total
Trade and other payables from exchange transactions			223 984 802	223 984 802
40. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Infrastructure	751 712 231	821 986 972	751 712 231	821 986 972
• Buildings	159 197 343	167 018 226	159 197 343	167 018 226
• Other	-	38 565 277	-	38 565 277
• Community	-	11 300 036	-	11 300 036
	910 909 574	1 038 870 511	910 909 574	1 038 870 511
Total capital commitments				
Already contracted for but not provided for	910 909 574	1 038 870 511	910 909 574	1 038 870 511
This committed expenditure relates to plant and equipment and will mainly be financed by Infrastructure Grants (Municipal Infrastructure Grant, Regional Bulk Grant and Municipal Water Infrastructure Grant) as well as available bank facilities, accumulated surplus.				
Total commitments				
Total commitments				
Authorised capital expenditure	910 909 574	1 038 870 511	910 909 574	1 038 870 511
Operating leases - as lessee (buildings)				
Minimum lease payments due				
- within one year	1 047 166	1 874 294	1 047 166	1 874 294
Operating leases - as lessee (Other equipment)				
Within one year	1 269 617	2 229 469	1 269 617	2 229 469
In second to fifth year inclusive	-	1 300 524	-	1 300 524
	1 269 617	3 529 993	1 269 617	3 529 993

The municipality has operating lease contracts for buildings and printing machine.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
41. Contingencies				
Contingent liabilities				
The municipality is party to the following litigation matters				
Litigations				
The Municipality as the 1st Defendant in the matter relating to a motor vehicle accident that occurred between CHDM employee and the Plaintiff. The Plea has been filed and the pleadings have closed. Pre-trial proceedings have begun in preparation for the hearing of the matter.	-	74 000	74 000	74 000
Claim by Civil and General Construction CC. Application to interdict and restrain CHDM from continuing with tender process and are awarding tender to Urban Africa Services pending hearing of main application which is for the review and setting aside of the decision to award the bid to Urban Africa Services. Opposed Main Application enrolled for hearing on 4 August 2016. Matter decided in the municipality's favour, but the Applicant has applied for leave to appeal the decision of the Court. Application for Leave to Appeal granted. Appellant has prosecuted Appeal. Appeal heard and granted in favour of the Appellant. Municipality has filed Leave to Appeal to the SCA. Leave to Appeal dismissed with costs. Costs of Appeal have yet to be taxed, and it is the responsibility of the successful party to tax costs, and Civil & General have yet taxed the costs.	-	500 000	500 000	500 000
Claim by City Square Trading 204 (Pty) Ltd against CHDM and one other for goods supplied and services rendered. CHDM is the 2nd Defendant in the matter. Action defended and the trial proceeded on the 28th of July 2021 until 30th of July 2021. The matter has been postponed to a date to be determined by the court.	-	8 500 000	8 500 000	8 500 000
The Municipality defends a claim that was brought against it for damages allegedly caused by blasting while the Municipality implemented an infrastructure project. The Municipality has defended the action. A plea was served to the plaintiff and the pleadings have been closed. The parties are waiting for a trial date from the court.	-	400 000	400 000	400 000
WSSA claims an amount for services rendered, stock sold and other operational & maintenance related costs. Matters has been defended and the Municipality intends to take the matter for court regulated. Alternative Dispute Resolution processes pending finalisation of litigation in the event the parties remain in dispute. Due to the unreasonable demands that were made by the Attorneys of the plaintiff, the mediation process has been abandoned in favour of the normal litigation process. the pleadings have closed.	-	17 600 000	-	17 600 000

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity		
	2021	2020	2021	2020	
41. Contingencies (continued)					
Telkom instituted a claim against CHM. The CHDM has defended the action brought by Telkom for repair damages, damage repairs to underground cables. Matter is ready for trial but Telkom has yet to set the matter down. Obligation of CHDM to pay medical aid contribution of surviving spouse of deceased employee/retired employee. Matter was referred to oral evidence and heard at High Court before Judge Makaula in 2016. He reserved judgment, and he has not delivered same for the past 5 (five) years. The Municipality's lawyers have been communicating with the Office of the Judge President in relation to the matter.	-	100 000	100 000	100 000	100 000
Rumdel Construction brought an action for an alleged non-payment of Certificate no.21 arising out of a project for construction of a pipeline and Water Treatment Works at Tora in the Ngcobo Area. Though the matter is not disputed by the Engineering Services Directorate. It appears that the reason for non-payment is the fact that the amount due arises out of variation order that was agreed to despite the contract already reached threshold of 20 percent for variation orders (and without approaching Council). Council has not been approached despite the fact that this matter has been within the knowledge of the Directorate for a period of more than 6(six) months. The matter has been defended purely on technical grounds in order to allow the Directorate time to deal with the matter and also to avoid judgement and eventual attachment of Municipal assets. Capital amount (interest waived) have been paid and the only thing left is legal costs that shall be settled.	-	300 000	300 000	300 000	300 000
Truda Foods (Pty) Ltd brought an application against the Municipality and others to declare failure to give them permits unlawful and also to restrain the Municipality from closing it's business premises. Matter was argued at Court on the 3rd of September 2020, and judgement was reserved. Judgement has been granted on the basis that though the Municipality acted in good faith, the actions were contrary to legislation. Costs have yet to be taxed.	-	-	30 000	-	30 000
Arbitrator at SALGBC awarded in favour of Dr AM Sambumbu to be re-instated at work with effect from 2019. A further order is that he should be paid an amount of R512,017.40 which represent an equivalent of monthly salary of R56,890.83 for a period of 9(nine) months. The Municipality has approached the Labour Court in view to review the decision. Matter is still to be argued.	-	200 000	200 000	200 000	200 000
Arbitrator at SALGBC awarded in favour of Dr AM Sambumbu to be re-instated at work with effect from 2019. A further order is that he should be paid an amount of R512,017.40 which represent an equivalent of monthly salary of R56,890.83 for a period of 9(nine) months. The Municipality has approached the Labour Court in view to review the decision. Matter is still to be argued.	-	1 300 000	1 300 000	1 300 000	1 300 000

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
41. Contingencies (continued)				
Mr Mvelo claims for damages against the Municipality for the repair costs of his vehicle that was involved in an accident after it hits a pothole and apparently overturned. The Municipality has defended the matter on the basis that the roads function is that of either SANRAL or a Local Municipality and not itself. The Municipality has raised a technical defence that is still to be ventilated at Court.	-	200 000	-	200 000
Mr Miggels claims for damages against the Municipality for personal injuries suffered as a result of falling in to an unmarked deep trench which allegedly was left exposed by the Water Services employees. The matter has not only been defended but has also referred to the Municipality's insurance for conformation of cover. An exception to the claim has been raised.	-	300 000	-	300 000
Telkom lodged 5(five) claims in a single summon that relate to the reimbursement for repair damages to their infrastructure in both the Komani and Cradock areas. The incidents apparently happened between 10 July 2017 and 25 July 2019. The matter has been defended, and a plea has been filed with the technical defences.	-	200 000	-	200 000
A service provider, the contractor, brings an urgent application against the Municipality for two orders, which are a declaration that the contract is valid, and a payment of an outstanding amount. The matter is opposed as the applicant labours under the false impression that the contract has been terminated, and also that the certificate claimed is not due to the contractor, but rather is penalties due to the Municipality. The matter has been heard virtually on the 20th of October 2020, and was subsequently decided in the Municipality's favour. Costs are still to be taxed.	-	100 000	-	100 000
The palintiff brings a summons against the CHDM and the Enoch Mgijima Local Municipality, but only claims against 5 million Enoch Mgijima Local Municipality. In the same claim, the plaintiff prays that the CHDM not to be allowed to claim services from him. The plaintiff's claim is bad in law and attorneys have been requested to defend the matter with costs. An application for an irregular step has been brought against the plaintiff and it accordingly is being opposed.	-	100 000	-	100 000

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
41. Contingencies (continued)				
After the termination of the contract with Diphatse Trading, the Municipality noticed that the site was left unattended, and informed Diphatse Trading that they would deploy security personnel for the purposes of protecting the Municipality's assets. Upon the deployment of the personnel, Diphatse Trading approached the Court on the basis that they have been dispossessed of the site, and that they would require it to be restored to them. The Court granted the order, but the Municipality subsequently filed an application for leave to appeal which has been granted in the Municipality's favour. The Municipality is filing the appeal and shall receive the date from the court.	-	200 000	-	200 000
Mr Jonas claims for damages against the Municipality for the repair costs of his vehicle that was involved in an accident with a vehicle driven by a Municipality's employee. The matter has been defended.	-	60 000	-	60 000
The applicant brought an application against the respondent on an urgent basis to issue a mandament van spoile be granted compelling the respondent to immediately reconnect, reinstall, unblock the water supply to the applicant's premises. The Municipality has immediately unblocked water supply to the premises and as such the matter did not proceed further.	-	70 000	-	70 000

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
41. Contingencies (continued)				
On or about 2017, the Department of Water & Sanitation issued summons against the Intsika Yethu Local Municipality for water use charges for a period between April 2002 and June 2016. The Intsika Yethu Municipality defended the matter and as the matter had been proceeding for a period of more than two years filed a Third-Party Notice against the Chris Hani District Municipality. Third Party Notice proceedings are usually invoked by a party that claims indemnification or contribution from a party that was not originally cited in the Court papers on the basis that it is a party that is liable for the claim. In this case, Intsika Yethu Municipality claims that the Chris Hani District Municipality is liable by virtue of being the water services authority and provider within its area of jurisdiction. Indeed, the Chris Hani District Municipality is both a water services authority and a provider that is also responsible for water usage. The CHDM has noted appearance to defend as the claim has not been adequately substantiated, but also intend to activate the intergovernmental relations processes, which have been neglected by both the Plaintiff and Defendant. In the meantime, the Municipality has engaged with the Intsika Yethu Local Municipality with the view to better understand the claim as the invoices were sent to them, and initiate alternative dispute resolution processes with the Department of Water & Sanitation. Unfortunately, the DWS has continued with the litigation process against Intsika Yethu Municipality, an action that makes litigation to subsist.	-	8 600 000	-	8 600 000
The plaintiff instituted a claim against the defendant on damages to property of the plaintiff. The Municipality is raising a technical defence to the claim.	-	200 000	-	200 000
Zana Manzi Services (Pty) Ltd instituted a claim against CHDM for a material amount. CHDM defended the matter and the basis of defence are being explored.	-	24 000 000	-	24 000 000
The Tsomo Magistrates Court dismissed an application for rescission that was brought by the Municipality against Mawethu Magida. A judgment was granted by default against the Municipality in the amount of R 300,000.00 for a claim for damages allegedly caused by blasting while the Municipality implemented an infrastructure project. An appeal was brought out of Mthatha High Court and was decided in favour of the Municipality. The costs have yet to be taxed and the parties are waiting for the taxation date from.	-	100 000	-	100 000
	-	63 104 000	-	63 104 000
		11 404 000		11 404 000

Contingent assets

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

41. Contingencies (continued)

1. An amount of R100 000.00 was disclosed as a contingent asset due to Diphatse Trading, a contractor, brings an urgent application against the Municipality for two orders, which are a declaration that the contract is valid, and a payment of the outstanding amount. The matter is opposed as the applicant labours under the false impression that the contract has been terminated, and also that the certificate claimed is not due to the contractor, but rather is penalties due to the Municipality. The matter has been heard virtually on the 20th of October 2020, and was subsequently decided in the Municipality's favour. Costs are still to be taxed.

2. An amount of R250 000.00 was disclosed as a contingent asset due to an action for eviction against HJT Transport for unlawful possession of Municipality's land despite the expiry of a mining permit. HJT has defended the matter claiming that the permit has been extended, but has not submitted sufficient proof. The Municipality has applied for summary judgment against HJT in view to enforce rights. Application has been granted with the eviction order. An application for leave to appeal has been filed and it accordingly has been opposed, while the Municipality has brought an application to execute on the order pending appeal on the basis that the Appeal has not prospects of success. On the 10th of March 2021, the Court dismissed the application for leave to appeal was dismissed with costs. The warrant of ejectment has been issued, and the Sheriff has also taken possession of the site and remains there as the Municipality does not have finances to remove heavy machinery therein.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
42. Related parties				
Relationships				
Associates				
Mashiya Gcobani				KEY MANAGEMENT OF THE MUNICIPALITY HAVE RELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW
Somkoko Mvuyeleni				Member in Iziphumo Consulting Solutions; Member in Technical Cross Holdings; Member in Latitoez Food Enterprise; Member in Ikhwezi Lomso Trading and Projects
Mfecane Anita				Member of Jange and Mlungu Civils; Spouse is a member of Kuvala 205 Trading Enterprise
Mqamelo Thobeka				Member in Anitaza Trading
Delubom Lindile				AHLS Investments
Memani Thobela Headwell				Member of Delubom Transport, L Delubom Trading and MTN Zakhane Shares; Spouse is a member of Lulwazi Trading Enterprise and MTN Zakhane Shares
Makonza Asanda				Child is a Member of Vunoleo Building & Civil Youth Construction
Shasha Mzwamadoda Moses				100% Membership in Seasons Find 1260 CC; Member of Funumbona Construction & Projects
Mapatwana Ntombizanele				100% Membership in Safika Rural Development Consultants
Gqodo Zixolisile				Member of Brainwave Project 205
Katsere Tendai				Member of GZ Civil Engineering and Member of FC Builders & Construction
Gobeni Nonelela				35% Membership of Mazvita Trading; 100% Membership of Jekeso Communications; Member of Relilite Investments; Spouse is a member of Umzali Trading Enterprise
Makwabe Thandisizwe				Director of Hi-Lite Development Agency; Member of Ulutho Funerals
Tito Sibongile				50% Membership in Mokoti Construction
Lucando Bulelani				Director of Smith Tabata
Petela Neziwe				33% membership in El Shaddai Civil and Building Contractors
Baatjies Eldridge Denzil				Member of Kumbu & Lam Trading Enterprise; Member of Kei Recyclers; Spouse is a member of Cool Ideas
Madikane Thozama				1413 Director in BS Holdings
Nqwemeshe Nomvuyo				Director in BS Holdings
Nkwentsha-Gunuza Lindiwe				50% Membership in Secreets Trading; 50% Membership in Koelro No 106; 100% Membership in Silkyline Hair Studio
Gcali Atwel Mthetheleli				Spouse is a member of Liso Security Services & Trading
Roboji Ncumisa				Member in Lembede Investments Holdings
Banisi Vuyeka				Sebutha Transport and Catering
Vellem Siyabulela				Member in Ncura's Marcia Roboji
Sigenu Bafo				Member in Angesisa General Trading
Mbotoloshi Zukile				Director in Mqanjelwa Initiatives
Dywili Mphithizeli Capriot				Member in Nonesi Development
Mhlekwana Amanda				Director in NNL Kembali Financial Solutions
Nombulelo Cynthia				Spouse is a member of K201115430 (Pty) Ltd
Tembisa Mavis				Director of Hope Fountain Investment 268CC, Phalethu 0513 Event Management
Nontoni Angelina				Member in Buyile No.88 Construction
Bane Zwelikhanyile				Member in Kokwenu Bed and Breakfast
				Member in Wezi Gqiza Caterer
				Member of Mduba General Trading

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
42. Related parties (continued)				
Phumza Patricia				Director of K201115430 (Pty) Ltd
Songezo Stanley				Director of Mesilane Projects
Nokuzola				Member of Ubomi Civil Construction Services
Mandisa Mavis				Member of Unako Fencing and Construction
Zukile Sydwell				Member of Chris Hani Choral Music Association
Khanyile				Member of Chris Hani Choral Music Association
Luvuyo Aubrey				Member of Chris Hani Choral Music Association
Andile William				Member of Ntribo General Trading
Mxolisi David				Member of Nqantiko Construction and Projects
Nomthandazo				Director of Amagqika Trading and Enterprise (Pty) Ltd
Nonala Anelisa				Director of Nonala Tose Productions
Nkosesizwe Keith				Director of Keith Ngesi Media (Pty) Ltd
Yolani Cyprian				Director of My Kyns Services and Suppliers
Vuyo Leratholi				Director of Mangwane na Maqwathi Holdings
Mnyengeza Ntombikayise Prudence				Member of Brainwave Projects 1538 and Valobex 225. Director of Ntomonde, RSA Bhungane Transport and Tap Tac Trading
Onela Mbotshane				Member of Destiny Internet Cafer, Director of Sagodola General Trading
Themba Spampoel				Member of MQFS IT Solutions and Telecommunication and Strive Industries, Director of Strive Investments
Ncumisa Ncobo				Member of Isiqalo SNN Consulting Agency and Investment, Director of Sigalosethu Trading
Noxolo Ncede				Member of Divine Watch Protection Construction Agency and Investments, Director of Khetho-Lethu
Thembanani Samuel				Director of Likhanji Development Company
Landiwe Tulile Sikhinzi				Director of Kasimmla Industries'
Jongumzi Cengani				Member of Four Us By Us Construction and Development, CMZ Tours, Manga-Manga Trading
COUNCILLORS				REFER TO LIST OF COUNCILLORS DISCLOSED UNDER GENERAL INFORMATION. COUNCILLORS OF THE MUNICIPALITY HAVE RELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW:
Mbali Xolela				25% Membership in Amabandla Construction
Dyantyi Sinethemba Reginald				Director and Founding Member of Happy Valley Abattoir Co-operative Limited; Director of Sanelisa Services; Director of Tlholo Entrepreneur Support Centre, 33.34% membership in Imvelo Agencies
Gela Wongama				Director of Ithemba Liyaphilisa Financial Services; Director of Sesinethemba Construction; 10% Membership in Silver Solutions 2978; 20% Membership in Sikhuseluluntu Protection and Training Services; 20% Membership in The Best Mining and Transportation Services; 20% Membership in Urafile Trading
Goniwe Nyameka				33,33% Membership in Karoo Furniture Manufacturers; 33,33% Membership in Umehluko Developments; 33,34% Membership in Imvelo Agencies; 50% Membership in Balisa Sivelise Productions
Koyo Mxolisi Clifford				Director of Tsomo Valley Farmers; 100% Membership in MBK Consulting Services; Spouse Has membership in Buyie's Catering Service, Liwalama Trading Enterprise and Qamata Agric Service
Nyukwana Nomveliso				30% Membership in Lihakazi Construction and Projects

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
42. Related parties (continued)				
Myataza Saziso				
Vimbayo Kholiswa				
Radzilani NR				
Roskruge N				
Shweni ZR				
Bula Mzwandile Nelson				
Deliwe Zanemvula				
Mdwayingana William				
Twani Sylvia				
Nquma Nombuyiselo Patricia				
Mfundisi Nomalizo				
Ntakana Siyavuma				
Venske Robert Wilhelm				
Tshangana Lungisa				
MUNICIPAL EMPLOYEES				
Hlahla Mtibe NNV				
MR MM SHASHA- SENIOR MANAGER WSA				
MR MT MAVUNDHLA- WSP: O & M TECHN (INKWANCA				

Related party transactions

Interest paid to (received from) related parties - CHDM

Keith Ngesi Media (Pty) Ltd	-	86 500
Ian S Development Services	-	28 320
Vodacom (Pty) Ltd	-	1 657 741
Mesilane Projects	-	13 950
Rumdel Construction	-	2 401 441
Buyile No.88 Construction and Catering	-	22 500
Chris Hani Development Agency	81 465 653	42 712 842

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
42. Related parties (continued)				
Mduba General Trading			-	17 000
Red Guard Security			45 300	-
Chris Hani Choral Music Association			-	297 000
Interest paid to (received from) related parties - CHDA				
CHDA Operational Grant			25 530 646	24 338 080
CHDM Irrigation Scheme Grant			6 273 602	2 702 202
CHDM Bursary Fund			1 227 135	1 149 117
CHDM Mechanisation Centre Grant			-	3 206 313
CHDM Livestock Improvement Grant			2 170 626	1 496 417
CHDM Investment Promotion and SMME Development			255 960	2 545 901
CHDM Heritage projects			-	168 690
CHDM Fertiliser blending			-	695 652
CHDM Coal exploration mining			354 578	201 014
CHDM Livestock beef infrastructure			4 856 290	943 467
CHDM Biltong			1 929 539	2 187 000
CHDM Komani Industrial Park			2 357 685	-
CHDM Infrastructure			30 180 465	-
CHDM Co-Operative Centre			8 000 000	-

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

43. Prior period errors

Statement of Financial Position

1. Receivables from non-exchange transactions

During 2019/20 the municipality received a finding for the non-available of supporting documentation on listed receivable from non-exchange.

1.1 Bank error Opening Balance

The investigation was conducted and the request for assistance was made to the system vendor to assists in analysing the transaction. The advice received from the system vendor is to clear those transaction against the accumulated surplus as the cashbook and bank reconciliation was closed in those financial starting from 2014/15 to 2017/18 financial year and it cannot be opened the systems for those previous years

1.2 TRT MON BANKS

The investigation was conducted, and it was identified that an amount of R134, 239.79 was not linked during 2015/16 financial year. On the R821 063.21 it was an interest that was not linked during 2016/17 however the journal was passed and duplicated. Proposed journal is prepared.

1.3. ACB Rejections Opening Balance

The investigation was conducted, and it was identified that during 2017/18 five (5) transaction was rejected and not cleared at the end of financial that cause to be an opening balance. It was also transpired that those were also in the stale cheque that was cleared by stop and delete in the stale cheque vote though it was still reflecting under ACB rejection vote. The request for assistance was made to the system vendor to assists in analysing the transaction. The advice received from the system vendor is to clear those transaction against the accumulated surplus as the cashbook and bank reconciliation was closed in those financial years and it cannot be opened the system for those previous years.

1.4. Other Debtors Reclassification

An amount of R596 821.31 was restated due to reclassification of aligning votes correctly from other payables.

2. Property, Plant and Equipment

2.1 The municipality performed full verification of movable assets during 2020/21 financial year.

2.2. Re-assessed of useful lives of all movable assets that are fully depreciated and still in use as per the CHDM Asset Management Policy Section 9.12 parameters and corrected all the minimal casting errors. The below category were affected

2.2.1. Computer Equipment

2.2.2. Furniture and Office Equipment

2.2.3. Machinery and Equipment

2.3 Reconciled all the opening balances that did not agree with the AFS. Office furniture has a difference with a total of R254 194.00 on cost of assets.

The variance was due to an addition of assets that were omitted by the value of R21 500.00 and Fruitless and wasteful expenditure due to the supplier that was paid in advance during the year 2018/2019 and the assets received were less by the municipality were less by the value of R232 834.79.

2.4 After the investigation from the engineering directorate and perusing of the payment voucher, it was discovered that the borehole that was drilled gave a very low yield as a result no equipping was done. There were 6 Jojo tanks that were installed so that the WSP office will cart water to the tanks for this village.

The following correction was done:

The asset management took photos of the Jojo tanks and filed the payment voucher for the payment of the Jojo tanks.

Prepared the journal for the correction of misclassification of the asset, from the Water Assets to Machinery Assets.

2.5 Infrastructure assets require impairment, but were not impaired during the 2019/2020 financial year.

Full verification was done and the full list of assets with an indication for impairment was identified for the current year.

New condition assessment was done for all the municipal assets through physical verification and the municipality has taken a prospective approach by impairing the assets in the current year.

The FAR that was submitted on 31 August 2021 has all the identified assets with the reasons for impairment and calculations

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

43. Prior period errors (continued) thereof.

2.6 Land that is classified as Buildings

Full verification of Land and Buildings was conducted and the following was corrected for the financial year period of 2020/21:

All assets that did not exist were written off

All assets abandoned and vandalised were impaired.

All buildings were unbundled to different components.

2.7. Transport assets

Correction of assets that were duplicated on the transport category

3. Payables from exchange

During the audit of 2019/20 the following findings was raised under payables.

Trial balance does not agree with accrual listing for 2018/19 restated figures

I

Invoice paid incorrectly as accrual in 2019/20

Amount incorrectly recorded as accrual 2018/19

The investigation was conducted, and the following was identified as follows:

During 2018/19 there were accrual raised for salary amounting to R2 693 059.94 in the preparation of salaries however those payment was made in July 2019 as the salary section process is to make a payment in July and raise accrual for accounting treatment as those payment was for June for example overtime, standby, acting allowance worked in June paid in July, but the reversal was not done. Proposed Journal is prepared. There was also duplicate journal during the raising of accrual identified amounting to R345 958.93 during 2018/19 and invoice amounting to R4,489,332.44 that was raised as accrual though the invoice dated July in the next financial year. Proposed Journal and revised accrual listing are prepared.

The following journal raised was not removed in the accrual listing based on the investigation it was overstated the listing when you check against the amount in the general ledger for 2018/19 vote for Year-end creditors. The only journal listed is J061240 that was affected the opening balance which was a duplicate reversal during the correction of the error raised by auditors during 2018/19 and its reversed as proposed journal.

During 2019/20 there were invoices paid as of 30th June 2020 however those payment was not going through the bank because of authorised happen late and all payments was stopped and deleted that happen for some payment in the wrong period which is August from the system and paid as accruals. It was noted that there will be no journal that will be passed as it was not investigated fully on the management response.

3.1. Other Payable

During the investigation it was noted that there are transactions that was duplicated, clearing on the wrong vote.

Salary control of R1,219,431.56 was presented as duplicate journal passed in the general ledger hence there is a balance of R1,219.431.56. Proposed journal is done to reverse the duplicate. During the investigation it was identified that the clearing of the private telephone was cleared against liability instead of income vote as other income (staff recovery) deducted from employee on use on private calls

4. Unspent Conditional Grant

The municipality was disclosing unspent conditional grant amounting to R2,765,622.00 since 2007/2008 up until 2019/20.

During the 2020 audit the finding was raised and the investigation was not completed up until the audit report issued.

The Municipality continue with the investigation, the audited annual financial statement 2010/2011 was found and those audited have narration below that present what was the funding for. The municipality used 2010/2011 audited annual financial statement to analyse all the general ledger from 2005/2006 to 2018/19 financial year. For detailed, refer to restatement document process letter

5. Cash and Cash equivalent

The finding raised that stated cashbook does not agree with the bank statement by R7m. During the investigation it was noted that an amount of R4,362,130.96 was stopped in the cashbook in the wrong period which is August 2020 instead of June 2020 that reflect the amount in cashbook not in general ledger and those amounts were paid in the next financial year as accrual. The error is corrected in 2020/21 financial year as per the below tables.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

43. Prior period errors (continued)

6. VAT receivables

During the reversal of accruals raised in 2018/19, it reduced prior year VAT receivables by an amount of R7,545,404.00

7. Work-in Progress

WIP register and note 3 of annual financial statement was revised. The difference was investigated, and the errors were identified between the register and general ledger, from observation the register was duplicated by the retention and other projects. The misstatements were because of human errors at year end. An amount of R22,137,124.00 was identified as overstatement and it was affecting transfer received to water infrastructure. An amount of R176,149,499.00 was corrected as transfer out during 2019/20 because of practical certificate that was not submitted.

8. Infrastructure water

During 2019/20 the municipality had a completed project however the completion certificate was not available proving the completed project for an amount of R151, 898, 381.00 and R24,128,687.65 was understated by the project that was completed in 2019/20 but practical certificate was not submitted during 2019/20

9. Infrastructure Sanitation

The cost of sanitation was revised from R275,640,731.00 to R278,088,048.00 This was caused by the alignment of Asset Register and the General Ledger and misallocation of asset disclosed as sanitation instead of water. An amount of R1,447,317.00 was overstated the transfer received.

10. Building

The building was incorrectly disclosed by understatement amount of R118,000 from base major it was incorrectly typed as R13,114.00 instead of R131,114.00 and annual financial statement was overstated by R159,600.00 and that corrected as a typing error however the error was R395,600.00

Statement of Financial Performance

1. Contracted services

The contracted services were restated due to accruals that were restated because of the invoice incorrectly raised as an accrual amounting to R177,117.97.00 During the preparation of 2020/21 Annual Financial Statement, it was identified that there are items amounting to R1,300,000.00 for Livestock Improvement that relate to Transfers and Subsidies hence there is a reclassification of that amount.

2. General Expenses

The general expenses were restated due to accruals that were restated because of the invoice incorrectly raised as an accrual amounting to R492,044.00. During the preparation of 2020/21 Annual Financial Statements an expenditure of Irrigation Scheme was incorrectly mapped to Consumables Instead of Transfers and Subsidies hence there is a reclassification.

The above explanation affects the following:

- 2.1 Advertising amounting to (R59 400)
- 2.2 Entertainment amounting to R59 400
- 2.3 Consumables amounting to R5 000 000

3. Employee related costs

The employee related costs were restated due to accruals that were raised and not reversed during the financial year amounting to R2,467,320.00

4. Vat on Conditional Grant

During the investigation it was noted that the vote was not cleared as it supposed to be zero at the end of the financial 2019/20. The below was noted and proposed journal was prepared to correct the error:
Some journals were overstated by R130,757.07 and some understated by R43,691.14

And reallocation of sundry revenue amounting to R1,053,144.96.

5. Depreciation

Depreciation was affected because of assets that were fully depreciated, very poor and beyond repairs amounting to R2,911,425.00

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

43. Prior period errors (continued)

6. Transfers and Subsidies

During the preparation of 2020/21 Annual financial statements it was noted that an amount of R5,000,000.00 for Irrigation Scheme was incorrectly mapped to Consumables instead of Transfers and Subsidies and an amount of R1,300,000.00 for Livestock improvement was incorrectly mapped to Contracted Services instead of Transfers and Subsidies.

Cash Flow Statement

1. Sale of goods

Sale of goods and services was restated by R14,295,073.00 that reduced the disclosed amount due to Vat Receivables and Vat Payables note that was updated by Case Ware reflected the split. During the submission of the Annual Financial Statement 2020, Vat Receivables was R77,220,343.00 for 2018/19 and Vat Receivables was R57,989,249.00 for 2019/20. The note changed in the Final Adjusted AFS to R1,115,820,086.00 for 2018/19 and R1,058,528,714.00 for 2019/20. Other income in 2019/20 reported as R2,020,782.00 and restated by R1,042,205.00. Receivables from non-exchange reported on R36,039,262.00 and restated by R4,100,692.00.

2. Grants

Grants was restated by R2,765,622.00 due to correction of unspent conditional grants from previous years.

3. Employee costs

Employee cost was restated by R2,467,320.00 due to correction of accruals raised for payroll but not reversed during 2018/19.

4. Suppliers

Suppliers was restated by R337,935,776.00 due to movements in opening balances of the Balance Sheet under payables and Income Statement. Workings are attached for details.

5. Property Plant and Equipment

Property Plant and Equipment was restated by R150,655,092.00 due to project that was completed in 2019/20 but the completion certificate was not available to prove that the project was completed.

6. Other movement - PYA and Movement in other financial liabilities

An amount of R268,990,410.00 was restated due to Property Plant and Equipment and reclassified to note 32 and also movement in other financial liabilities amounting to R61,780,186.00.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity		
	2021	2020	2021	2020	
43. Prior period errors (continued)					
Statement of financial position	As Previously reported	Prior Period error	Reclassifications	Restated as at 30 June 2020	
1. Receivables from non-exchange transactions	36 039 262	(3 503 871)	(596 821)	- 31 938 570	
2.2.1. Computer Equipment	2 533 084	1 171 227	-	- 3 704 311	
2.2.2. Furniture and Office Equipment	9 032 236	781 296	-	- 9 813 532	
2.2.3. Machinery and Equipment	13 077 392	697 868	-	- 13 775 260	
2.7. Transport assets	60 623 548	(231 039)	-	- 60 392 509	
3. Payables from exchange	(91 651 130)	7 528 351	-	- (84 122 779)	
3.1 Other payables	(27 545 986)	1 247 821	-	- (26 298 165)	
4. Unspent Conditional Grant	78 635 298	(2 765 622)	-	- 75 869 676	
6. VAT Receivables	1 123 365 490	(7 545 404)	-	- 1 115 820 086	
7. Work-in Progress:	900 450 995	(198 286 623)	-	- 702 164 372	
7.1 Opening Balance	689 614 051	-	-	- 689 614 051	
7.2 Additions	308 665 288	(22 137 124)	-	- 286 528 164	
7.3 Transfer Out	(97 828 344)	(176 149 499)	-	- (273 977 843)	
8. Water Infrastructure (Transfer received)	49 586 470	151 898 381	-	- 201 484 851	
9. Sanitation Infrastructure	275 640 731	1 447 317	-	- 277 088 048	
9.1 Sanitation (Transfer received)	20 207 161	23 705 031	-	- 43 912 192	
10 Building (Transfer Received)	28 430 314	150 486	-	- 28 580 800	
	3 378 875 860	(221 991 404)	(596 821)	- 3 156 287 635	
Statement of Financial Performance	As Previously reported	Prior Period error	Reclassifications	Restated as at 30 June 2020	
1. Contracted Services	168 379 720	(177 117)	(1 300 000)	- 166 902 603	
2. General Expenses	151 752 713	(492 044)	(5 000 000)	- 146 260 669	
2.1 Advertising	2 013 367	-	(59 400)	- 1 953 967	
2.2 Entertainment	1 627 443	-	59 400	- 1 686 843	
2.3 Consumables	12 207 385	(2 118)	(5 000 000)	- 7 205 267	
3. Employee Cost	350 919 627	(2 467 320)	-	- 348 452 307	
4. VAT on Conditional Grant	1 042 205	(1 042 205)	-	- -	
5. Depreciation	157 838 022	(2 911 425)	-	- 154 926 597	
6. Transfers and Subsidies	123 139 041	-	6 300 000	- 129 439 041	
	968 919 523	(7 092 229)	(5 000 000)	- 956 827 294	
Cash Flow Statement	As Previously reported	Prior Period error	Reclassifications	Column heading	Restated as at 30 June 2020
Sale of goods and services	299 926 662	(14 295 073)	-	-	- 285 631 589
Grants	820 799 289	(2 765 622)	-	-	- 818 033 667
Employee cost	(357 736 086)	2 467 320	-	-	- (355 268 766)
Suppliers	(456 981 104)	(337 935 776)	-	-	- (794 916 880)
Property, Plant & Equipment	(332 654 146)	22 452 655	-	-	- (310 201 491)
Other movement - PYA	(268 990 410)	-	(268 990 410)	-	- (537 980 820)
Movement in other financial liabilities	(61 780 186)	-	(61 780 186)	-	- (123 560 372)
	(357 415 981)	(330 076 496)	(330 770 596)		- (1 018 263 073)

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including interest rate risk, cash flow interest rate risk), credit risk and liquidity risk.

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Risk manager, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk by maintaining adequate reserves and banking facilities. The budget and treasury office monitors the cashflow requirements on a regular basis.

The municipality's cashflows consist of short term deposits and current accounts with notice periods of 30 days or less. Due to the short term nature of the portfolio a maturity analysis is not required.

Economic entity

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

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	22 514 710	-	-	-
At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	3 750 399	-	-	-

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

44. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the municipality. Due to the nature of the municipality's operations, the municipality has an obligation to provide services to all qualifying people in its area. As such, the municipality is not able to select only credit worthy counterparts. Credit risk consists mainly of cash deposits, cash equivalents, investments and trade debtors.

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The existing trade receivables portfolio has historically been significantly impaired as a result of a number of contributing factors. Trade receivables are thus presented net of an allowance for impairment. Except for trade and other receivables which have already been impaired, the following financial assets are exposed to limited credit risk at year end:

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

Financial instrument	Economic entity - 2021	Economic entity - 2020	Controlling entity - 2021	Controlling entity - 2020
Cash and cash equivalents	171 667 878	42 606 715	171 220 612	42 247 058
Receivables from exchange transactions	17 920 439	2 402 209	-	-

The entity is exposed to a number of guarantees for the overdraft facilities of economic entities and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

45. Events after the reporting date

LEGAL MATTERS

SUBSEQUENT EVENTS

1. During July 2021, SNR Electrical filed an urgent application of R300 000.00 against the Municipality-Interdicting the Municipality from awarding tender 16/2020-21/LG advertised on 1st of September 2020 to any of the entities that submitted the tender. If already awarded, interdicting the 1st and 2nd respondent from allocating work terms of the appointments and from making any payments to any appointed bidders in terms of the tender process. CHDM opposed the matter and filed notice of intention to defend and also answering affidavit was filed.

2. During August 2021, BVI Border filed an urgent application of R200 00.00 against CHDM claiming that the cancellation of the arrangements between the applicant and the Municipality must be declared unlawful. CHDM opposed the application and filed a notice of intention to oppose.

3. During August 2021, Hatch Africa filed an urgent application of R200 000.00 against CHDM directing the Municipality to comply with its obligation under the agreement concluded between CHDM and the applicants on or about 28 October 2008. Title "Form of agreement Consulting engineering Services: Water supply cluster 7".

46. Unauthorised expenditure

Opening balance	752 324 423	616 684 082	752 324 423	616 684 082
Current year expenditure	392 410 627	135 640 341	392 410 627	135 640 341
Unauthorised expenditure written off	(135 640 341)	-	(135 640 341)	-
Closing balance	1 009 094 709	752 324 423	1 009 094 709	752 324 423

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

46. Unauthorised expenditure (continued)

The current year unauthorised expenditure will be tabled to Council with the Audit Report in terms of Section 28(2)(g) of the MFMA read together with the Regulation 23(6)(b) of the MBRR. On a quarterly basis, management submit Unauthorised to Council and the council resolved that MPAC must conduct an investigation and report back to Council. During 2020/21 financial year, council write off R135 640 341 as per the recommendation by MPAC

47. Fruitless and wasteful expenditure

Opening balance	15 022 917	14 928 168	14 741 541	14 057 743
	-	-	-	-
Fruitless & Wasteful expenditure - Current year	573 599	134 468	456 109	88 047
Department of Labour	-	-	(9 351 124)	-
Amount paid to incorrect account	-	-	-	554 683
Asset not paid by the insurance	-	-	-	41 068
Amount written off	-	(500)	(670 088)	-
Less: Amount recovered- prior period	(1 229)	(39 219)	-	-
Less: Amounts recoverable	(50 926)	-	-	-
Closing balance	15 544 361	15 022 917	5 176 438	14 741 541

Fruitless and Wasteful expenditure was submitted to council with an amount of R15 279 032 as at 30 June 2021 and the council resolved that the MPAC to investigate and report back to Council the outcomes of an investigation. During August 2021, MPAC submitted the report to Council recommended a write off of R670 088,00 states that it was not intentional due to the Cashflow, recommend removal of R9 351 124 which is included in the opening balance coming from 2018/2019 linked to Compensation Fund pending to the dispute between Department of Labour and the Municipality. An amount of R5 million is still under investigation.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
48. Irregular expenditure				
Opening balance	1 466 024 268	1 465 761 217	422 325 034	1 465 761 217
Add: Irregular Expenditure - current	-	-	-	-
Add: Irregular Expenditure - award in service of the state	44 730	-	51 601 097	30 100 288
Add: Irregular Expenditure - award to incorrect bidder	87 038	-	-	-
Add: Irregular Expenditure - Local Content Threshold not met	516 351	-	-	-
Less: Amount written off	-	-	(475 225 429)	(1 073 536 471)
Add: Irregular Expenditure - Unauthorised Expenditure	7 468 460	263 051	-	-
Add: Write off overstatement	-	-	6 227 973	-
Closing balance	1 474 140 847	1 466 024 268	4 928 675	422 325 034

Analysis of expenditure awaiting condonation per age classification

Current year	51 601 097	30 100 288	51 601 097	30 100 288	-
Prior years	422 325 034	1 465 761 217	422 325 034	1 465 761 217	-
	473 926 131	1 495 861 505	473 926 131	1 495 861 505	-

Details of irregular expenditure – current year

1. Contracted exceeded its duration and the scope of work was extended without following proper processes of Section 116 of the MFMA	50 906 485	-	50 906 485	-	-
2. Deviation not in line with regulation 36 and SCM Policy	694 612	-	694 612	-	-
	51 601 097	-	51 601 097	-	-

Details of irregular expenditure - Prior year

1. Inherited from LM - No documentation could be found as the appointment was made before SCM came into effect	-	6 559 395	-	6 559 395	-
2. No documentation could be found as the appointment was made before SCM came into effect.	-	17 449 640	-	17 449 640	-
3. Deviation not in line with regulation 36 and SCM Policy	-	2 126 194	-	2 126 194	-
4. CHDM does not have its own truck and TLB	-	3 965 059	-	3 965 059	-
	-	30 100 288	-	30 100 288	-

The municipality had R417 million. During 2020/21 a service provider (LUNIKA INCORPORATED) continued to assist the MPAC investigation on the outstanding R417m. After investigation the service provider recommended an amount of R475 225 429 to MPAC for write off by Council. During 25 August 2021, MPAC reported an irregular expenditure for the fourth quarter amounting to R15 154 533,93 to recommend to council for write-off. The MPAC conduct internal investigation on a quarterly basis. On quarterly basis the SCM Unit submits its quarterly report to Council with Irregular expenditure, it is then referred to MPAC for investigation. MPAC investigated an amount of R197 682 887,31 and Lunika investigated an amount of R277 542 542. On the investigation there were no material losses as all the projects were checked and found to be operational. The write off for Irregular expenditure is irrecoverable.

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020
49. Additional disclosure in terms of Municipal Finance Management Act (continued)				
Audit fees				
Current year subscription / fee	9 510 646	8 441 686	9 510 646	8 441 686
Amount paid - current year	(5 254 471)	(8 441 686)	(5 254 471)	(8 441 686)
	4 256 175	-	4 256 175	-
PAYE and UIF				
Current year subscription / fee	50 037 998	53 449 851	50 037 998	53 449 851
Amount paid - current year	(50 037 998)	(53 449 851)	(50 037 998)	(53 449 851)
	-	-	-	-
Pension and Medical Aid Deductions				
Current year subscription / fee	39 892 750	49 111 677	39 892 750	49 111 677
Amount paid - current year	(39 892 750)	(49 111 677)	(39 892 750)	(49 111 677)
	-	-	-	-
VAT				
VAT receivable	1 262 297 486	1 116 014 163	1 262 297 486	1 115 820 086
VAT payable	(1 276 893 880)	(1 058 528 714)	(1 275 326 543)	(1 058 528 714)
	(14 596 394)	57 485 449	(13 029 057)	57 291 372

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

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

50. Deviation from supply chain management regulations

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

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

Deviation - 30 June 2021		Technical Services		Total
Single Provider Clause 36(1)(a)(ii)	-	608 621	-	608 621
Emergency situation Clause 36(1)(a)(i)	-	6 852 226	-	6 852 226
Impractical and impossible Clause 36(1)(a)(iii)	-	5 741 174	-	5 741 174
	-	13 202 021	-	13 202 021

51. Segment information

General information

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

51. Segment information (continued)

Identification of segments

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.

The reportable segments identified are those functional segments reported in the Government Finance Statistics (GFS's) format and the Municipal Vote (Departmental) format per the Monthly Section 71 Management Reports. The information that will be reported is aligned to the monthly section 71 reports which are reviewed by the executive management. The Government Finance Statistics (GFS's) format allows for universal comparability of segments. The main factors considered in selecting the segments were the level of comparability with other preparers and a level of aggregation that does not detract from presenting the separate revenue or service delivery components.

The report will not be aggregated except for the Governance and Administration.

The municipality manages its assets and liability as a whole. Only capital expenditure is reviewed based on the location. All other asset and liability management techniques are focused on the asset base as a whole rather than the asset and liability management for a specific area. Service delivery staff are organised in such a manner that service delivery takes place timeously in each town, but it's not a strategic principle to organise assets and liabilities in such a manner that each town is its own small economic/service delivery unit that can operate separately from the rest of the organisation. Segment reporting per geographic area is therefore not deemed relevant.

The segmental report surplus or deficit reviewed by management in the monthly section 71 report does not comprise all of the details as indicated by the standard and are thus not presented. Management reviews the performance on an aggregated basis of total revenue and total expenditure. The assets and liabilities are not reviewed at all on a segregated basis.

The reporting measurement basis for the management reports is the same as that of the annual financial statements. On the first-time adoption of GRAP 18, comparative segment information has not been presented in terms of the transitional provisions contained in Directive 3.

Aggregated segments

The municipality operates throughout the Gauteng Province in ten cities. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Gauteng were sufficiently similar to warrant aggregation.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

51. Segment information (continued)

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Municipal Council	Provide leadership oversight in municipal activities in order to improve service delivery
Municipal Manager	Management cohesive policies , guidance, processes and decision - right
Budget and Treasury Office	Provide support for all municipal department to implement their budget and procurement plan and maintain financial viability
Corporate Services	Goods and/or services 1
Technical Services	Provide support on recruitment process of the municipality and transformation .
Health and Community Services	Service or activity that is performed by the District for the benefit of the public or its institutions
IPED	Providing support to improve municipal SMME's and increase level of unemployment

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand

51. Segment information (continued)

Segment surplus or deficit, assets and liabilities

Controlling entity - 2021

	Municipal Manager	Budget and Treasury Office	Corporate Services	Technical Services	Health and Community Services	IPED	Municipal Council	Total
Revenue								
Service Charge	-	-	-	370 644 302	-	-	-	370 644 302
Other Income	-	1 048 119	-	-	-	-	-	1 048 119
Interest Income	-	70 296 407	-	-	-	-	-	70 296 407
Government Grants & Subsidies	682 370	650 381 462	2 483 331	612 698 250	483 385	4 452 529	-	1 271 181 327
Total segment revenue	682 370	721 725 988	2 483 331	983 342 552	483 385	4 452 529	-	1 713 170 155
Entity's revenue								1 713 170 155
Expenditure								
Employee related cost	29 010 753	53 948 092	31 992 026	201 067 074	49 719 030	12 541 250	-	378 278 225
Remuneration of Councillors	-	-	-	-	-	-	12 719 916	12 719 916
Depreciation and amortisation	-	3 598 142	15 526 280	154 507 831	-	-	-	173 632 253
Impairment loss / Reversal of impairments	-	-	3 292 480	4 951 841	-	-	-	8 244 321
Finance Cost	-	456 019	-	-	-	-	-	456 019
Debt Impairment	-	-	-	304 179 614	-	-	-	304 179 614
Bulk Purchases	-	-	-	33 625 187	-	-	-	33 625 187
Contracted Service	726 115	33 961 734	70 447 920	66 917 202	1 420 440	10 517 380	205 274	184 196 065
Transfer & Subsidies	4 794 262	-	-	33 534 275	-	16 552 078	-	54 880 615
General Expenses	486 444	23 961 717	45 131 013	71 979 598	8 250 327	548 880	5 787 643	156 145 622
Total segment expenditure	35 017 574	115 925 704	166 389 719	870 762 622	59 389 797	40 159 588	18 712 833	1 306 357 837
Total segmental surplus/(deficit)								406 812 318

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

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2021	2020	2021	2020

52. Budget differences

Material differences between budget and actual amounts

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

52. Budget differences (continued)

Revenue:

1. Service charges: The municipality made certain reductions to its operating revenue with a view of ascending to Provincial Treasury's comments based on the credibility of the budget when utilising the budget funding tool in making the determination towards the funding of the budget. The funding of the budget makes a calculation using a formula for the collection rate which takes into the opening, billing, debt write off and closing balance. Because our opening and closing balances of the debtors are substantial, they then push our collection rate to be very low. This then enables Provincial Treasury to use their Treasury calculations for recalculations of the municipality's revenue and expenditures towards the determination of the funded or unfunded budgets. Given the Provincial Treasury's assessment, the Municipality reduced its budget to conform to the assessment made by Provincial Treasury, which then led to the downward adjustment of the budget. The Treasury calculations does not take into cognisance any development of strategies to be envisaged by the municipality in trying to optimise its revenue. It is against this background that these figures were adjusted downwards. Although there were downward adjustments on the budget side, the municipal services were also subjected to the tariff increases that will enable the municipality to yield additional revenues based on the current year's billing when you had to compare to the prior year.

2. Other Income: The municipality budgeted on vat on condition grants as suspense vote at the end of the financial year that amount is already in the transfer and grants revenue hence the actual is not reflecting..

3. Interest Income : The adjustment budget was made to decrease the interest on debtors during the mid-year performance as the municipality was implementing the incentive assuming that the debtors' book will reduce and chances of charging interest will be minimal during the financial year. The incentive implementation did not materialise as the actual interest on consumer deposit increase also, on this adjustment there is an element that is directly linked to the adjustment of the municipal services that was also the drive to the downward adjustment.

4. Government Grants and subsidies: The variance was caused by the increase made during the adjustment budget process however, these grants that constituted the increase were never realised.

Expenditure

1. Employee related : The budget adjustment was also influenced by the budget tool that Provincial Treasury utilises for the determination of the funding status of the municipality's budget, of which based on the tool the municipality's budget was deemed to be unfunded, which contravenes section 18 of the MFMA. In response to that and based on the recommendations provided was that the municipality to reduce its expenditures, which then resulted to this downward adjustment which similarly, constituted over spending when comparing the actuals and budget. Whilst conforming to section 18 of the MFMA, the actuals are aligned to the correct employee related costs to be incurred in the period under review, which incorporates the annual increase as per the SALBGC and new appointments. Therefore, the actuals are in line with the expectations, however, the challenges were more on the budget.

2. Remuneration of Councillors: The downward adjustment was for the same reasons contained above for the employees related costs, despite any increases as per the Public Bearers Act.

3. Depreciation and amortization: The upward adjustment was made to accommodate the additional assets purchased during the year, which was also informed by the previous year as well the possible disposal that would have occurred due to possible items that would have been sold through an auction. Furthermore, the other reason that led to this substantial difference was due to the depreciation that was performed at year end and more assets were unbundled, which led to the reported figure. At the time of the budgeting process the depreciable assets were not known to extent that more unbundling of assets would have occurred.

4. Debt Impairment: The debt was also amongst of those line items that were to address the funding determination emanating from the Provincial Treasury's budget assessment in trying to comply to section 18 of the MFMA, hence the downwards adjustment. Furthermore, there was a drive of an incentive where consumers would have paid their debt and an incentive being provided which would have reduced outstanding debt hence the reduction too. Given these reasons the incentives could not take place to yield the desired outcomes and the calculations made at year end for impairment, it resulted to an over spending of non-cash items such as these two, including the depreciation.

5. Finance Cost: The expenditure is within the budget and the municipality is trying to reduce the finance cost as it is caused

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

52. Budget differences (continued)

by the late payment of suppliers.

6. Bulk Purchase: Also this line item was in conformance with section 18 of the MFMA, furthermore, the water supplier charged the municipality for the water that was not charged before which gave rise to this over spending in the period under review.

7. Contracted services: Also this line item was in conformance with section 18 of the MFMA, furthermore, the CSPA and security charged the municipality for asset and office that need to be secured and CSPA are those people assists in village to monitor the running of the water which gave rise to this over spending in the period under review.

8. Transfers and subsidies: Similarly to the above where the Municipality reduced its budget to conform to section 18 of the MFMA, despite, the budget commitments and allocations to CHDA and VIP toilets etc.

9. General expenses: The downward adjustment was informed by the conformance to the section 18 of the MFMA, however, there were also certain line expenditures that were substantial like electricity, fuel, motor vehicle expenditures, bank charges and chemicals that were projected to increase substantially. Although these increases but does not take away that there are certain decreases on the line items however, the increases outweigh the decreases.

10. Loss on disposal of assets and liabilities: The municipality budgeted for gains however during the financial year the municipality did have disposal and no gains.

11. Actuarial gains / losses: The municipality did not made a provision for employee benefit obligation as this is an assumption of gains or loss at the end of the financial year.

CHDA

Personnel: The Agency took over Mechanisation Centre employees into their payroll, hence the increase by over 2 million.

Interest and penalties: These are late SARS payment penalties and interest for EMP201 and PAYE.

Other income: Difference is due to Infrastructure agency fees being received later in March 2021.

Differences between budget and actual amounts basis of preparation and presentation

Changes from the approved budget to the final budget

The changes between the final and adjusted budget are consequence of changes in the municipal performance and additional funding receipts from states institutions. For details on these changes please refer to the annual report.

53. Accounting by principals and agents

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

Details of the arrangement(s) is/are as follows:

The municipality is disclosing the function performed by the entity outside the activity of the entity to fast track some of the infrastructure projects of the municipality. In terms of GRAP(109) it requires that the municipality to disclose that binding agreement as it affects the financial health of the municipality. During 2020/2021 financial year, CHDM made an agreement with CHDA for implementation of identified infrastructure projects on behalf of CHDM. There is a Memorandum of Agreement signed by both parties where it detailed the obligation of the CHDM and the obligation of the CHDA

Subject to the value created on each project, the CHDA shall submit an invoice that contains a payment certificate from a professional engineer, which shows work that has been measured in line with the bills of quantities]

The parties agree that the CHDA's invoices shall be inclusive of the 10 (ten) percent management fee, which the CHDM has already provided for in its budget. In the event there are projects at risk or not being implemented and funds withhold, CHDA be utilised.

Chris Hani District Municipality

(Registration number District Municipality DC13)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2021	2020	2021	2020

53. Accounting by principals and agents (continued)

Entity as agent

Details of the arrangements(s) is/are as follows: Details of the arrangements(s) is/are as follows:

The entity is a party to a principal agent arrangements

CHDM made an agreement with CHDA for implementation of identified infrastructure projects on behalf of CHDM. There is a Memorandum of Agreement signed by both parties where it details the obligation of the CHDM and CHDA.

CHDA submits an invoice that contains a payment certificate from a professional engineer, which shows work that has been measured in line with the bill of quantities. CHDA invoices are inclusive of 10 (ten) percent management fees.

[Provide additional info as appropriate]

Entity as principal

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

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

The resources have been recognised by the municipality in its financial statements.

The amount paid as at 30 June 2021 to CHDA for infrastructure projects R27 971 461,12.]

Fee paid

Fee paid as compensation to the agent (30 June 2021)	2 403 987	-	2 403 987	-
--	-----------	---	-----------	---

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

The parties may renew this MOU for a further period of three(3) years, provided that written agreement to that effect is achieved prior to the expiry thereof. The MOU can be terminated by either party upon the provision of 90 days' written notice to the other party with no cost implications.

54. Provisions

Reconciliation of provisions - 2021

	Opening balance	Total
Other provisions	84 122 918	84 122 918

Reconciliation of provisions - 2020

	Opening balance	Total
Other provisions	84 122 918	84 122 918

55. Impairment of assets

Impairments

Property, plant and equipment	8 244 322	73 768	8 244 322	73 768
-------------------------------	-----------	--------	-----------	--------

56. Water Distribution Losses

Water Losses	6 941 481	182 114 933	6 941 481	182 114 933
--------------	-----------	-------------	-----------	-------------

The Municipality incurred water distribution losses in the current year estimated at 31,41% amounting to R6 941 481

The Municipality incurred water distribution losses in the previous year estimated at 68.28% amounting to R182 114 933.