Chris Hani District Municipality
(Registration number DC13)
Annual Financial Statements
for the period 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 a 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 Municipality's operations are governed by: - 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. Nxozi: 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

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
Attorneys	McWilliams & Elliott Incorporated Clark Laing Inc

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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)

Accounting Officer's Responsibilities and Approval

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

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

As 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 Accounting Officer to meet these responsibilities, set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

Accounting Officer has reviewed the Municipality’s cash flow forecast for the year to 30 June 2022 and, in light of this review and the current financial position, he is satisfied that the Municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that the Chris Hani District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

Improved revenue collection through implementation of data cleansing and meter audit projects would ensure decrease in outstanding debtors and increase in cash reserves available to fund budgeted expenditure.

Although I am primarily responsible for the financial affairs of the Municipality, I am supported by the Municipality's internal auditors.

I would like to bring to your attention the following material matters to your attention;

I certify that the salaries, allowances and benefite of councillors as disclosed in note 23 & 24 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external auditor, being the Auditor General of South Africa, is responsible for independently reviewing and reporting on the municipality's Annual Financial Statements.

The Annual Financial Statements set out on pages 5 to 95, which have been prepared on a going concern basis, were approved by the Accounting Officer on August 31, 2021 and were signed on its behalf by:

Mr. G. Mashiyi
Municipal Manager

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	8	13 994 321	17 063 194
Receivables from non-exchange transactions	9	25 758 609	31 938 570
VAT receivable	10	1 262 297 486	1 115 820 086
Prepayments	7	315 675	315 675
Receivable from exchange transactions	11	383 543 146	315 327 009
Cash and cash equivalents	12	171 220 612	42 247 058
		1 857 129 849	**1 522 711 592**
Non-Current Assets			
Property, plant and equipment	3	4 596 031 694	4 252 581 315
Intangible assets	4	260 692	728 301
Investments in controlled entities	5	1 500 000	1 500 000
		4 597 792 386	**4 254 809 616**
Total Assets		**6 454 922 235**	**5 777 521 208**
Liabilities			
Current Liabilities			
Operating lease liability	6	2 113 590	1 291 772
Payables from exchange transactions	15	271 056 313	219 575 281
VAT payable	10	1 275 326 543	1 058 528 714
Consumer deposits	14	649 012	507 696
Employee benefit obligation	13	4 480 085	4 174 994
Unspent conditional grants and receipts	16	82 542 352	75 869 676
Provisions	49	84 122 918	84 122 918
		1 720 290 813	**1 444 071 051**
Non-Current Liabilities			
Employee benefit obligation	13	73 072 530	63 435 951
Total Liabilities		**1 793 363 343**	**1 507 507 002**
Net Assets		**4 661 558 892**	**4 270 014 206**
Accumulated surplus	17	4 661 558 892	4 270 014 206

* See Note 43

Statement of Financial Performance for the period ended 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	370 644 302	300 505 479
Other income	20	1 048 119	978 577
Interest income	21	70 296 407	78 495 610
Total revenue from exchange transactions		**441 988 828**	**379 979 666**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	22	1 271 181 327	1 042 665 648
Total revenue	18	**1 713 170 155**	**1 422 645 314**
Expenditure			
Employee related costs	23	(378 278 226)	(348 452 307)
Remuneration of councillors	24	(12 917 916)	(12 225 799)
Depreciation and amortisation	25	(173 632 254)	(154 926 597)
Impairment loss/ Reversal of impairments	50	(8 244 322)	(73 768)
Finance costs	26	(456 019)	(88 047)
Debt Impairment	27	(304 179 614)	(278 891 121)
Bulk purchases	28	(33 625 187)	(16 046 762)
Contracted services	29	(184 196 066)	(166 902 602)
Transfers and Subsidies	30	(54 880 616)	(129 439 041)
General Expenses	31	(156 145 625)	(146 260 669)
Total expenditure		**(1 306 555 845)**	**(1 253 306 713)**
Operating surplus		**406 614 310**	**169 338 601**
Loss on disposal of assets and liabilities		(6 203)	(312 667)
Actuarial gains / losses	13	(1 694 878)	8 986 709
		(1 701 081)	**8 674 042**
Surplus for the year		**404 913 229**	**178 012 643**

* See Note 43

Statement of Changes in Net Assets for the period ended 30 June 2021

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2019 Restated**	**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	178 012 643	178 012 643
Total recognised income and expenses for the year	121 357 754	121 357 754
Total changes	121 357 754	121 357 754
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	404 913 229	404 913 229
Total changes	-	-
Balance at 30 June 2021	**4 661 558 892**	**4 661 558 892**

Note(s)

* See Note 43

Cash Flow Statement for the period ended 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		225 947 969	285 631 589
Grants		1 277 854 003	818 033 667
Interest income		7 527 283	20 714 310
		1 511 329 255	1 124 379 566
Payments			
Employee costs		(382 949 350)	(355 268 766)
Suppliers		(474 081 100)	(794 916 880)
Finance cost		(456 019)	(88 047)
		(857 486 469)	(1 150 273 693)
Net cash flows from operating activities	33	**653 842 786**	**(25 894 127)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(526 698 746)	(310 201 491)
Proceeds from sale assets	4	1 629 514	423 350
Net cash flows from investing activities		**(525 069 232)**	**(309 778 141)**
Net increase/(decrease) in cash and cash equivalents		**128 973 554**	**(335 672 268)**
Cash and cash equivalents at the beginning of the year		42 247 058	377 919 326
Cash and cash equivalents at the end of the year	12	**171 220 612**	**42 247 058**

* See Note 43

Statement of Comparison of Budget and Actual Amounts for the period ended 30 June 2021

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	329 012 000	(91 602 000)	**237 410 000**	370 644 302	**133 234 302**	Note46 (1)
Other income	85 835 849	(1 216 202)	**84 619 647**	1 048 119	**(83 571 528)**	Note 46 (2)
Interest income	78 258 000	(21 772 000)	**56 486 000**	70 296 407	**13 810 407**	Note 46 (3)
Total revenue from exchange transactions	**493 105 849**	**(114 590 202)**	**378 515 647**	**441 988 828**	**63 473 181**	
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)**	Note 46 (4)
Total revenue	**1 831 243 198**	**(99 237 394)**	**1 732 005 804**	**1 713 170 155**	**(18 835 649)**	
Expenditure						
Employee Related Costs	(371 509 000)	75 790 000	**(295 719 000)**	(378 278 226)	**(82 559 226)**	-8244322Note 46 (1)
Remuneration of councillors	(13 173 000)	2 822 000	**(10 351 000)**	(12 917 916)	**(2 566 916)**	Note 46 (2)
Impairment loss / Reversal of impairments	-	-	**-**	(8 244 322)	**(8 244 322)**	
Depreciation and amortisation	(128 309 000)	1 000 000	**(127 309 000)**	(173 632 254)	**(46 323 254)**	Note 46 (3)
Debt Impairment	(129 735 000)	-	**(129 735 000)**	(304 179 614)	**(174 444 614)**	Note 46 (4)
Finance costs	(500 000)	(198 000)	**(698 000)**	(456 019)	**241 981**	Note 46 (5)
Bulk purchases	(17 321 000)	(3 220 000)	**(20 541 000)**	(33 625 187)	**(13 084 187)**	Note 46 (6)
Contracted services	(295 381 000)	74 676 000	**(220 705 000)**	(184 196 066)	**36 508 934**	Note 46 (7)
Transfer and Subsidies	(62 031 000)	24 500 000	**(37 531 000)**	(54 880 616)	**(17 349 616)**	Note 46 (8)
General Expenses	(111 164 000)	(1 057 000)	**(112 221 000)**	(156 145 625)	**(43 924 625)**	Note 46 (9)
Total expenditure	**(1 129 123 000)**	**174 313 000**	**(954 810 000)**	**(1 306 555 845)**	**(351 745 845)**	
Operating surplus	**702 120 198**	**75 075 606**	**777 195 804**	**406 614 310**	**(370 581 494)**	
Loss on disposal of assets and liabilities	-	-	**-**	(6 203)	**(6 203)**	Note 46(10)
Actuarial gain	-	-	**-**	(1 694 878)	**(1 694 878)**	Note 46(11)
	-	**-**	**-**	**(1 701 081)**	**(1 701 081)**	
Surplus before taxation	**702 120 198**	**75 075 606**	**777 195 804**	**404 913 229**	**(372 282 575)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**702 120 198**	**75 075 606**	**777 195 804**	**404 913 229**	**(372 282 575)**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

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

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

Accounting Policies

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 Decomissioning 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.

Accounting Policies

1.1 Presentation currency

These 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 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 Comparative figures

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

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

1.5 Significant judgements and sources of estimation uncertainty

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

1.5 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of property, plant and equipment 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, asset 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 property, plant and equipment and tangible assets are inherently uncertain and could materially change over time.

Provisions

The municipality recognises provision in terms of GRAP 19 paragraph 21 that states,
A provision shall be recognise when:
(a) an entity has a present obligation (legal or constructive) as a result of a past event
(b) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
(c) a reliable estimate can be made of the amount of the obligation

Based on the above (b) and (c). the municipality decided to disclose the provision though there is currently uncertainty on how long it would take to resolve the dispute as it involves the Department of Labour and this is dependent on the outcome of the engagement process. This provision is a liability of uncertain timing or amount.
Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included under the note 49 - 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.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 13.

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.

1.6 Property, plant and equipment

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

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

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.

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

1.6 Property, plant and equipment (continued)

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

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

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

Subsequent measurement - Cost model

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

Depreciation

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

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

Item	Depreciation method	Average useful life
Land		Infinity
Buildings		5 - 100 years
Plant and machinery		2 - 17 years
Furniture and fixtures		3 - 18 years
Transport assets		4 - 20 years
Office equipment		3 - 18 years
IT equipment		3 - 13 years
Infrastructure - Water		
• Roads and Paving		3 - 100 years
• Security measures		7 - 25 years
• Sewerage		7 - 100 years
• Water infrastructure		5 - 100 years
Infrastructure - Sanitation		
• Community facilities		5 - 30 years
• Recreational facilities		10 - 30 years
Emergency equipment		3 - 10 years
WIP - Sanitation		5 - 15 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

The depreciation 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.

Accounting Policies

1.6 Property, plant and equipment (continued)

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 discloses expenditure to repair and maintain property, plant and equipment under contracted services in the notes to the financial statements.

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

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.
An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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.

Subsequent Measurement

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

1.7 Intangible assets (continued)

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

Amortisation and Impairment

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

Item	Useful life
Licenses and franchises	2-5 years
Computer software, other	2-5 years

Derecognition

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 an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Investments in associates

1.9 Financial instruments

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

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.

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

1.9 Financial instruments (continued)

- 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 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 a 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.

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

1.9 Financial instruments (continued)

- 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 a 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 a 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;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

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

Class	Category
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

Accounting Policies

1.9 Financial instruments (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.

Accounting Policies

1.9 Financial instruments (continued)

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.

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.

Accounting Policies

1.9 Financial instruments (continued)

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).

1.9 Financial instruments (continued)

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 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.

1.10 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.

1.10 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs is 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.

1.12 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.

1.12 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.12 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.

Accounting Policies

1.12 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.

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

Accounting Policies

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

1.13 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.

1.14 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.

1.15 Employee benefits

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

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure 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 recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure 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.

1.15 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

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

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.16 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

Accounting Policies

1.16 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

A Contingent liability is a possible obligation that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits wiil be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent assets represent possible assets that arise from past events and whose exixtence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss incured 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.

1.17 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.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable excluding indirect taxes, rebates and discounts.

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

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

Measurement

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

Sale of goods

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

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

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

Service Charges - Water

Service charges relating to water are based on consumption. Meters are read on a monthly basis and revenue is recognised providing that the benefits can be measured reliably. Provisional estimates of consumption are made monthly when meter readings have not been performed for whatever reason. The provisional amounts are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service Charges - Sewerage and sanitation Charges

Revenue relating to waste water management services are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage and are levied monthly.

Rental Income

Rental Income is recognised on a straight line basis over the term of the lease agreement.

Interest, royalties and dividends

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

1.18 Revenue from non-exchange transactions

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

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

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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.

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment when such items of property, plant and equipment are brought into use. Where the contributions have been received but the conditions have not been met, a liability is recognised.

1.19 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.

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 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.

1.23 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.

1.24 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. A commitment is disclosed to the extent that it has not already been recognised elsewhere in the financial statements.

At the end of each financial period the municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed as a note in the annual financial statements.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

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

1.25 Unauthorised expenditure (continued)

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

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

1.26 Fruitless and wasteful expenditure

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

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

1.27 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure 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 excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management’s best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.29 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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 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 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.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.31 Related parties

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

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).

Accounting Policies

1.31 Related parties (continued)

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

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

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

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

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

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

1.32 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 a 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 a 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.

1.32 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 annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality retrospectively adjust 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 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 measure 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.

1.32 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 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.

1.33 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 Investments in controlled entities

In the municipality’s separate annual financial statements, investments in controlled entities are carried in accordance with the Standard of GRAP on Financial instruments.

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 annual financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated annual financial statements, are accounted for in the same way in the controlling entity’s separate annual financial statements.

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

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

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

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

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.35 Living and non-living resources

1.35 Living and non-living resources (continued)

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.

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 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.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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 pescribe 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.

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

2. New standards and interpretations (continued)

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 futhermore 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 amemded 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.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)
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.

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	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
Machinery and Equipment	24 408 495	(12 423 245)	11 985 250	23 614 712	(9 839 452)	13 775 260
Furniture and Office Equipment	23 909 738	(16 074 986)	7 834 752	24 215 820	(14 402 288)	9 813 532
Transport assets	95 649 554	(41 563 708)	54 085 846	100 374 371	(39 981 862)	60 392 509
Computer equipment	14 918 198	(11 086 088)	3 832 110	13 598 248	(9 893 937)	3 704 311
Infrastructure: Water	4 326 345 834	(1 250 680 724)	3 075 665 110	4 151 799 319	(1 109 690 344)	3 042 108 975
Infrastructure: Sanitation	476 459 490	(189 945 709)	286 513 781	476 616 541	(172 692 478)	303 924 063
Infrastructure: Roads	13 684 165	(3 354 223)	10 329 942	13 684 165	(2 799 906)	10 884 259
Work-in-progress	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**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	30 345 900	-	-	-	-	-	-	30 345 900
Buildings	75 468 134	-	(552 845)	-	-	(1 648 674)	(2 325 037)	70 941 578
Machinery and Equipment	13 775 260	800 058	(647)	-	-	(2 589 421)	-	11 985 250
Furniture and Office Equipment	9 813 532	223 599	(19 628)	-	-	(2 182 751)	-	7 834 752
Transport assets	60 392 509	3 167 321	(826 408)	-	-	(8 647 576)	-	54 085 846
Computer 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
Other property, plant and equipment	-	-	-	-	-	-	-	-
Infrastructure: Roads	10 884 259	-	-	-	-	(543 847)	(10 470)	10 329 942
Work-in-progress	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**	**(178 014 176)**	**(173 164 645)**	**(8 244 323)**	**4 596 031 694**

Reconciliation of property, plant and equipment - 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
Machinery and Equipment	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**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

3. Property, plant and equipment (continued)

Pledged as security

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

3.1 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

The following projects were identified to have taken longer than expected for their completion date. These assets have been disclosed as slow-moving assets under construction in the financial statements:

Tender/BID Number	Description	Function	Date project awarded awarded per contract register/award 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	Sanitation	18 05 2010	10	R4 550 609.25	R4 709 841.08
	Cobosi Drought relief project.	Water			R2 625 681.10	
	Nkomfeni Drought relief project				R2 309 335.80	

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

3. Property, plant and equipment (continued)

The municipality applies the Standards of GRAP on Impairment of Cash-generating Assets and Impairment of Non-cash generating Assets to assess whether items of Property, Plant and Equipment are impaired through a review of the carrying amounts of assets against the recoverable amounts for each asset. At 30 June 2021, there were assets assessed to be impaired. The affected assets are disclosed in the register

4. Intangible assets

	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 - 2021

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

Reconciliation of intangible assets - 2020

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

Pledged as security

There are no intangible assets that are pledged as security:

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

5. Investments in controlled entities

Name of company	Held by	% holding 2021	% holding 2020	Carrying amount 2021	Carrying amount 2020
Chris Hani Development Agency		100,00 %	100,00 %	1 500 000	1 500 000

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

Chris Hani Development Agency

The district municipality has a 100% shareholding in Chris Hani Development Agency. The purpose of the municipal entity is to carry out the promotion and implementation of the local economic development initiatives and investment promotion in Chris Hani District. The municipal entity was fully operational during the 12 months and all contributions made by the district municipality were treated as Grants and Subsidies paid, refer to Note 30.

6. Operating lease liability/asset

	2021	2020
Current liabilities	(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:

	2021	2020
Balance at the beginning of the year	1 291 772	600 219
Operating lease expense recorded	821 819	691 553
	2 113 591	**1 291 772**

7. Prepayments

Prepayments relate to payments made to Eskom for connections.No connections confirmed as at 30 June 2021 amounting to R315 675.

Payments made in advance	2021	2020
Current Assets	315 675	315 675

8. Inventories

	2021	2020
Inventory stores	13 994 321	16 671 342
Water inventory	-	391 852
	13 994 321	**17 063 194**

8.1 Inventory Reconciliation

	2021	2020
Chemicals	502 773	138 920
Stationery	50 206	996 762
Cleaning Material	38 251	50 478
Water & Fittings	13 403 091	15 485 182
Water Inventory	-	391 852
	13 994 321	**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.

9. Receivables from non-exchange transactions

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

9. Receivables from non-exchange transactions (continued)

Sundry receivables - Roadworks subsidy**	6 427 679	6 427 679
Local Municipalities	2 000 004	11 870 640
Rental and Eskom service deposits	13 334 496	11 262 233
Other Debtors	1 708 445	983 268
DHS Emergency Housing	2 287 985	1 023 070
Operating Lease	-	371 680
	25 758 609	**31 938 570**

Included in the total of **Roads subsidy is an amount of R6,4million which is >4 years old

Local municipalities consists of loan Sakhisizwe Local Municipality R2,000,000.

Service deposits consists of rental deposits and Eskom service deposits.

Other debtors consists of amounts receivable from bursary loan obligation, Vodacom from previous years and Others.

DHS Emergency has an agreement with the municipality that incur expenditure for Emergency houses and claim to the department. R2 287 985.00 was spent in 2019/20 and invoices submitted to the department.

Gross Balances Receivables from non-exchange		
Road work subsidy	6 427 679	6 427 679
Local Municipalities	2 000 000	11 870 640
Rental and Eskom deposits	13 334 496	11 262 233
DHS Emergency Housing	2 287 985	1 023 070
Other Debtors	1 708 445	983 268
Operating Leases	-	371 680
Gross Balance	**25 758 605**	**31 938 570**

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2021, and 2019 were past due but not impaired.

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

3 months past due	-	-
Roads subsidy	6 427 679	6 427 679
	-	-
-Local Municipalities	2 000 000	11 870 640
-Rental and Eskom deposits	13 334 496	11 262 233
-Other Debtors	208 742	983 268
DHS Emergrncy Housing	2 287 985	1 023 070
Operating Leases	-	371 680
Gross Balance	25 758 609	31 938 570

Receivables from non-exchange transactions impaired

As of 30 June 2021, other receivables from non-exchange transactions of R 33 897 149 were past due but not impaired

None of the financial assets for the period ended 30 June 2021 have been determined individually for impairment

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

10. VAT receivable

VAT Receivables	1 262 297 486	1 115 820 086
VAT Payables	(1 275 326 543)	(1 058 528 714)
	(13 029 057)	**57 291 372**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

11. Receivables from exchange transactions

Gross balances		
Water	1 791 506 537	1 487 843 291
Sewerage	593 174 257	524 419 876
Sundry Debtors	2 610 892	2 632 768
	2 387 291 686	**2 014 895 935**
Less: Allowance for impairment		
Water	(1 448 459 117)	(1 208 858 992)
Sewerage	(552 708 477)	(488 190 178)
Sundry debtors	(2 580 946)	(2 519 756)
	(2 003 748 540)	**(1 699 568 926)**
Net balance		
Water	343 047 420	278 984 299
Sewerage	40 465 780	36 229 698
Sundry Debtors	29 946	113 012
	383 543 146	**315 327 009**
Water		
Current (0 -30 days)	36 455 447	25 621 427
31 - 60 days	41 448 784	26 947 684
61 - 90 days	106 834 260	25 438 467
91 - 120 days	65 811 840	28 626 008
121 - 365 days	232 538 021	273 659 423
> 365 days	1 329 272 126	1 107 550 281
Impairment Allowance	(1 448 459 117)	(1 208 165 424)
	363 901 361	**279 677 866**
Sewerage		
Current (0 -30 days)	6 693 864	7 166 327
31 - 60 days	6 672 959	6 171 553
61 - 90 days	6 572 218	6 121 065
91 - 120 days	13 036 455	6 174 822
121 - 365 days	51 243 891	54 301 815
> 365 days	525 323 203	444 510 161
Impairment Allowance	(552 708 477)	(488 883 745)
	56 834 113	**35 561 998**
Sundry Debtors		
Current (0 -30 days)	11 000	102 276
31 - 60 days	14 563	-
61 - 90 days	4 168	-
91 - 120 days	6 346	2 734
121 - 365 days	93 062	24 551
> 365 days	2 481 753	2 503 207
Impairment Allowance	(2 580 946)	(2 519 756)
	29 946	**113 012**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 699 568 926)	(1 421 501 524)
Contributions to allowance	(304 179 614)	(278 067 402)

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

11. Receivables from exchange transactions (continued)

	(2 003 748 540)	**(1 699 568 926)**

Receivables from non exchange pledged as security

None of the financial assets as disclosed are held as collateral nor have they been used for any other credit enhancements.

Receivables from non exchange past due but not impaired

Consumer debtors that are identified as relating to government institutions have not been impaired as there is a general expectation that amounts owing will be settled.

Receivables from non exchange impaired

None of the financial assets for the period ended 30 June 2021 have been determined individually for impairment.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021	2020
Cash on hand	4 200	4 200
Bank balances	21 351 394	20 599 528
Short-term deposits	149 865 018	21 643 330
	171 220 612	**42 247 058**

Short-term deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.50% to 6.70% per annum. Investments are made up of short-term deposits held for unspent conditional grants that are ringfenced until the conditions are met and utilised.

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	-	-
Total	**172 801 940**	**42 242 858**	**377 915 068**	**171 216 411**	**42 242 858**	**377 915 068**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

During the preparation of the bank reconciliation, it was identified that R1 219 145.08 was linked in bank 7 instead of bank 1. The listing is attached in the audit file.

13. Employee benefit obligations

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

	2021	2020
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	60 606 718	52 877 247
Present value of the defined benefit obligation-partly or wholly funded	16 945 898	14 733 698
	77 552 616	**67 610 945**
Non-current liabilities	(73 072 530)	(63 435 951)
Current liabilities	(4 480 085)	(4 174 994)
	(77 552 615)	**(67 610 945)**

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

	2021	2020
Opening balance	52 877 247	56 272 624
Benefits paid	(2 127 432)	(2 868 929)
Net expense recognised in the statement of financial performance	9 856 902	(526 448)
	60 606 717	**52 877 247**

Net expense recognised in the statement of financial performance

	2021	2020
Current service cost	3 203 895	3 408 054
Interest cost	6 756 484	5 494 783
Actuarial (gains) losses	(103 477)	(9 429 285)
	9 856 902	**(526 448)**

Calculation of actuarial gains and losses

	2021	2020
Actuarial (gains) losses – Obligation	(103 477)	(9 429 285)

Key assumptions used

Assumptions used at the reporting date:

	2021	2020
Discount rates used	11,29 %	13,04 %
Expected rate of return on assets	6,31 %	7,29 %
Expected rate of return on reimbursement rights	7,81 %	8,79 %
Actual return on reimbursement rights	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 conitnuous service. the provision is an estimate of the long service based on historical staff turnover.

Reconciliation of long service awards - June 2021	Opening Balance	Additions	Utilised during the year	Total
Long Service Awards	14 733 698	4 495 477	(2 283 277)	16 945 898

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

. **Long Service Awards Liability (continued)**

Reconciliation of long service awards - June 2020

	Opening Balance	Additions	Utilised during the year	Total
Long Service Awards	14 915 690	2 483 632	(2 665 624)	14 733 698

The most recent acturial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by One Pangaea Expetise & 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 assumtpions used for the purpose of the acturial 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).

	2021	2020
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:

	2021	2020
Opening balance	14 733 698	14 915 690
Current year service cost	1 681 217	953 064
Interest cost	1 015 905	1 087 992
Benefits paid	(2 283 277)	(2 665 624)
Actuarial losses	1 798 355	442 576
	16 945 898	**14 733 698**

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

	2021	2020
Present value of the long service awards wholly unfunded	16 945 898	14 733 698

Next expense recognised in the statement of financial performance

	2021	2020
Current service cost	1 681 217	953 064
Interest cost	1 015 905	1 087 992
Actuarial losses	1 798 355	442 576
	4 495 477	**2 483 632**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

. Current Employee Benefits for Medical Aid and Long Service Awards

Medical Contribution subsidies	1 771 055	2 127 433
Current Portion of Long Service Awards	2 709 030	2 047 561
	4 480 085	**4 174 994**

14. Consumer deposits

Water	649 012	507 696

15. Payables from exchange transactions

Trade payables	140 287 380	123 765 961
Payments received in advanced	10 558 013	8 198 082
Retentions	43 524 342	37 139 937
Bonus Provisions	10 024 143	9 097 182
Accrued leave pay	16 096 374	15 659 558
Deposits received (held as Surety)	8 335	8 335
Other payables	50 557 726	25 706 226
	271 056 313	**219 575 281**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National: Finance Management Grant	1	1
National: Municipal Infrastructure Grant (MIG)	60 152	1
National: EPWP	185 020	93 455
National:LG SETA	(140 810)	-
Municipal Disaster Covid-19	75 740	1 559 319
National: Department of Transport - Rural Road Asset Mgt Grant	108	1 744 065
Provincial: RBIG	49 259 319	19 514 739
National : WSIG	51 003	19 906 277
National : MWIG	(1)	(1)
	49 490 532	**42 817 856**

Unspent provincial and national funds		
Provincial: Department of Economic Affairs and Trade	360 655	360 655
Provincial: Office of the Premier	21 569	21 569
Provincial: Department of Transport	1 732 096	1 732 096
Provincial: Department of Economic Affairs	14 308 884	14 308 884
Other Spheres of Government	43 478	43 478
Lapesi Project	42 197	42 197
National: Department of Rural Development and Land Reform	402 614	402 614
National: Sport and Development	16 140 327	16 140 327
	33 051 820	**33 051 820**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

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

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

17. Accumulated surplus

Accumulated Surplus - 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**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

17. Accumulated surplus (continued)

Accumulated Surplus - 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**

18. Revenue

Service charges	370 644 302	300 505 479
Other income	1 048 119	978 577
Interest received	70 296 407	78 495 610
Government grants & subsidies	1 271 181 327	1 042 665 648
	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
Other income	1 048 119	978 577
Interest received	70 296 407	78 495 610
	441 988 828	**379 979 666**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	1 271 181 327	1 042 665 648

19. Service charges

Service charges	7 757	7 359
Sale of water	307 984 298	241 312 886
Sewerage and sanitation charges	62 652 247	59 185 234
	370 644 302	**300 505 479**

20. Other Income

Staff recoveries (Telephone)	12 081	-
Tender documents	708 971	510 700
VAT on Conditional Grant	74	-
Sundry receipts	326 993	467 877
	1 048 119	**978 577**

Sundry receipts consists of Handling fees of R326 993.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

21. Interest Income

Interest revenue		
Bank	490 316	1 366 655
Interest - investments	7 036 967	19 347 805
Interest - debtors	62 769 124	57 781 150
	70 296 407	**78 495 610**

22. Government grants and subsidies

Operating grants		
Equitable share	649 376 000	543 689 000
Finance Management Grant	1 000 000	1 250 000
Municipal Infrastructure Grant Operational	52 947 316	123 898 493
EPWP	6 191 435	4 548 545
Rural Road Asset Management Grant	3 251 957	1 676 935
LG SETA	426 601	564 824
Rural Sustainable Village	-	4 126 374
Municipal DIS Covid-19	1 483 579	1 956 681
Prov: Roads Subsidies	-	16 701 091
	714 676 888	**698 411 943**
Capital grants		
Municipal Infrastructure Grant	228 495 532	164 724 721
Water Services Infrastructure Grant	69 949 485	93 714 723
Regional Bulk Infrastructure Grant	258 059 421	85 814 261
	556 504 438	**344 253 705**
	1 271 181 326	**1 042 665 648**

Equitable Share

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

National: Municipal Infrastructure Grant (MIG)

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

Conditions still to be met - remain liabilities (see note 16).

Rural Sustainable Village

Current-year receipts	-	4 126 374
Conditions met - transferred to revenue	-	(4 126 374)
	-	**-**

Municipal Disaster Covid-19

Balance unspent at beginning of year	1 559 319	-
Current-year receipts	-	3 516 000

Figures in Rand	2021	2020 Restated*

22. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(1 483 578)	(1 956 681)
	75 741	**1 559 319**

LG SETA

Current-year receipts	426 602	564 824
Conditions met - transferred to revenue	(426 602)	(564 824)
	-	**-**

Provincial: Department of Roads

Current-year receipts	-	16 701 091
Conditions met - transferred to revenue	-	(16 701 091)
	-	**-**

Conditions still to be met - remain liabilities (see note 16).

National: EPWP

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

National Treasury withheld R93 000 instead of R93 455.

National: Finance Management Grant

Balance unspent at beginning of year	1	1
Current-year receipts	1 000 000	1 250 000
Conditions met - transferred to revenue	(1 000 000)	(1 250 000)
	1	**1**

Conditions still to be met - remain liabilities (see note 16).

National: DOT - Rural Road Asset Management Grant

Balance unspent at beginning of year	1 744 065	3 196 975
Current-year receipts	3 252 000	3 421 000
Conditions met - transferred to revenue	(3 251 957)	(1 676 935)
Re-payment of unspent	(1 744 000)	(3 196 975)
	108	**1 744 065**

Conditions still to be met - remain liabilities (see note 16).

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

22. Government grants and subsidies (continued)

National: Regional Bulk Infrustructure Grant

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

Conditions still to be met - remain liabilities (see note 16)

.

Water services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	-	49 692 137
Current-year receipts	70 000 000	84 461 000
Conditions met - transferred to revenue	(69 949 485)	(84 461 512)
Re-payment of unspent grant	-	(49 691 625)
	50 515	**-**

Water Service Infrastructure Grant 2

Balance unspent at beginning of year	29 159 488	29 159 488
Re-payment of unspent	(29 159 000)	-
	488	**29 159 488**

National Treasury withheld R29 159 000 instead of R29 159 488.

DHS Emergency Housing

Current-year receipts	195 172	-
Conditions met - transferred to revenue	(2 483 157)	(1 023 070)
Debtor raised	2 287 985	1 023 070
	-	**-**

Conditions still to be met - remain liabilities (see note 16)

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

23. Employee related costs

Basic	229 910 514	209 860 713
Bonus	17 779 476	14 975 979
Overtime payments	14 543 964	12 831 682
Medical Aid - company contributions	25 126 159	21 757 210
Pension Fund Contributions	35 604 501	33 001 300
Group Life Insurance	1 726 103	1 429 558
UIF	1 564 525	1 723 437
Travel, motor car, accomodation, subsistence & other allowances	26 300 940	31 505 167
Housing benefits & allowances	2 132 906	2 144 076
Leave pay provision charge	6 996 365	5 366 864
Industrial Council Levies	95 830	90 126
Long-service awards	2 697 122	1 920 862
	364 478 405	**336 606 974**

Remuneration of municipal manager - G. Mashiyi

Annual Remuneration	1 339 874	397 481
Car and other allowances	538 532	219 235
Performance Bonuses	326 502	87 803
Contributions to UIF, Medical and Pension Funds	1 813	744
Other	-	18 472
Other	291 727	97 564
	2 498 448	**821 299**

Renuneration of Acting CFO: L B T Spampoel

Acting Allowance from March to June 2021	128 258	-

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

23. Employee related costs (continued)

Remuneration of Chief Financial Officer - M. Dyushu

Annual Remuneration	761 477	697 423
Car and other allowances	268 731	305 617
Performance Bonuses	222 843	88 367
Contributions to UIF, Medical and Pension Funds	1 190	1 190
Other	165 481	65 742
Other	-	164 243
	1 419 722	**1 322 582**

Remuneration of Director: Corporate Services - Y. Matakane-Dakuse

Annual Remuneration	1 134 898	1 075 609
Car and other allowances	440 810	415 860
Performance Bonuses	285 189	182 998
Contributions to UIF, Medical and Pension Funds	255 814	242 324
Other	10 344	8 744
	2 127 055	**1 925 535**

Remuneration of Director: Health Services - Y. Sinyanya / N Mnyengeza

Annual Remuneration	734 202	1 075 609
Car and other allowances	283 054	427 960
Performance Bonuses	221 084	182 981
Contributions to UIF, Medical and Pension Funds	157 645	230 051
Other	25 919	8 744
	1 421 904	**1 925 345**

Remuneration of Acting Director Director: Health Services - Q Mpothulo

Acting allowance from February - May 2021	199 592	

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

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

Figures in Rand	2021	2020 Restated*

23. Employee related costs (continued)

Remuneration of Director: Strategic Services - B. Mthembu

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

Remuneration of Director: Technical Services - L. Govu

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

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

24. Remuneration of councillors

Executive Mayor	1 087 797	1 087 797
Deputy Executive Mayor	878 396	878 397
Mayoral Committee Members	5 782 328	4 840 124
Speaker	878 396	878 397
Councillors	2 516 948	2 833 296
Chief Whip	826 047	826 011
Sec 79 Chair	948 004	881 777
	12 917 916	**12 225 799**

25. Depreciation and amortisation

Property, plant and equipment	173 164 645	154 165 190
Intangible assets	467 609	761 406
	173 632 254	**154 926 596**

26. Finance cost

Interest cost	456 019	88 047

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

27. Debt impairment

Debt impairment	304 179 614	278 891 121

28. Bulk purchases

Water	33 625 187	16 046 762

29. Contracted services

Presented previously		
Outsourced services	41 749 115	64 238 405
Repairs and Maintenance	43 583 760	42 030 209
Consultants and professional fees	43 020 979	11 043 876
Other contractors / Repairs and Maintenance	55 842 212	49 590 112
	184 196 066	**166 902 602**

30. Transfers and subsidies

Other subsidies		
Cooperative Development Centre	6 000 000	-
Engcobo Subsidy	2 000 000	-
VIP Toilets	1 404 069	89 100 961
Chris Hani Development Agency	45 476 547	40 338 080
	54 880 616	**129 439 041**
	54 880 616	**129 439 041**

31. General expenses

Advertising	2 012 068	1 953 967
Auditors' remuneration	8 930 968	8 441 686
Bank charges	2 922 620	1 590 321
Computer expenses	13 452 507	12 294 128
Consumables	3 739 484	7 205 267
Entertainment	439 664	1 686 843
Hire	11 700	195 714
Insurance	3 734 670	2 148 916
Education & Marketing	177 255	830 122
Motor vehicle expenses	3 200 130	978 434
Fuel and oil	18 339 378	26 612 834
Postage and Courier	2 064	6 885
Printing and stationery	2 405 143	4 266 901
Protective clothing	496 598	1 548 506
Staff welfare	478 281	2 158 649
Subscription and membership fees	4 936 278	3 805 208
Telephone and fax	2 951 979	3 565 691
Travel - local	4 770 794	11 176 778
Assets Expensed	1 312 417	2 956 134
Electricity	46 943 231	22 433 984
Rates	824 809	121 921
Water Sampling	14 316	2 465
Refuse	137 559	40 629
Sewerage	317	156
Public events and Imbizo	126 000	59 500
Study assistance reimbursements	170 946	191 361
Communication	303 254	879 710

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31. General expenses (continued)

Indingent Subsidy	9 161 487	8 948 469
Chemicals	13 920 228	10 596 260
Skills Development Levy	3 129 341	2 958 380
Operating Leases	7 100 139	6 604 850
	156 145 625	**146 260 669**

32. Auditors' remuneration

Fees	8 930 968	8 441 686

33. Cash generated from (used in) operations

Surplus	404 913 229	178 012 643
Adjustments for:		
Depreciation and amortisation	173 632 254	154 926 597
Loss on sale of assets and liabilities	6 203	312 667
Impairment deficit	8 244 322	73 768
Debt impairment	304 179 614	278 891 121
Vat Receivables	(146 477 400)	1 877 384
Prior year adjustments	(391 544 686)	(121 357 754)
Non cash movement	84 122 918	(84 122 918)
Non-cashflow movements in employee cost	8 246 792	5 409 340
Actuarial gain / (losses)	1 694 878	(8 986 709)
Changes in working capital:		
Inventories	3 068 873	(5 272 831)
Other prior year movement	(10 122 706)	(49 278 020)
Receivables from exchange transactions	(68 216 137)	(77 153 758)
Other receivables from non-exchange transactions	6 179 961	(425 706)
Prepayments	-	2 068 313
Payables from exchange transactions	51 481 032	(95 046 010)
Unspent conditional grants and receipts	6 672 676	(224 631 981)
Consumer deposits	141 316	66 588
VAT Payables	216 797 829	18 051 586
Movement operating lease liability	821 818	691 553
	653 842 786	**(25 894 127)**

34. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	751 712 231	821 986 972
• Buildings	159 197 343	167 018 226
• Other	-	38 565 277
• Community	-	11 300 036
	910 909 574	**1 038 870 511**

Total capital commitments		
Already contracted for but not provided for	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.

Authorised operational expenditure

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34. Commitments (continued)

Total commitments

Total commitments		
Authorised capital expenditure	910 909 574	1 038 870 511

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Figures in Rand	2021	2020 Restated*

34. Commitments (continued)

Operating leases - as lessee (Buildings)

Minimum lease payments due		
- within one year	1 047 166	1 874 294

Operating leases - as lessee (Other Equipment)

Minimum lease payments due		
- within one year	1 269 617	2 229 469
- in second to fifth year inclusive	-	1 300 524
	1 269 617	**3 529 993**

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

35. 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 occured 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
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.	500 000	500 000
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.	-	-
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
The Municipality defends a claim that was brought against it for damages allegedly caused by blasting while the Municipality implemented an infrastrucure 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
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	-
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.	100 000	100 000

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35. Contingencies (continued)

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.	300 000	300 000
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.	-	30 000
Truda Foods (Pty) Ltd brought an application against the Municipality and others to declare failure to give them permitts 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.	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
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	-
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	-
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	-
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	-
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	-

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35. 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	-
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	-
The applicant brought an application against the respondant on an urgent basis to issue a mandament van spoile be granted compeling the renspndant 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	-
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	-
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	-
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	-
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 waitng for the taxation date from.	100 000	-
	63 104 000	**11 404 000**

Contingent assets

35. 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.

36. Related parties

Relationships	
Associates	KEY MANAGEMENT OF THE MUNICIPALITY HAVE RELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW
Shareholder with joint control	Name (Proprietary) Limited
Mashiyi Gcobani	Member in Iziphumo Consulting Solutions; Member in Technical Cross Holdings; Member in Latitoez Food Enterprise; Member in Ikhwezi Lomso Trading and Projects
Somkoko Mvuyeleni	Member of Jange and Mlungu Civils; Spouse is a member of Kuvala 205 Trading Enterprise
Mfecane Anita	Member in Anitaza Trading
Mqamelo Thobeka	AHLS Investments
Delubom Lindile	Member of Delubom Transport, L Delubom Trading and MTN Zakhane Shares; Spouse is a member of Lulwazi Trading Enterprise and MTN Zakhane Shares
Memani Thobela Headwell	Child is a Member of Vunoleo Building & Civil Youth Construction
Makonza Asanda	100% Membership in Seasons Find 1260 CC; Member of Funumbona Construction & Projects
Shasha Mzwamadoda Moses	100% Membership in Safika Rural Development Consultants
Mapatwana Ntombizanele	Member of Brainwave Project 205
Gqodo Zixolisile	Member of GZ Civil Engineering and Member of FC Builders &Construction
Katsere Tendai	35% Membership of Mazvita Trading; 100% Membership of Jekeso Communications; Member of Relilite Investments; Spouse is a member of Umzali Trading Enterprise
Gobeni Nonelela	Director of Hi-Lite Development Agency; Member of Ulutho Funerals
Makwabe Thandisizwe	50% Membership in Mokoti Construction
Tito Sibongile	Director of Smith Tabata
Lucando Bulelani	33% membership in El Shaddai Civil and Building Contractors
Petela Neziwe	Member of Kumbu &Lam Trading Enterprise; Member of Kei Recyclers; Spouse is a member of Cool Ideas 1413 Director in BS Holdings
Baatjies Eldridge Denzil	Director in BS Holdings

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Figures in Rand	2021	2020 Restated*

36. Related parties (continued)

Madikane Thozama	50% Membership in Secreets Trading; 50% Membership in Koelro No 106; 100% Membership In Silkyline Hair Studio
Nqwemeshe Nomvuyo	Spouse is a member of Liso Security Services&Trading
Nkwentsha-Gunuza Lindiwe	Member in Lembede Investments Holdings;
Gcali Atwel Mthetheleli	Sebutha Transport and Catering
Roboji Ncumisa	Member in Ncura's Marcia Roboji
Banisi Vuyeka	Member in Angesisa General Trading
Vellem Siyabulela	Director in Mqanjelwa Initiatives
Sigenu Bafo	Member in Nonesi Development
Mbotoloshi Zukile	Director in NNL Kembali Financial Solutions
Dywili Mphithizeli Capriot	Spouse is a member of K201115430 (Pty) Ltd
Mhlekwa Amanda	Director of Hope Fountain Investment 268CC, Phalethu 0513 Event Management
Nombulelo Cynthia	Member in Buyile No.88 Construction
Tembisa Mavis	Member in Kokwenu Bed and Breakfast
Nontoni Angelina	Member in Wezi Gqiza Caterer
Bane Zwelikhanyile	Member of Mduba General Trading
Phumza Patricia	Director of K201115430 (Pty) Ltd
Songezo Stanley	Director of Mesilane Projects
Nokuzola	Member of Ubomi Civil Contsruction 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 Siqalosethu Trading
Noxolo Ncede	Member of Divine Watch Protection Construction Agency and Investments, Director of Khetho-Lethu
Thembani 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

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36. Related parties (continued)

Dyantyi Sinethemba Reginald	Director and Founding Member of Happy ValleyAbattoir 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 Sikhuselu'Iuntu 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% Membershipin MBK Consulting Services; Spouse Has membership in Buyie's Catering Service, Liwalama Trading Enterprise and Qamata Agric Service
Nyukwana Nomveliso	30% Membership in Liqhakazi Construction and Projects
Myataza Saziso	Member of Hluthamhlali Multi-purpose Trading
Vimbayo Kholiswa	Member in Border Rural Committee
Radzilani NR	Member of Forecast Traders
Roskruge N	30% Membership in Liqhakazi Construction and Projects; 100% Membership in Amilile Trading Enterprise
Shweni ZR	Spouse is a member of Shweni Trading, Ngxongounathi security, Bomi investment Holdings, Bomi investment Holdings, Eand So civil engineering and construction, Hlumisa Travelling Agency, Ezomso training and conference centre, Lilitha vehicle hire, Manzana Mancoba and Shweni Heavy Duty Transportation Olona Trading and Project
Bula Mzwandile Nelson	Founding member of Mthunziwethu Trading Co operative , Polonius Investments, Bendis Investments, Zinkamba Trading 1002, Gobashe Trading Enterprise, Top Town farmers Agric Co-Ope
Deliwe Zanemvula	Director in Beyond 2030 Consulting Services; Member in Top Town Farmers Agric Co-op
Mdwayingana William	Member in Mdwamtwa Construction & facilitation; Member in Mpoza-mpoza Business Solutions; Member in Masichume Fattening Agriculture, Director in Bring About
Twani Sylvia	Director in Qamata Tembisile Hani Intergrated Energy Centre Co-operative Limited; 25% Maq no Security & Cleaning Services
Nquma Nombuyiselo Patricia	33.4% Membership in Fenas and Nquma Civils and Property Developers
Mfundisi Nomalizo	33% Membership in Hewu Farming Project
Ntakana Siyavuma	Member in Abahlobo Benene Trading & Projects; Ntakana Brothers Transport & Construction
Venske Robert Wilhelm	50% Sikho Social Development Facilitators
Tshangana Lungisa	50% Sikho Social Development Facilitators

Figures in Rand	2021	2020 Restated*

36. Related parties (continued)

MUNICIPAL EMPLOYEES	EMPLOYEES OF THE MUNICIPALITY HAVE RELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW:
Hlahla Mtibe NNV	Director in Zano-buntu Trading Enterprise, Spouse is a member of Yovo Trading Enterprise
MR MM SHASHA- SENIOR MANAGER WSA	Spouse/Partner/Associate NOMALIZO MONICA DAMOYI has an interest in BITLINE SA 1060CC
MR MT MAVUNDHLA- WSP: O & M TECHN (INKWANCA	Director in Chris Hani Skills Centre Co-operative, Director in MLT Reno Project, Spouse/Partner/Associate AGNES MAKAZI MATROSS has an interest in MAMA TROSKIE TRADING ENTERPRISE and Izaphetha Trading and Projects

Related party transactions

Interest paid to (received from) related parties		
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
Mduba General Trading	-	17 000
Red Guard Security	45 300	-
Chris Hani Choral Music Association	-	297 000

37. Unauthorised expenditure

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

The current year unathorised 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

38. Fruitless and wasteful expenditure

Opening Balance	14 741 541	14 057 743
Fruitless & Wasteful expenditure - Current year	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	(670 088)	-
	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.

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39. Irregular expenditure

Opening balance	422 325 034	1 465 761 217
Add: Irregular Expenditure - current year	51 601 097	30 100 288
Less: Amounts witten off	(475 225 429)	(1 073 536 471)
Add: Write off overstatement	6 227 973	-
	4 928 675	**422 325 034**

Analysis of expenditure awaiting condonation per age classification

Current year	51 601 097	30 100 288
Prior years	422 325 034	1 465 761 217
	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 wothout following proper processes of Section 116 of the MFMA	50 906 485
2. Deviation not in line with regulation 36 and SCM Policy	694 612
	-
	-
	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
2. No documentation could be found as the appointment was made before SCM came into effect.	17 449 640
3. Deviation not in line with regulation 36 and SCM Policy	2 126 194
4. CHDM does not have its own truck and TLB	3 965 059
	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.

40. Additional disclosure in terms of Municipal Finance Management Act

SALGA

Opening balance	-	-
Current year subscription / fee	3 918 770	-
Amount paid - current year	(3 918 770)	-

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Figures in Rand	2021	2020 Restated*

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

	-	-

Audit fees

Opening balance	-	-
Current year subscription / fee	9 510 646	8 441 686
Amount paid - current year	(5 254 471)	(8 441 686)
	4 256 175	**-**

PAYE and UIF

Opening balance	-	-
Current year subscription / fee	50 037 998	53 449 851
Amount paid - current year	(50 037 998)	(53 449 851)
	-	-

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	39 892 750	49 111 677
Amount paid - current year	(39 892 750)	(49 111 677)
	-	-

VAT

VAT receivable	1 262 297 486	1 115 820 086
VAT payable	(1 275 326 543)	(1 058 528 714)
	(13 029 057)	**57 291 372**

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

All VAT returns have been submitted during the year based on a 1 month, category C tax period, ie submission is due on the last day of each of the 12 months. The municipality uses the payments Basis to account for the tax payable

41. 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 annual financial statements.

Deviations - 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**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

42. Water Distribution Losses

Heading		
Water Losses	6 941 481	182 114 933

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

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

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 Balanc**e

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

43. Prior period errors (continued)

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 catergory 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 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.

Figures in Rand	2021	2020 Restated*

43. Prior period errors (continued)
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

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.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

43. Prior period errors (continued)

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.

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

Figures in Rand	2021	2020 Restated*

43. Prior period errors (continued)
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 becuase 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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

43. Prior period errors (continued)

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

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 Transfes 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 dislosed 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 liabilties amounting to R61,780,186.00.

Statement of financial position	**As Previously reported**	**Prior Period error**	**Reclassification s**	**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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

43. Prior period errors (continued)

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)**	**-**	**2 008 529 011**

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)	166 902 602
2. General Expenses	151 752 713	(492 044)	(5 000 000)	146 260 269
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)**	**(3 699 941)**	**801 900 450**

Cash Flow Statement	Previously Reported	Prior Year Error Correction	Reclassifications	Movement	Restated Amount
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)	-	-
Movement in other financial liabilities	(61 780 186)	-	(61 780 186)	-	-
	(357 415 981)	**(330 076 496)**	**(330 770 596)**	**-**	**(356 721 881)**

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 settles 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.

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 counter-party.

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 instrument	2021	2020
Cash and cash equivalents	171 220 613	42 247 058

45. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	383 543 146	-	383 543 146
Other receivables from non-exchange transactions	-	25 758 609	-	25 758 609
Cash and cash equivalents	171 220 612	-	-	171 220 612
	171 220 612	**409 301 755**	**-**	**580 522 367**

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	-	271 056 313	-	271 056 313

2020

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	315 327 009	-	315 327 009
Other receivables from non-exchange transactions	-	31 938 570	-	31 938 570
Consumer debtors	-	-	-	-
Cash and cash equivalents	42 247 058	-	-	42 247 058
	42 247 058	**347 265 579**	**-**	**389 512 637**

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	-	219 575 218	-	219 575 218

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

46. 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".

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

47. Budget differences

Material differences between budget and actual amounts

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 armotization: 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.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020 Restated*

47. Budget differences (continued)

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, the 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 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 confoirmance with section 18 of the MFMA, furthermore, the CSPS and security charged the municipality for asset nd office that need to be secured and CSPS 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.

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.

48. Accounting by principals and agents

The entity is a party to principal agent arrangement.

Details of the arrangment(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 munucipality 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

48. Accounting by principals and agents (continued)

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.

Entity as principal

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 infrastrucuture projects R27 971 461,12.

Fee paid

	2021	2020
Fee paid as compensation to the agent (30 June 2021)	2 403 987	-

These agency are as per the Memorandum of Understanding that states 10% to be paid in each invoice claimed by the agent.

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.

49. 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

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

50. Impairment of assets

	2021	2020
Impairments		
Property, plant and equipment	8 244 322	73 768

51. Segment information

General information

Identification of segments

A segment is an activity of an entity:

51. Segment information (continued)

- 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 Eastern Cape Province. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Eastern Cape were sufficiently similar to warrant aggregation.

Types of goods and/or services by segment

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

Notes to the Annual Financial Statements

51. Segment information (continued)

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	Provide support on recruitment process of the municipality and transformation .
Technical Services	Providing services to customers at tariff determined to recover cost
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

Segment surplus or deficit, assets and liabilities

Notes to the Annual Financial Statements

Figures in Rand

51. Segment information (continued)

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
Renumeration 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.

2020

Notes to the Annual Financial Statements

Figures in Rand

51. Segment information (continued)

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