



CHRIS HANI
DISTRICT MUNICIPALITY
SUSTAINING GROWTH
THROUGH OUR PEOPLE

Chris Hani District Municipality
Consolidated Annual Financial Statements
for the year ended June 30, 2022

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

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 from 30/11/2021
Cllr: N. September-Caba: Deputy Executive Mayor from 30/11/2021
Cllr: M.C. Koyo: Speaker until 29/11/2021
Cllr: J. Cengani: Speaker from 30/11/2021
Cllr: T. Bikwana: Chief Whip from 01/07/2020 - 30/03.2021 Portfolio Head - Engineering from 31/03/2021 - 29/11/2021
Cllr M.L. Papiyana: Chief Whip from 31/03/2021 - 29/11/2021
Cllr: Nobantu Macingwane: Chief Whip from 30/11/2021
Cllr: T. Bobo: Portfolio Head - Health & Community Services from 29/8/2020 - 29/11/2021
Cllr: S. Lali: Portfolio Head - Health & Community Services from 30/11/2021
Cllr: S. Mbotshane: Portfolio Head - Integrated Planning & Economic Development from 30/11/2021
Cllr: N. Jack: Portfolio Head - Budget & Treasury until 29/11/2021
Cllr S. Nxosi: Portfolio Head - Budget & Treasury from 30/11/2021
Cllr: N. Mgidi: Portfolio Head - Special Programmes Unit from April 2020 until 30/03/2021
Cllr: L. Bonga-Tyali: Portfolio Head - Engineering from 01/07/2020 - 30/03/2021. Portfolio Head - Special Programmes Unit from 31/03/2021 - 29/11/2021
Cllr. T. Bobo: Portfolio Head - Special Programmes Unit from 30/11/2021
Cllr: S. Nxosi: Portfolio Head - Corporate Services until 29/11/2021
Cllr: T. Bikwana: Portfolio Head - Corporate Services from 30/11/2021
Cllr B. Nobuntu: Portfolio Head - Infrastructure Department from 30/11/2021

Councillors

Cllr: M. Desha
Cllr: P. Makaphela
Cllr: A. Alousius
Cllr: A. Ngonyama
Cllr: L. Clark
Cllr: M. Yamile
Cllr. S. Limba
Cllr: M. Mangcotywa

Chris Hani District Municipality

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General Information

	Cllr: F.A.N. Hendricks
	Cllr: M.P. Oyiya
	Cllr: S.E. Mvana
	Cllr: N.T. Mgqamqho
	Cllr: N. Biko
	Cllr: N. Cetman
	Cllr: Z.N.E. Ralane
	Cllr: N. Sitofile
	Cllr: N. Gqubuthela
	Cllr: N.F. Papiyana
	Cllr: N.S. Mdumata
	Cllr: N. Nomfombo
	Cllr: F.M. Mthandeki
	Cllr: S. Mkhunqe
	Cllr: R. Venske
	Cllr: S.H. Nobongoza
	Cllr: S. Maratana
	Cllr: S. Mthimkhulu
	Cllr: S. Mendela
	Cllr: N. Ndlebe
	Cllr: U.S. Mzandisi
	Cllr: V. Filana
	Cllr: X. Kani
	Cllr: Z. Simawo
Grading of local authority	Grade 5
Accounting Officer	Mr. G. Mashiyi
Chief Finance Officer (CFO)	Mr. C. Mapeyi
Registered office	15 Bells Road Queenstown 5320
Bankers	First National Bank Limited
Auditors	Auditor General South Africa Registered Auditors
Attorneys	McWilliams & Elliott Incorporated Clark Laing Inc
Chief Executive Officer (CEO) - CHDA	Mr. Zolile Duze Mr. A. Hala (Acting)
Chief Financial Officer (CFO) - CHDA	Mr. Andrew Hlubi Ms. Flicker Tiso (Acting)

Chris Hani District Municipality

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

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
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
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
CRR	Capital Replacement Reserve
ME's	Municipal Entities
MEC	Member of the Executive Council

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

Accounting Officer has reviewed the Municipality's cash flow forecast for the year to June 30, 2023 and, in the 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 Consolidated Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although I am primarily responsible for the financial affairs of the Municipality, they are 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 benefits of councillors as disclosed in note 20 & 21 to these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

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

The Consolidated Annual Financial Statements set out on page 5 to 76, which have been prepared on the going concern basis, were approved by the accounting officer on September 30, 2022 and were signed on its behalf by:

Mr. G. Mashiyi
Accounting Officer

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Position as at June 30, 2022

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2022	2021	2022	2021
Assets					
Current Assets					
Inventories	12	20,918,184	13,987,323	20,918,184	13,987,323
Receivables from non-exchange transactions	13	58,194,283	25,759,121	58,194,283	25,759,121
Prepayments	11	2,875	57,977	-	-
Receivables from exchange transactions	14	355,733,717	346,930,956	355,733,717	346,930,956
Cash and cash equivalents	15	179,603,085	171,668,192	179,299,853	171,220,612
		614,452,144	558,403,569	614,146,037	557,898,012
Non-Current Assets					
Investment property	3	1,314,658	1,384,658	-	-
Property, plant and equipment	4	4,948,739,922	4,640,909,108	4,927,837,107	4,610,468,600
Intangible assets	5	122,486	268,319	118,510	260,692
Investments in controlled entities	6	-	-	1,500,000	1,500,000
		4,950,177,066	4,642,562,085	4,929,455,617	4,612,229,292
Total Assets		5,564,629,210	5,200,965,654	5,543,601,654	5,170,127,304
Liabilities					
Current Liabilities					
Payables from exchange transactions	7	308,227,595	282,170,720	298,697,188	277,492,917
VAT payable	8	121,054,010	9,545,006	120,046,857	11,669,557
Consumer deposits	9	772,165	649,012	772,165	649,012
Employee benefit obligation	10	4,994,000	4,480,085	4,994,000	4,480,085
Unspent conditional grants and receipts	17	15,923,676	49,631,342	15,832,905	49,631,342
Provisions	18	84,219,139	84,756,471	81,475,475	81,475,475
		535,190,585	431,232,636	521,818,590	425,398,388
Non-Current Liabilities					
Employee benefit obligation	10	71,852,000	73,072,530	71,852,000	73,072,530
Total Liabilities		607,042,585	504,305,166	593,670,590	498,470,918
Net Assets		4,957,586,625	4,696,660,488	4,949,931,064	4,671,656,386
Accumulated surplus	16	4,957,586,625	4,696,660,488	4,949,931,064	4,671,656,386
Total Net Assets		4,957,586,625	4,696,660,488	4,949,931,064	4,671,656,386

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2022	2021	2022	2021
Revenue					
Revenue from exchange transactions					
Service charges	20	369,105,158	413,336,258	369,105,158	413,336,258
Project Income	21	7,920	3,500,894	-	-
Mechanisation Centre Own		1,794,701	2,475,071	-	-
Other income	23	1,287,209	1,360,458	867,450	1,048,119
Interest received - investment	24	94,814,562	70,371,834	94,778,972	70,296,407
Total revenue from exchange transactions		467,009,550	491,044,515	464,751,580	484,680,784
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	26	1,308,020,167	1,271,322,137	1,308,020,167	1,271,322,137
Total revenue	19	1,775,029,717	1,762,366,652	1,772,771,747	1,756,002,921
Expenditure					
Employee related costs	27	(427,391,658)	(399,619,148)	(407,021,629)	(378,278,226)
Remuneration of councillors	28	(12,426,220)	(12,917,916)	(12,426,220)	(12,917,916)
Depreciation and amortisation	29	(163,559,460)	(174,605,319)	(159,740,761)	(162,498,796)
Finance costs	31	(4,003,991)	(529,336)	(2,842,204)	(456,019)
Lease rentals on operating lease	22	(165,876)	(70,323)	-	-
Debt Impairment	33	(335,285,703)	(383,517,369)	(335,285,703)	(383,517,369)
Bulk purchases	35	(38,772,847)	(33,625,187)	(38,772,847)	(33,625,187)
Contracted services	36	(208,956,780)	(190,290,599)	(204,440,938)	(181,602,919)
Transfers and Subsidies	25	(41,290,378)	(9,404,069)	(70,364,848)	(54,880,616)
General Expenses	34	(169,868,752)	(165,759,910)	(162,224,327)	(157,375,291)
Total expenditure		(1,401,721,665)	(1,370,339,176)	(1,393,119,477)	(1,365,152,339)
Operating surplus		373,308,052	392,027,476	379,652,270	390,850,582
Loss on disposal of assets and liabilities		(559,029)	(197,984)	(559,029)	(197,984)
Actuarial gains/losses	10	15,116,155	(1,694,878)	15,116,155	(1,694,878)
Impairment loss	30	(100,556,328)	(8,244,322)	(100,556,328)	(8,244,322)
		(85,999,202)	(10,137,184)	(85,999,202)	(10,137,184)
Surplus for the year		287,308,850	381,890,292	293,653,068	380,713,398

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Economic entity		
Balance at July 1, 2020	4,314,770,196	4,314,770,196
Changes in net assets		
Surplus for the year	381,890,292	381,890,292
Total changes	381,890,292	381,890,292
Balance at July 1, 2021	4,696,660,488	4,696,660,488
Changes in net assets		
Prior period error	(26,382,713)	(26,382,713)
Net income (losses) recognised directly in net assets	(26,382,713)	(26,382,713)
Surplus for the year	287,308,850	287,308,850
Total recognised income and expenses for the year	260,926,137	260,926,137
Total changes	260,926,137	260,926,137
Balance at June 30, 2022	4,957,586,625	4,957,586,625
Note(s)		
Controlling entity		
Balance at July 1, 2020	4,290,942,988	4,290,942,988
Changes in net assets		
Surplus for the year	380,713,398	380,713,398
Total changes	380,713,398	380,713,398
Opening balance as previously reported	4,671,656,386	4,671,656,386
Adjustments		
Correction of errors 43	63,448,608	63,448,608
Balance at July 1, 2021 as restated*	4,735,104,994	4,735,104,994
Changes in net assets		
Prior year adjustments	(78,826,998)	(78,826,998)
Net income (losses) recognised directly in net assets	(78,826,998)	(78,826,998)
Surplus for the year	293,653,068	293,653,068
Total recognised income and expenses for the year	214,826,070	214,826,070
Total changes	214,826,070	214,826,070
Balance at June 30, 2022	4,949,931,064	4,949,931,064
Note(s)		

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2022	2021	2022	2021
Cash flows from operating activities					
Receipts					
Sale of goods and services		172,951,961	145,993,731	167,452,003	111,075,545
Grants		1,308,020,167	1,271,322,137	1,308,020,166	1,271,322,137
Interest income		10,629,711	7,602,710	10,594,121	7,527,283
		1,491,601,839	1,424,918,578	1,486,066,290	1,389,924,965
Payments					
Employee costs		(439,817,878)	(412,537,064)	(419,447,849)	(391,196,142)
Suppliers		(462,132,634)	(305,339,303)	(477,614,553)	(325,610,033)
Finance costs		(4,003,991)	(529,336)	(2,842,204)	(456,019)
		(905,954,503)	(718,405,703)	(899,904,606)	(717,262,194)
Net cash flows from operating activities	37	585,647,336	706,512,875	586,161,684	672,662,771
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(578,029,750)	(579,108,234)	(578,399,750)	(545,326,950)
Proceeds from sale of property, plant and equipment	4	317,307	1,656,836	317,307	1,637,733
Net cash flows from investing activities		(577,712,443)	(577,451,398)	(578,082,443)	(543,689,217)
Net increase/(decrease) in cash and cash equivalents		7,934,893	129,061,477	8,078,941	128,973,554
Cash and cash equivalents at the beginning of the year		171,668,192	42,606,715	171,220,612	42,247,058
Cash and cash equivalents at the end of the year	15	179,603,085	171,668,192	179,299,853	171,220,612

The accounting policies on pages 12 to 38 and the notes on pages 39 to 99 form an integral part of the consolidated annual financial statements.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	342,173,000	27,421,000	369,594,000	369,105,158	(488,842)	Note 50(1)
Project Income	10,921,200	4,974,523	15,895,723	7,920	(15,887,803)	Note 50(1)
Mechanisation Centre Own	4,000,000	(2,705,953)	1,294,047	1,794,701	500,654	
Other income - CHDA	19,233,394	(8,105,160)	11,128,234	16,657,881	5,529,647	Note 50(3)
Interest received - investment CHDA	392,062	(347,572)	44,490	35,590	(8,900)	
Other income	85,833,736	165,000,000	250,833,736	867,450	(249,966,286)	Note 50(2)
Interest received - investment	90,637,000	-	90,637,000	94,814,562	4,177,562	Note 50(3)
Gains on disposal of assets	3,000,000	-	3,000,000	-	(3,000,000)	Note 50(4)
Total revenue from exchange transactions	556,190,392	186,236,838	742,427,230	483,283,262	(259,143,968)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1,241,944,000	48,371,000	1,290,315,000	1,263,951,667	(26,363,333)	Note 50(5)
Government grants & subsidies - CHDA	13,500,000	11,077,032	24,577,032	22,630,435	(1,946,597)	Note 50(4)
Total revenue from non-exchange transactions	1,255,444,000	59,448,032	1,314,892,032	1,286,582,102	(28,309,930)	
Total revenue	1,811,634,392	245,684,870	2,057,319,262	1,769,865,364	(287,453,898)	
Expenditure						
Employee related costs CHDM & CHDA	(384,036,117)	(10,538,180)	(394,574,297)	(427,391,658)	(32,817,361)	Note 50(1&5)
Remuneration of councillors	(12,226,000)	-	(12,226,000)	(12,426,220)	(200,220)	Note 50(2)
Depreciation and amortisation	(158,849,956)	(3,603,044)	(162,453,000)	(164,899,723)	(2,446,723)	Note 50(3)
Impairment loss/ Reversal of impairments	-	-	-	(100,556,328)	(100,556,328)	
Interest and penalties	-	-	-	(1,161,787)	(1,161,787)	
Finance costs	(510,000)	-	(510,000)	(2,842,204)	(2,332,204)	Note 50(5)
Lease rentals on operating lease	(193,352)	27,302	(166,050)	(165,876)	174	
Debt Impairment	(278,891,000)	80,000,000	(198,891,000)	(335,285,703)	(136,394,703)	Note 50(4)
Bulk purchases (Inventory consumed - Water)	(30,506,000)	(13,376,000)	(43,882,000)	(38,772,847)	5,109,153	Note 50(6)
Contracted Services	(187,757,919)	(63,014,416)	(250,772,335)	(208,956,780)	41,815,555	Note 50(7)
Transfers and Subsidies	(48,496,000)	(31,182,000)	(79,678,000)	(41,290,378)	38,387,622	Note 50(8)
General Expenses	(88,683,585)	(50,174,763)	(138,858,348)	(169,868,752)	(31,010,404)	Note 50(9)
Total expenditure	(1,190,149,929)	(91,861,101)	(1,282,011,030)	(1,503,618,256)	(221,607,226)	
Operating surplus	621,484,463	153,823,769	775,308,232	266,247,108	(509,061,124)	
Loss on disposal of assets and liabilities	-	-	-	(559,029)	(559,029)	
Actuarial gains/losses	-	-	-	15,116,155	15,116,155	Note 50(11)

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
	-	-	-	14,557,126	14,557,126	
Surplus before taxation	621,484,463	153,823,769	775,308,232	280,804,234	(494,503,998)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	621,484,463	153,823,769	775,308,232	280,804,234	(494,503,998)	
Reconciliation						

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Consolidated Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	342,173,000	27,421,000	369,594,000	369,105,158	(488,842)	Note 44(1)
Other income	85,833,736	165,000,000	250,833,736	867,450	(249,966,286)	Note 44(2)
Interest received - investment	90,637,000	-	90,637,000	94,778,972	4,141,972	Note 44(3)
Gains on disposal of assets	3,000,000	-	3,000,000	-	(3,000,000)	
Total revenue from exchange transactions	521,643,736	192,421,000	714,064,736	464,751,580	(249,313,156)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1,241,944,000	48,371,000	1,290,315,000	1,307,968,167	17,653,167	Note 44(4)
Total revenue	1,763,587,736	240,792,000	2,004,379,736	1,772,719,747	(231,659,989)	
Expenditure						
Employee Related cost	(362,920,000)	(10,000,000)	(372,920,000)	(407,021,629)	(34,101,629)	Note 44(1)
Remuneration of councillors	(12,226,000)	-	(12,226,000)	(12,426,220)	(200,220)	Note 44(2)
Depreciation and amortisation	(157,838,000)	-	(157,838,000)	(159,740,761)	(1,902,761)	Note 44(3)
Impairment loss/ Reversal of impairments	-	-	-	(100,556,328)	(100,556,328)	
Finance costs	(510,000)	-	(510,000)	(2,842,204)	(2,332,204)	Note 44(5)
Debt Impairment	(278,891,000)	80,000,000	(198,891,000)	(335,285,703)	(136,394,703)	Note 44
Bulk purchases (Inventory Consumed - Water)	(30,506,000)	(13,376,000)	(43,882,000)	(38,772,847)	5,109,153	Note 44(6)
Contracted Services	(166,912,000)	(62,309,000)	(229,221,000)	(204,440,938)	24,780,062	Note 44(7)
Transfers and Subsidies	(48,496,000)	(31,182,000)	(79,678,000)	(70,364,848)	9,313,152	Note 44(8)
General Expenses	(82,784,000)	(48,309,000)	(131,093,000)	(162,224,327)	(31,131,327)	Note 44(9)
Total expenditure	(1,141,083,000)	(85,176,000)	(1,226,259,000)	(1,493,675,805)	(267,416,805)	
Operating surplus	622,504,736	155,616,000	778,120,736	279,043,942	(499,076,794)	
Loss on disposal of assets and liabilities	-	-	-	(559,029)	(559,029)	Note 44(10)
Actuarial gains/losses	-	-	-	15,116,155	15,116,155	Note 44(11)
	-	-	-	14,557,126	14,557,126	
Surplus before taxation	622,504,736	155,616,000	778,120,736	293,601,068	(484,519,668)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	622,504,736	155,616,000	778,120,736	293,601,068	(484,519,668)	

Reconciliation

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2022	2021	2022	2021

1. Presentation of Consolidated Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These consolidated annual financial statements have been prepared based on the expectation that the economic entity 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.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.4 Transfer of functions between entities under common control

Definitions

An acquirer is the economic entity 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 economic entity so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an economic entity'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 economic entity.

A transferor is the economic entity that relinquishes control of a function.

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

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an economic entity'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 economic entity. 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 economic entity to the transaction or event is the transferor(s) and which economic entity 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 economic entity is the acquirer and which economic entity is the transferor.

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

Determining the transfer date

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

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

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.5 Investment property

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

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The economic entity separately discloses expenditure to repair and maintain investment property in the notes to the consolidated annual financial statements (see note).

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

1.6 Property, plant and equipment

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

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

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

Initial recognition and measurement

Property, plant and equipment is initially measured at cost.

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

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

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

Derecognition

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

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

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

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

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

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

Intangible assets are derecognised:

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

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

1.8 Separate financial statements

Consolidated financial statements are the financial statements of the economic entity in which the assets, liabilities, net assets, revenue, expenses and cash flows of the entity as a controlling entity, and its controlled entities, are presented as those of a single economic entity.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets includes its share of changes in the investee's net assets that have not been recognised in the investee's surplus or deficit.

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services, that has the purpose of investing funds solely for returns from capital appreciation, investment revenue, and which measures and evaluates the performance of substantially all of its investments on a fair value basis.

Separate financial statements are those presented by the entity, in which the entity could elect to account for its investments in controlled entities, joint ventures and associates either at cost, in accordance with the GRAP Standard on Financial Instruments or using the equity method as described in the accounting policies on Investments in Associates and Joint Ventures.

In the entity's separate financial statements, investments in controlled entities, associates and joint ventures are carried at cost;

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

In the entity's separate financial statements, investments in associates are carried at cost;

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.8 Separate financial statements (continued)

In the entity's separate financial statements, investments in joint ventures are carried at cost.

Separate financial statements are prepared in accordance with all applicable accounting policies, except:

- Similar investments in controlled entities are accounted for at cost;
- Joint ventures are accounted for at cost;
- Associates are accounted for at cost.

The entity as a controlling entity, which is not itself an investment entity, measures its investment in a controlled investment entity in accordance with the above, in its separate financial statements.

When the entity as controlling entity ceases to be an investment entity, or becomes an investment entity, it accounts for the change from the date when the change in status occurred, as follows:

- When the entity ceases to be an investment entity, the entity accounts for an investment in a controlled entity in accordance with the above. The date of the change of status is the deemed acquisition date. The fair value of the controlled entity at the deemed acquisition date represents the transferred deemed consideration when accounting for the investment as above.
- When the entity becomes an investment entity, it accounts for an investment in a controlled entity at fair value. The difference between the previous carrying amount of the controlled entity and its fair value at the date of the change of status is recognised as a gain or loss in surplus or deficit. The cumulative amount of any gain or loss previously recognised directly in net assets in respect of those controlled entities is treated as if the investment entity had disposed of those controlled entities at the date of change in status.

When the entity elects to measure its investments in associates or joint ventures at fair value, it also accounts for those investments in the same way in its separate financial statements.

Where the entity as controlling entity is required to measure its investment in a controlled entity at fair value, it also accounts for that investment in the same way in its separate financial statements.

Dividends or similar distributions from a controlled entity, a joint venture or an associate are recognised in the separate financial statements of the entity when the entity's right to receive the dividend or similar distribution is established. The dividend or similar distribution is recognised in surplus or deficit unless the entity elects to use the equity method, in which case the dividend or similar distribution is recognised as a reduction from the carrying amount of the investment.

When a controlling entity reorganises the structure of its economic entity by establishing a new entity as its controlling entity in a manner that satisfies the following criteria:

- The new controlling entity obtains control of the original controlling entity either (a) by issuing equity instruments in exchange for existing equity instruments of the original controlling entity or (b) by some other mechanism which results in the new controlling entity having a controlling ownership interest in the original controlling entity;
- The assets and liabilities of the new economic entity and the original economic entity are the same immediately before and after the reorganisation; and
- The owners of the original controlling entity before the reorganisation have the same absolute and relative interests in the net assets of the original economic entity and the new economic entity immediately before and after the reorganisation;

and the new controlling entity accounts for its investment in the original controlling entity at cost in its separate financial statements, the new controlling entity measures cost at the carrying amount of its share of the net asset items shown in the separate financial statements of the original controlling entity at the date of the reorganisation

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.

Chris Hani District Municipality

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Accounting Policies

1.9 Financial instruments (continued)

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:

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.9 Financial instruments (continued)

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 an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

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

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

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

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

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

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

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

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.9 Financial instruments (continued)

Classification

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

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

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

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

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

Class	Category
Residual interest1	Measured at fair value
Residual interest2	Measured at cost

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

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.

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

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Accounting Policies

1.9 Financial instruments (continued)

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.

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.

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Accounting Policies

1.9 Financial instruments (continued)

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

Financial liabilities

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

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

Presentation

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

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

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Accounting Policies

1.9 Financial instruments (continued)

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.

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 are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

1.12 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).

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Accounting Policies

1.12 Leases (continued)

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

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

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

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

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

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

Useful life is either:

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

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

Irrespective of whether there is any indication of impairment, the economic entity 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 economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity 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 economic entity 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.

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Accounting Policies

1.12 Leases (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 economic entity 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 economic entity 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.

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Accounting Policies

1.12 Leases (continued)

Reversal of impairment loss

The economic entity 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.

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

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Accounting Policies

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

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

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

Useful life is either:

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

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

[Specify judgements made]

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an economic entity 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.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

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

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

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

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

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

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

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

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.

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Accounting Policies

1.16 Provisions and contingencies

Provisions are recognised when:

- the economic entity 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 economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

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Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

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

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

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

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

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

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.18 Revenue from exchange transactions

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

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

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

1.19 Revenue from non-exchange transactions

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

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Accounting Policies

1.19 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

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Accounting Policies

1.19 Employee benefits (continued)

Measurement

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

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

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

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Accounting Policies

1.19 Employee benefits (continued)

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

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

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.19 Employee benefits (continued)

municipality, and

. The amount of the revenue can be measured reliably.

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

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

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.20 Investment income

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

1.21 Accounting by principals and agents

Identification

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

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

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

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.21 Accounting by principals and agents (continued)

Identifying whether an entity is a principal or an agent

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

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

1.22 Comparative figures

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

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

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

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

1.26 Segment information

A segment is an activity of an entity:

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

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

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.26 Segment information (continued)

Measurement

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

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

1.27 Budget information

Economic Entity 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 economic entity 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 7/1/2021 to 6/30/2022.

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

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

1.28 Related parties

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

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

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

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

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

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

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

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

1.28 Related parties (continued)

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

1.29 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 economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity 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.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 35 - Consolidated Financial Statements	01 April 2021	The impact is not material
• GRAP 38 - Disclosure of Interests in Other Entities	01 April 2021	The impact is not material
• GRAP34 - Seperate Financial Statements	01 April 2021	The impact is not material
• GRAP 18 (as amended 2016) - Segment Reporting	01 April 2021	The impact is not material

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 - Employee Benefits	01 April 2022	Unlikely there will be a material impact
• GRAP 103 - Heritage Assets	01 April 2022	Unlikely there will be a material impact
• GRAP 104 - Financial Instruments	01 April 2022	Unlikely there will be a material impact

3. Investment property

Economic entity	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,400,000	(85,342)	1,314,658	1,400,000	(15,342)	1,384,658

Reconciliation of investment property - Economic entity - 2022

	Opening balance	Depreciation	Total
Investment property	1,384,658	(70,000)	1,314,658

Reconciliation of investment property - Economic entity - 2021

	Opening balance	Depreciation	Total
Investment property	1,400,000	(15,342)	1,384,658

Reconciliation of investment property - Controlling entity - 2022

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.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

3. Investment property (continued)

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the economic entity has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the economic entity subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

Economic entity	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	32,913,229	-	32,913,229	32,913,229	-	32,913,229
Buildings	97,075,751	(20,117,286)	76,958,465	94,677,914	(14,265,366)	80,412,548
Plant and machinery	29,072,693	(10,462,991)	18,609,702	41,811,061	(17,309,983)	24,501,078
Furniture and fixtures	25,312,193	(17,104,961)	8,207,232	24,482,083	(13,906,615)	10,575,468
Motor vehicles	100,218,229	(40,824,025)	59,394,204	96,057,496	(32,459,686)	63,597,810
Office equipment	3,449,170	(3,017,151)	432,019	842,488	-	842,488
IT equipment	15,706,227	(9,481,822)	6,224,405	15,169,736	(10,872,644)	4,297,092
Infrastructure - Water	4,696,802,416	(1,458,855,586)	3,237,946,830	4,345,114,285	(1,250,680,724)	3,094,433,561
Infrastructure - Sanitation	476,459,490	(223,638,593)	252,820,897	476,459,490	(189,945,709)	286,513,781
Infrastructure - Roads	13,684,165	(3,784,637)	9,899,528	13,684,165	(3,354,223)	10,329,942
Work-in-progress - Buildings	8,126,853	-	8,126,853	8,193,265	-	8,193,265
Work-in-progress - Sanitation	213,765,443	-	213,765,443	194,076,218	-	194,076,218
Work-in-progress - Water	1,023,808,823	-	1,023,808,823	826,375,508	-	826,375,508
Total	6,736,394,682	(1,787,287,052)	4,949,107,630	6,169,856,938	(1,532,794,950)	4,637,061,988

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Controlling entity	2022			2021		
	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	85,331,341	(17,129,701)	68,201,640	85,333,869	(14,265,366)	71,068,503
Plant and machinery	20,339,435	(10,462,991)	9,876,444	24,531,032	(12,460,574)	12,070,458
Furniture and fixtures	23,958,519	(16,133,911)	7,824,608	23,903,238	(13,906,615)	9,996,623
Motor vehicles	98,790,740	(39,792,514)	58,998,226	95,396,192	(32,459,686)	62,936,506
IT equipment	14,171,586	(8,098,864)	6,072,722	14,918,198	(10,872,644)	4,045,554
Infrastructure - Water	4,696,802,416	(1,458,855,586)	3,237,946,830	4,345,114,285	(1,250,680,724)	3,094,433,561
Infrastructure - Sanitation	476,459,490	(223,638,593)	252,820,897	476,459,490	(189,945,709)	286,513,781
Infrastructure - Roads	13,684,165	(3,784,637)	9,899,528	13,684,165	(3,354,223)	10,329,942
Work-in-progress - Buildings	8,276,046	-	8,276,046	8,276,046	-	8,276,046
Work-in-progress - Sanitation	213,765,443	-	213,765,443	194,076,218	-	194,076,218
Work-in-progress - Water	1,023,808,823	-	1,023,808,823	826,375,508	-	826,375,508
Total	6,705,733,904	(1,777,896,797)	4,927,837,107	6,138,414,141	(1,527,945,541)	4,610,468,600

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	32,913,229	-	-	-	-	-	-	32,913,229
Buildings	80,412,548	-	-	-	(2,068)	(3,452,015)	-	76,958,465
Plant and machinery	24,501,078	648,715	(553,403)	-	-	(5,397,892)	-	19,198,498
Furniture and fixtures	10,575,468	55,281	-	-	-	(2,423,517)	-	8,207,232
Motor vehicles	63,597,810	5,301,106	(150,891)	-	-	(9,353,821)	-	59,394,204
Office equipment	842,488	-	-	-	-	(410,469)	-	432,019
IT equipment	4,297,092	3,854,710	(172,042)	-	-	(1,755,355)	-	6,224,405
Infrastructure - Water	3,094,433,561	-	-	351,319,466	-	(129,805,987)	(78,000,210)	3,237,946,830
Infrastructure - Sanitation	286,513,781	-	-	-	-	(11,136,766)	(22,556,118)	252,820,897
Infrastructure - Roads	10,329,942	-	-	-	-	(430,414)	-	9,899,528
Work-in-progress - Buildings	8,193,265	-	-	-	-	-	-	8,193,265
Work-in-progress - Sanitation	194,076,218	41,323,407	-	-	(21,634,182)	-	-	213,765,443
Work-in-progress - Water	826,375,508	548,613,781	-	-	(351,180,466)	-	-	1,023,808,823
	4,637,061,988	599,797,000	(876,336)	351,319,466	(372,816,716)	(164,166,236)	(100,556,328)	4,949,762,838

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Transfers received	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	30,345,900	2,567,329	-	-	-	-	-	-	32,913,229
Buildings	85,399,399	126,925	(552,845)	-	-	-	(2,235,894)	(2,325,037)	80,412,548
Plant and machinery	13,756,395	904,131	(647)	-	-	18,658,429	(8,817,230)	-	24,501,078
Furniture and fixtures	2,829,320	9,778,619	(19,628)	-	-	371,606	(2,384,449)	-	10,575,468
Motor vehicles	60,391,781	12,018,709	(826,408)	-	-	826,630	(8,812,902)	-	63,597,810
Office equipment	14,481	24,936	-	-	-	820,937	(17,866)	-	842,488
IT equipment	3,912,518	1,866,191	(39,819)	-	-	284,971	(1,726,769)	-	4,297,092
Infrastructure- Water	3,041,958,740	16,096,001	(410,979)	178,010,494	(3,682)	-	(135,601,167)	(5,615,846)	3,094,433,561
Infrastructure - Sanitation	303,924,063	-	(4,494)	-	-	-	(17,112,818)	(292,970)	286,513,781
Infrastructure - Roads	10,884,259	-	-	-	-	-	(543,847)	(10,470)	10,329,942
Work-in-progress - Buildings	8,276,046	-	-	-	-	-	-	-	8,276,046
Work-in-progress - Sanitation	194,076,218	-	-	-	-	-	-	-	194,076,218
Work-in-progress - Sanitation	826,375,508	-	-	-	-	-	-	-	826,375,508
	4,582,144,628	43,382,841	(1,854,820)	178,010,494	(3,682)	20,962,573	(177,252,942)	(8,244,323)	4,637,144,769

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	30,345,900	-	-	-	-	-	-	-	30,345,900
Buildings	71,068,503	-	-	-	(2,068)	-	(2,864,795)	-	68,201,640
Plant and machinery	12,070,458	648,715	(553,403)	-	-	-	(2,289,326)	-	9,876,444
Furniture and fixtures	9,996,623	55,281	-	-	-	-	(2,227,296)	-	7,824,608
Motor vehicles	62,936,506	5,401,106	(150,891)	-	-	-	(9,188,495)	-	58,998,226
IT equipment	4,045,554	3,854,710	(172,042)	-	-	-	(1,655,500)	-	6,072,722
Infrastructure - Water	3,094,433,561	-	-	351,319,466	-	-	(129,805,987)	(78,000,210)	3,237,946,830
Infrastructure - Sanitation	286,513,781	-	-	-	-	-	(11,136,766)	(22,556,118)	252,820,897
Infrastructure : Roads	10,329,942	-	-	-	-	-	(430,414)	-	9,899,528
Work-in-progress - Buildings	8,276,046	-	-	-	-	-	-	-	8,276,046
Work-in-progress - Sanitation	194,076,218	41,323,407	-	-	-	(21,634,182)	-	-	213,765,443
Work-in-progress - Water	826,375,508	548,613,781	-	-	-	(351,180,466)	-	-	1,023,808,823
	4,610,468,600	599,897,000	(876,336)	351,319,466	(2,068)	(372,814,648)	(159,598,579)	(100,556,328)	4,927,837,107

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

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

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	30,345,900	-	-	-	-	-	-	30,345,900
Buildings	75,468,134	126,925	(552,845)	-	-	(1,648,674)	(2,325,037)	71,068,503
Plant and machinery	13,756,395	904,131	(647)	-	-	(2,589,421)	-	12,070,458
Furniture and fixtures	2,431,630	9,767,372	(19,628)	-	-	(2,182,751)	-	9,996,623
Motor vehicles	60,391,781	12,018,709	(826,408)	-	-	(8,647,576)	-	62,936,506
IT equipment	3,701,765	1,760,811	(20,716)	-	-	(1,396,306)	-	4,045,554
Infrastructure- Water	3,041,958,740	16,096,001	(410,979)	178,010,494	(3,682)	(135,601,167)	(5,615,846)	3,094,433,561
Infrastructure - Sanitation	303,924,063	-	(4,494)	-	-	(17,112,818)	(292,970)	286,513,781
Infrastructure - Roads	10,884,259	-	-	-	-	(543,847)	(10,470)	10,329,942
Work-in-progress - Buildings	-	8,276,046	-	-	-	-	-	8,276,046
Work-in-progress - Sanitation	137,034,331	57,041,887	-	-	-	-	-	194,076,218
Work-in-progress - Sanitation	565,047,252	439,338,750	-	-	(178,010,494)	-	-	826,375,508
	4,244,944,250	545,330,632	(1,835,717)	178,010,494	(178,014,176)	(169,722,560)	(8,244,323)	4,610,468,600

Pledged as security

Carrying value of assets pledged as security:

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

4. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

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

Repairs and Maintenance	42,684,109	43,583,760	42,684,109	43,583,760
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3.2 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

Contract Number	Project discription	Expected Completion Date before Extension	Reasons	Amount per WIP Register 30 June 2022
07/2018-2019/MD(TN)	ENGCOBO NEW 2M/ DAY WASTE WATER TREATMENT WORKS PHASE 1 AND OUTFALL SEWER	03/06/2021	The contractor fail to execute the project due to cashflow problems and inexperience pesonnel on site to implement the project. Notice of termination was isseud to the contractor and the contractor after the notice submitted a proposal to remede the situation. The proposal is not approved after a long process of requesting information from the contractor about the issue. The termination process is underway again.	22 251 493,27
08/2018/MD(TN)	CLUSTER 4 WATER SUPPLY BACKLOG ERADICATION : KWAMZOLA AND MATAFENI-B WATER SUPPLY	15/01/2021	Contractor failed to implement the project due to financial capacity It also failed to submit on time the letter of intent to claim for extention of time due to Covid 19 delays (3 months claim was not approved). Contractor changed personnel and that affected the the progress. A subcontractor was introduced to take over the works. Upon pressure testing it was discovered that the quality of work has been compromised and not to standard. Currently there is no work done on site. Notice of termination is served	33 066 459,28

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
4. Property, plant and equipment (continued)				
11/2019-2020/MS(BN)	GUBENXA AND MAXONGOSHOEK VILLAGES RURAL WATER SUPPLY SCHEME	31/03/2021	Contractor is terminated. Contractor failed to return to site.	15 310 455,39
27/2020-2021/LG(TN)	CLUSTER6 WATER BACKLOG: CONSTRUCTION OF A BULK LINK LINE FROM SITHOLENI WATER TREATMENT WORKS TO LOKSHINI COMMAND RESEVIOR	2021/04/23	Construction and commissioning of the project was completed in 2019 with final handing over done in September 2020. Project is affected by the electricity supply which was stopped by Mbabakazi Community	17 385 432,22
29/2016/MD(TN)	UPGRADE OF TSOMO WATER WASTE TREATMENT WORKS: CIVIL MECHANICAL AND INSTRUMENTATION WORK	30/05/2019	Project delayed due to Contractors poor performance and cashflow problems. Contractor has now finally organised resources to finish off. It is anticipated that construction would be finished in December 2022 and commissioning in February 2023	84 205 816,91
CHD007325	Cobosi Droughtrelief project.		The service providers were appointed and issued purchase orders. The projects were abandoned because of the disputes between the main contractor and its sub-contractor. No payments effected.	2 625 681,10
CHD007325	NkomfeniDrought reliefproject		The service providers were appointed and issued purchase orders. The projects were abandoned because of the disputes between the main contractor and its sub-contractor. No payments effected.	2 309 335,80

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand

5. Intangible assets

Economic entity	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	7,848,592	(7,726,106)	122,486	7,852,243	(7,583,924)	268,319

Controlling entity	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	7,844,616	(7,726,106)	118,510	7,844,616	(7,583,924)	260,692

Reconciliation of intangible assets - Economic entity - 2022

	Opening balance	Amortisation	Total
Computer software, other	268,319	(145,833)	122,486

Reconciliation of intangible assets - Economic entity - 2021

	Opening balance	Additions	Amortisation	Total
Computer software, other	746,746	5,785	(484,212)	268,319

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand

5. Intangible assets (continued)

Reconciliation of intangible assets - Controlling entity - 2022

	Opening balance	Amortisation	Total
Computer software, other	260,692	(142,182)	118,510

Reconciliation of intangible assets - Controlling entity - 2021

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

6. Interests in other entities

Investments in controlled entities

Name Jurisdiction	Determination of ownership interest	Economic Entity		Controlling Entity		Economic Entity		Controlling Entity	
		% ownership interest 2022	% ownership interest 2021	% ownership interest 2022	% ownership interest 2021	Carrying amount 2022	Carrying amount 2021	Carrying amount 2022	Carrying amount 2021
Chris Hani Development Agency	Chris Hani District Municipality	100.00 %	100.00 %	100.00 %	100.00 %	-	-	1,500,000	1,500,000
						-	-	1,500,000	1,500,000
						-	-	1,500,000	1,500,000

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
7. Payables from exchange transactions				
Trade payables	160,686,119	150,249,563	154,246,215	146,335,417
Payments received in advanced - contract in process	13,176,189	10,558,013	13,176,189	10,558,013
Retentions	74,742,655	44,057,799	74,742,655	44,057,799
Bonus Provisions	10,933,799	10,024,143	10,933,799	10,024,143
Accrued leave pay	16,912,245	16,096,374	16,912,245	16,096,374
Deposits received	8,335	8,335	8,335	8,335
Other payables	28,677,750	50,412,836	28,677,750	50,412,836
Provisions fro 13th cheue - CHDA	417	70,993	-	-
Other Creditors - CHDA	154,909	249	-	-
Payroll payable	2,935,177	692,415	-	-
	308,227,595	282,170,720	298,697,188	277,492,917

8. VAT payable

Tax refunds payables	121,054,010	9,545,006	120,046,857	11,669,557
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9. Consumer deposits

Water	772,165	649,012	772,165	649,012
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10. Employee benefit obligations

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(55,212,000)	(60,606,717)	(55,212,000)	(60,606,717)
Present value of the defined benefit obligation-partly or wholly funded	(21,634,000)	(16,945,898)	(21,634,000)	(16,945,898)
	(76,846,000)	(77,552,615)	(76,846,000)	(77,552,615)
Non-current liabilities	(71,852,000)	(73,072,530)	(71,852,000)	(73,072,530)
Current liabilities	(4,994,000)	(4,480,085)	(4,994,000)	(4,480,085)
	(76,846,000)	(77,552,615)	(76,846,000)	(77,552,615)

Net expense recognised in the statement of financial performance

Current service cost	4,426,136	3,203,895	4,426,136	3,203,895
Interest cost	6,742,523	6,756,484	6,742,523	6,756,484
Actuarial (gains) losses	(13,105,366)	(103,477)	(13,105,366)	(103,477)
Policy changes	(1,323,000)	-	(1,323,000)	-
	(3,259,707)	9,856,902	(3,259,707)	9,856,902

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(13,105,366)	(103,477)	(13,105,366)	(103,477)
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Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

10. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.29 %	11.29 %	11.29 %	11.29 %
Expected rate of return on assets	- %	6.31 %	- %	6.31 %
Expected rate of return on reimbursement rights	8.46 %	7.81 %	8.46 %	7.81 %
Actual return on reimbursement rights	3.13 %	3.23 %	3.13 %	3.23 %

Long Service Awards Liability

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

Reconciliation of long service awards - June 2022	Opening Balance	Additions	Utilised during the year	Total
Long Service Awards	16,945,898	7,397,132	(3,222,927)	21,120,103

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by Arch Actuarial Consulting. 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 2022, 798 (2021, 772) employees were eligible for the Long service awards.

The current service cost for the year ending 30 June 2022 was estimated to be R3 037 226 whereas the cost of the ensuing year is estimated to be R2 600 000.

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

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

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation. The expected CPI inflation assumption of 6.33% was obtained from the differential between market yields on index-linked bonds (3.90%) consistent with the estimated terms of the liabilities and those of nominal bonds (10.98%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $(1+10.98\%-0.50\%)/(1+3.90\%)-1$.

Thus, a general earnings inflation rate of 7.33% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 3.40%.

It was assumed that the next general earnings increase will take place on 1 July 2023.

Discount rate	10.98 %	7.72 %
Consumer price inflation	- %	4.33 %
Normal salary increase	7.33 %	5.33 %
Net effective discount rate	3.40 %	2.27 %
	- %	- %

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

11. Prepayments

Prepayments arise due to the entity's board cellphone data contracts paid in advance. Prepayments incurred during the year ending 30 June 2022 amounted to R 2 875 (30 June 2021: R 57 977).

12. Inventories

Consumable stores	20,918,184	13,987,323	20,918,184	13,987,323
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Inventory Reconciliation

Chemicals	1,713,845	502,773	1,713,845	502,773
Stationery	90,126	50,206	90,126	50,206
Cleaning material	64,461	38,251	64,461	38,251
Water & Fittings	19,049,752	13,396,093	19,049,752	13,396,093
Closing balance	20,918,184	13,987,323	20,918,184	13,987,323

13. Receivables from non-exchange transactions

Sundry receivables - Roadworks subsidy	6,427,679	6,427,679	6,427,679	6,427,679
Local Municipalities	2,000,004	2,000,004	2,000,004	2,000,004
Rental and Eskom service deposits	14,668,242	13,334,496	14,668,242	13,334,496
Debtor - MIG	26,268,168	-	26,268,168	-
Other Debtors	756,060	1,708,957	756,060	1,708,957
DHS Emergency Housing	1,211,903	2,287,985	1,211,903	2,287,985
Debtor - RBIG	6,862,227	-	6,862,227	-
	58,194,283	25,759,121	58,194,283	25,759,121

**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 - During 2020/21 The department was disclosed as a debtor amounting to R2 287 985 and payment made to reducing the debt by R1 076 082 and have a closing balance of R1 211 903.

Gross Balances Receivables from non-exchange

Sundry receivables- Roadworks subsidy	6,427,679	6,427,679
Local Municipality	2,000,004	2,000,004
Rental and Eskom service deposits	14,668,242	13,334,496
Other Debtors	756,060	1,708,957
DHS Emergency Housing	1,211,903	2,287,985
Debtor - MIG	26,268,168	-
Debtor - RBIG	6,862,227	-
	58,194,283	25,759,121

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

13. Receivables from non-exchange transactions (continued)

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 2022, and 2021 were past due but not impaired.

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

Sundry receivables - Roadwork subsidy	6,427,679	6,427,679	6,427,679	6,427,679
Local Municipalities	2,000,004	2,000,004	2,000,004	2,000,004
Rental and Eskom service deposits	14,668,242	13,334,496	14,668,242	13,334,496
DHS Emergency Housing	1,211,903	2,287,985	1,211,903	2,287,985
Other Debtors	756,060	1,708,957	756,060	1,708,957
Debtor - MIG	26,268,168	-	2,626,868	-
Debtor - RBID	6,862,227	-	6,862,227	-
	58,194,283	25,759,121	58,194,283	25,759,121

Receivables from non-exchange transactions impaired

As of June 30, 2022, other receivables from non-exchange transactions of R 58 194 283 were past due but not impaired

None of the financial assets for the period ended 30 June 2022 have been determined individually for impairment.

14. Receivables from exchange transactions

Gross balances

Water	1,602,244,118	1,834,232,101	1,602,244,118	1,834,232,101
Sewerage	337,224,598	593,174,257	337,224,598	593,174,257
Refuse	2,596,214	2,610,892	2,596,214	2,610,892
	1,942,064,930	2,430,017,250	1,942,064,930	2,430,017,250

Less: Allowance for impairment

Water	(1,033,596,394)	(1,512,561,652)	(1,033,596,394)	(1,512,561,652)
Sewerage	(550,215,063)	(568,004,886)	(550,215,063)	(568,004,886)
Refuse	(2,519,756)	(2,519,756)	(2,519,756)	(2,519,756)
	(1,586,331,213)	(2,083,086,294)	(1,586,331,213)	(2,083,086,294)

Net balance

Water	568,647,724	321,670,449	568,647,724	321,670,449
Sewerage	(212,990,465)	25,169,371	(212,990,465)	25,169,371
Refuse	76,458	91,136	76,458	91,136
	355,733,717	346,930,956	355,733,717	346,930,956

Water

Current (0 -30 days)	106,537,697	36,455,447	106,537,697	36,455,447
31 - 60 days	43,047,606	41,448,765	43,047,606	41,448,765
61 - 90 days	33,879,244	106,834,260	33,879,244	106,834,260
91 - 120 days	30,231,086	65,811,840	30,231,086	65,811,840
121 - 365 days	242,347,244	232,538,021	242,347,244	232,538,021
> 365 days	1,146,201,241	1,351,143,768	1,146,201,241	1,351,143,768
Impairment allowance	(1,033,596,394)	(1,512,561,652)	(1,033,596,394)	(1,512,561,652)
	568,647,724	321,670,449	568,647,724	321,670,449

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
14. Receivables from exchange transactions (continued)				
Sewerage				
Current (0 -30 days)	14,072,956	6,693,864	14,072,956	6,693,864
31 - 60 days	6,999,516	6,672,959	6,999,516	6,672,959
61 - 90 days	6,952,309	6,572,218	6,952,309	6,572,218
91 - 120 days	6,675,836	13,036,455	6,675,836	13,036,455
121 - 365 days	54,994,575	51,243,891	54,994,575	51,243,891
> 365 days	247,529,406	508,954,870	247,529,406	508,954,870
Impairment allowance	(550,215,063)	(568,004,886)	(550,215,063)	(568,004,886)
	(212,990,465)	25,169,371	(212,990,465)	25,169,371

Sundry Debtors				
Current (0 -30 days)	-	11,000	-	11,000
31 - 60 days	5,000	14,563	5,000	14,563
61 - 90 days	5,000	4,168	5,000	4,168
91 - 120 days	3,745	6,346	3,745	6,346
121 - 365 days	17,304	93,062	17,304	93,062
> 365 days	2,565,165	2,481,753	2,565,165	2,481,753
	2,596,214	2,610,892	2,596,214	2,610,892

Reconciliation of allowance for impairment				
Balance at beginning of the year	(2,083,086,295)	(1,699,568,926)	(2,083,086,295)	(1,699,568,926)
Contributions to allowance	(335,285,703)	(383,517,369)	(335,285,703)	(383,517,369)
	(2,418,371,998)	(2,083,086,295)	(2,418,371,998)	(2,083,086,295)

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4,684	7,766	4,200	4,200
Bank balances	(71,232,794)	21,795,352	(71,535,339)	21,351,394
Short-term deposits	250,831,195	149,865,074	250,830,992	149,865,018
	179,603,085	171,668,192	179,299,853	171,220,612

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.

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2022	June 30, 2021	June 30, 2020
First National Bank - Current Account - 62002510693	7,383,886	22,652,807	18,629,607	(71,372,408)	21,433,512	18,629,607
First National Bank - Call Account - 62004499481	109,866	132,631	894,576	109,866	132,631	894,576
First National Bank - Call Account - 62190652521 (CRR)	114,427,826	30,237,960	241,891	114,427,826	30,237,960	241,891
First National Bank - Call Account - 62187939784	2,120,213	54,397	624,256	2,120,213	52,397	624,256
First National Bank - Call Account - 62187936532 (National)	42,168,950	14,642,214	3,632,818	42,168,950	14,642,214	3,632,818
First National Bank - Call Account - 62187938538 (Provincial)	65,625	346,190	16,249,789	65,625	346,190	16,249,789
First National Bank - Public Sector - Cheque Account - 62610267602	235,095	284,116	1,969,921	(162,932)	(82,117)	1,969,921
First National Bank - Public Sector - Cheque Account - 62868460363 (EPWP)	578	114,731	-	578	114,731	-
First National Bank - Call Account - 62868467418 (RBIG)	87,712,796	104,336,894	-	87,712,796	104,336,894	-
First National Bank - Call Account - 62896975201 (MDRG)	4,225,138	-	-	4,225,138	-	-
Cash on hand	-	-	-	4,200	4,200	4,200
FNB MAIN 62363654156	301,476	374,351	143,683	301,476	374,351	143,683
FNB SKILLS 62396085899	368	146	171,602	368	146	171,602
FNB INV 62378942918	203	56	2,425	203	56	2,425
FNB DEA 62457856296	(77)	217	100	(77)	217	100
FNB CALL 62541851574	-	11	2,158	-	11	2,158
FNB MECH 62540743483	(371)	65,171	29,515	(371)	65,171	29,515
FNB PETTY 62540742683	1,148	4,061	4,763	1,148	4,061	4,763
Total	258,752,720	173,245,953	42,597,104	179,602,599	171,662,625	42,601,304

The municipality is reflecting a cashbook overdraft of R71 372 408 on operating account. Some of the payment cleared in the statement on the 1st July 2022 and the analysis is attached in the audit file. The water account also have a cashbook overdraft of R102 932. Additional text

16. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2022

	Accumulated Surplus	Total
Opening balance	4,696,660,488	4,696,660,488
Prior period error	(26,382,713)	(26,382,713)
Surplus	287,308,850	287,308,850
	4,957,586,625	4,957,586,625

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

16. Accumulated surplus (continued)

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

	Accumulated Surplus	Total
Opening balance	4,314,770,196	4,314,770,196
Surplus	381,890,292	381,890,292
	4,696,660,488	4,696,660,488

Ring-fenced internal funds and reserves within accumulated surplus - Controlling entity - 2022

	Accumulated Surplus	Total
Opening balance	4,671,656,386	4,671,656,386
Surplus	293,653,068	293,653,068
Prior period adjustment	(15,378,390)	(15,378,390)
	4,949,931,064	4,949,931,064

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

	Accumulated surplus	Total
Opening balance	4,290,942,988	4,290,942,988
Surplus	380,713,398	380,713,398
	4,671,656,386	4,671,656,386

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National: Municipal Infrastructure Grant	-	60,152	-	60,152
FMG	(1,485)	-	(1,485)	-
EPWP	185,021	185,020	185,021	185,020
RBIG	1	49,259,319	1	49,259,319
LG SETA	90,771	-	-	-
Municipal Disaster Covid-19	75,741	75,740	75,741	75,740
National: Department of Transport - Rural Road Asset Mgt Grant	371	108	371	108
WSIG	13,999,767	51,003	13,999,767	51,003
Municipal Disaster Recovery Grant	1,573,489	-	1,573,489	-
	15,923,676	49,631,342	15,832,905	49,631,342

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

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

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

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

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

18. Provisions

Reconciliation of provisions - Economic entity - 2022

	Opening Balance	Utilised during the year	Total
Other provisions	84,756,471	(537,332)	84,219,139

Reconciliation of provisions - Economic entity - 2021

	Opening Balance	Additions	Utilised during the year	Total
Other provisions	84,303,580	497,402	(44,511)	84,756,471

Reconciliation of provisions - Controlling entity - 2022

	Opening Balance	Total
Other provisions	81,475,475	81,475,475

Reconciliation of provisions - Controlling entity - 2021

	Opening Balance	Total
Other provisions	81,475,475	81,475,475

The municipality has made a provision amounting to R81 475 457.14 for Department of Labour while both parties are on engagement with the debtor up until the matter is resolved. The matter is coming from 2018/2019 financial year.

19. Revenue

Service charges	369,105,158	413,336,258	369,105,158	413,336,258
Project Income	7,920	3,500,894	-	-
Mechanisation Centre Income	1,794,701	2,475,071	-	-
Other income	1,287,209	1,360,458	867,450	1,048,119
Interest received - investment	94,814,562	70,371,834	94,778,972	70,296,407
Government grants & subsidies	1,308,020,167	1,271,322,137	1,307,968,167	1,271,322,137
	1,775,029,717	1,762,366,652	1,772,719,747	1,756,002,921

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

Service charges	369,105,158	413,336,258	369,105,158	413,336,258
Project income	7,920	3,500,894	-	-
Mechanisation Centre Income	1,794,701	2,475,071	-	-
Other income	1,287,209	1,360,458	867,450	1,048,119
Interest received - investment	94,814,562	70,371,834	94,778,972	70,296,407
	467,009,550	491,044,515	464,751,580	484,680,784

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

Taxation revenue

Transfer revenue

Government grants & subsidies	1,308,020,167	1,271,322,137	1,307,968,167	1,271,322,137
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Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
20. Service charges				
Service charges	1,930	7,757	1,930	7,757
Sale of water	304,387,766	350,676,254	304,387,766	350,676,254
Sewerage and sanitation charges	64,715,462	62,652,247	64,715,462	62,652,247
	369,105,158	413,336,258	369,105,158	413,336,258

21. Project cost-external projects

LG SETA	7,920	5,705	-	-
DEDEAT	-	3,495,189	-	-
	7,920	3,500,894	-	-

22. Lease rentals on operating lease

Equipment				
Contractual amounts	165,876	70,323	-	-

23. Other income

Other income 1	50,239	12,081	50,239	12,081
Tender Documents	490,270	708,971	490,270	708,971
DRDAR Implementation Agency Fees - CHDA	502,150	155,466	-	-
Other income	257,853	121,952	-	-
CETA Agency Fees - CHDA	109,779	34,921	-	-
VAT on Conditional Grant	32	74	32	74
Sundry receipts	326,909	326,993	326,909	326,993
Infrastructure Agency Fees - CHDA	(450,023)	-	-	-
	1,287,209	1,360,458	867,450	1,048,119

Sundry receipts consists of Handling fees of R326 909.

24. Investment revenue

Interest revenue				
Bank	225,262	565,743	189,672	490,316
Interest - investments	10,404,449	7,036,967	10,404,449	7,036,967
Interest - debtors	84,184,851	62,769,124	84,184,851	62,769,124
	94,814,562	70,371,834	94,778,972	70,296,407

25. Transfer and subsidies

Other subsidies				
Cooperative Development Centre	2,500,000	6,000,000	2,500,000	6,000,000
Engcobo Subsidy	1,856,946	2,000,000	1,856,946	2,000,000
VIP Toilets	36,076,486	1,404,069	36,076,486	1,404,069
Chris Hani Development Agency	856,946	-	29,931,416	45,476,547
	41,290,378	9,404,069	70,364,848	54,880,616

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
26. Government grants & subsidies				
Operating grants				
Equitable share	600,621,000	649,376,000	600,621,000	649,376,000
Finance Management Grant	1,000,000	1,000,000	1,000,000	1,000,000
Municipal Infrastructure Grant - Operational EPWP	44,408,004	52,947,316	44,408,004	52,947,316
Rural Road Asset Management Grant	3,838,001	6,191,435	3,838,001	6,191,435
LG SETA	3,299,736	3,251,957	3,299,736	3,251,957
Municipal DIS Covid-19	641,028	567,412	641,028	567,412
WSIG Operational	-	1,483,579	-	1,483,579
	12,108,525	-	12,108,525	-
	665,916,294	714,817,699	665,916,294	714,817,699
Capital grants				
Municipal Infrastructure Grant	286,061,930	228,495,532	286,061,930	228,495,532
Water Services Infrastructure Grant	76,841,192	69,949,485	76,841,192	69,949,485
Regional Bulk Infrastructure Grant	275,774,240	258,059,421	275,774,240	258,059,421
Municipal Disaster Recovery Grant	3,426,511	-	3,426,511	-
	642,103,873	556,504,438	642,103,873	556,504,438
	1,308,020,167	1,271,322,137	1,308,020,167	1,271,322,137

Equitable Share

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

CHDM - Irrigation Schemes

Balance unspent at beginning of year	238,144	873,484	-	-
Current-year receipts	652,174	5,638,261	-	-
Conditions met - transferred to revenue	-	(6,273,601)	-	-
Other	(890,249)	-	-	-
	69	238,144	-	-

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

National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	60,152	1	60,152	1
Current-year receipts	304,343,000	281,503,000	304,343,000	281,503,000
Conditions met - transferred to revenue	(330,586,774)	(281,442,849)	(330,586,774)	(281,442,849)
Debtor	26,183,622	-	26,183,622	-
	-	60,152	-	60,152

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

CHDM Bursary Fund

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

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

CHDM Livestock Improvement

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
26. Remuneration of councillors (continued)				
Balance unspent at beginning of year	2,600,053	1,009,810	-	-
Current-year receipts	434,783	3,760,869	-	-
Conditions met - transferred to revenue	(2,086,375)	(2,170,626)	-	-
	948,461	2,600,053	-	-

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

CHDM Biltong

Balance unspent at beginning of year	257,461	2,187,000	-	-
Current-year receipts	-	(1,929,539)	-	-
	257,461	257,461	-	-

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

National: EPWP

Balance unspent at beginning of year	(185,020)	93,455	(185,020)	93,455
Current-year receipts	3,838,000	6,376,000	3,838,000	6,376,000
Conditions met - transferred to revenue	(3,838,000)	(6,561,475)	(3,838,000)	(6,561,475)
Re-payment of unspent	-	(93,000)	-	(93,000)
	(185,020)	(185,020)	(185,020)	(185,020)

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

CHDM CoalExploration Mining

Balance unspent at beginning of year	941,408	295,986	-	-
Current-year receipts	-	1,000,000	-	-
Conditions met - transferred to revenue	(243,008)	(354,578)	-	-
	698,400	941,408	-	-

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

CHDM Fertiliser Blending Feasibility Study

Balance unspent at beginning of year	104,348	104,348	-	-
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Conditions still to be met - remain liabilities (see note 17).

National: Regional Bulk Infrastructure Grant

Balance unspent at beginning of year	49,259,319	19,514,739	49,259,319	19,514,739
Current-year receipts	220,268,000	307,318,000	220,268,000	307,318,000
Conditions met - transferred to revenue	(255,616,533)	(258,059,420)	(255,616,533)	(258,059,420)
Re-payment of unspent	-	(19,514,000)	-	(19,514,000)
	13,910,786	49,259,319	13,910,786	49,259,319

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

LG SETA

Current-year receipts	98,691	5,705	641,028	426,602
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Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
26. Remuneration of councillors (continued)				
Conditions met - transferred to revenue	(7,920)	(5,705)	(641,028)	(426,602)
	90,771	-	-	-

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

Municipal Disaster Grant

Balance unspent at beginning of year	75,740	1,559,319	75,740	1,559,319
Conditions met - transferred to revenue	-	(1,483,579)	-	(1,483,579)
	75,740	75,740	75,740	75,740

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

National DOT - Rural Road Asset Management Grant

Balance unspent at beginning of year	108	1,744,065	108	1,744,065
Current-year receipts	3,300,000	3,252,000	3,300,000	3,252,000
Conditions met - transferred to revenue	(3,299,736)	(3,251,957)	(3,299,736)	(3,251,957)
Re-payment of unspent	-	(1,744,000)	-	(1,744,000)
	372	108	372	108

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

Water Services Infrastructure Grant

Balance unspent at beginning of year	51,003	29,159,488	51,003	29,159,488
Current-year receipts	103,000,000	70,000,000	103,000,000	70,000,000
Conditions met - transferred to revenue	(89,000,233)	(69,949,485)	(89,000,233)	(69,949,485)
Re-payment of unspent	-	(29,159,000)	-	(29,159,000)
	14,050,770	51,003	14,050,770	51,003

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

Municipal Disaster Recovery Grant

Current-year receipts	5,000,000	-	5,000,000	-
Other	(3,426,511)	-	(3,426,511)	-
	1,573,489	-	1,573,489	-

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

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
27. Employee related costs				
Basic	263,223,342	248,101,589	245,687,135	229,910,514
Bonus	18,200,882	17,779,478	18,200,882	17,779,478
Medical aid - company contributions	30,100,498	27,255,714	29,215,477	25,126,159
UIF	1,825,134	1,646,351	1,742,169	1,564,525
WCA	47,520	13,820	-	-
SDL	218,878	76,809	-	-
Leave pay provision charge	8,285,702	7,844,202	7,965,072	6,996,365
Industrial Council Levies	98,172	95,830	98,172	95,830
Defined contribution plans	1,278,808	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	27,860,322	26,300,940	27,860,322	26,300,940
Overtime payments	13,205,561	14,543,964	13,205,561	14,543,964
Long-service awards	6,463,806	2,697,122	6,463,806	2,697,122
Housing benefits and allowances	1,450,112	2,132,906	1,450,112	2,132,906
Pension Fund Contributions	37,099,979	35,604,501	37,099,979	35,604,501
Group Life Insurance	1,991,682	1,726,103	1,991,682	1,726,103
	411,350,398	385,819,329	390,980,369	364,478,407

Remuneration of municipal manager- G. Mashiyi

Annual Remuneration	1,413,372	1,339,874	1,413,372	1,339,874
Car and other allowance	614,905	538,532	614,905	538,532
Performance Bonuses	335,978	326,502	335,978	326,502
Contributions to UIF, Medical and Pension Funds	256,532	1,813	256,532	1,813
Service Bonus	114,908	-	114,908	-
Other	124	291,727	124	291,727
	2,735,819	2,498,448	2,735,819	2,498,448

Remuneration of Acting CFO: L.B.T. Spampoel

Acting allowance		128 258		128 258
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Remuneration of chief finance officer- C. Mapeyi

Annual Remuneration	1,057,197	761,477	1,057,197	761,477
Car and other Allowance	531,450	268,731	531,450	268,731
Performance Bonuses	263,112	222,843	263,112	222,843
Contributions to UIF, Medical and Pension Funds	236,777	1,190	236,777	1,190
Other	10,616	165,481	10,616	165,481
Service Bonus	43,329	-	43,329	-
	2,142,481	1,419,722	2,142,481	1,419,722

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

Annual Remuneration	1,197,153	1,134,898	1,197,153	1,134,898
Car and other Allowance	475,770	440,810	475,770	440,810
Performance Bonuses	287,219	285,189	287,219	285,189
Contributions to UIF, Medical and Pension Funds	269,309	255,814	269,309	255,814
Other	12,005	10,344	12,005	10,344
Service Bonus	97,330	-	97,330	-
	2,338,786	2,127,055	2,338,786	2,127,055

Remuneration of director: Health Service- N. Mnyengeza

Annual Remuneration	1,057,197	734,202	1,057,197	734,202
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Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
27. Employee related costs (continued)				
Car and other Allowance	507,956	283,054	507,956	283,054
Performance Bonuses	256,860	221,084	256,860	221,084
Contributions to UIF, Medical and Pension Funds	229,436	157,645	229,436	157,645
Other	40,124	25,919	40,124	25,919
	2,091,573	1,421,904	2,091,573	1,421,904

Remuneration of Acting Director: Health Services - Q. Mpothulo

Acting allowance from February - May 2021

199 592

199 592

Remuneration of Acting Director: Intergrated Planning and Development - Z.Shasha

Annual Remuneration	881,567	1,123,431	881,567	1,123,431
Car and other Allowance	352,580	442,604	352,580	442,604
Performance Bonuses	218,891	282,278	218,891	282,278
Contributions to UIF, Medical and Pension Funds	193,353	246,690	193,353	246,690
Other	8,842	10,240	8,842	10,240
Service Bonus	96,346	-	96,346	-
	1,751,579	2,105,243	1,751,579	2,105,243

Remuneration of Director: Intergrated Planning and Development - Z.M. Duze

Annual Remuneration	281,293	-	281,293	-
Car and other Allowance	102,862	-	102,862	-
Performance Bonuses	65,635	-	65,635	-
Contributions to UIF, Medical and Pension Funds	51,164	-	51,164	-
Service Bonus	10,030	-	10,030	-
Other	31	-	31	-
	511,015	-	511,015	-

Remuneration of Director: Strategic Services - B. Mthembu

Annual Remuneration	1,094,957	1,134,898	1,094,957	1,134,898
Car and other allowances	447,338	452,368	447,338	452,368
Performance Bonuses	270,966	285,645	270,966	285,645
Contributions to UIF, Medical and Pension Funds	251,545	259,047	251,545	259,047
Other	113	118	113	118
Service Bonus	97,330	-	97,330	-
	2,162,249	2,132,076	2,162,249	2,132,076

Remuneration of Acting Director: Strategic Services - B. Ganyaza

Acting allowance

42 497

42 497

Remuneration of Director: Technical Services - L. Govu

Annual Remuneration	1,185,057	1,284,508	1,185,057	1,284,508
Car and other allowances	481,319	446,915	481,319	446,915
Performance Bonuses	283,409	120,302	283,409	120,302
Contributions to UIF, Medical and Pension Funds	215,436	204,030	215,436	204,030
Other	46,192	39,599	46,192	39,599
Service Bonus	96,346	-	96,346	-
	2,307,759	2,095,354	2,307,759	2,095,354

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

27. Employee related costs (continued)

Remuneration of Acting Director: Technical Services - M. Shasha				
Acting allowance		62 298		62 298

Remuneration of Chief Executive Officer

Annual Remuneration including social contributions	1,474,286	1,783,321	-	-
Contributions to UIF, Medical and Pension Funds	105,514	128,058	-	-
	1,579,800	1,911,379	-	-

***The position of Chief Executive Officer (CEO) became vacant on 1 April 2022. CHDA Board approved secondment of a board member to act in position of Chief Executive Officer during the period under review. The resulting remuneration from the acting has been disclosed under board fees / director's emoluments."

Remuneration of Chief Finance Officer

Annual Remuneration including social contribution	1,094,091	1,137,656	-	-
Contributions to UIF, Medical and Pension Funds	118,151	120,108	-	-
	1,212,242	1,257,764	-	-

***The position of Chief Finance Officer (CFO) became vacant on 1 June 2022, resulting from internal disciplinary processes. An acting incumbent was appointed in the period 19 September to 30 June 2022, and the acting allowance has been disclosed under employee costs.

Remuneration of Executive Manager Operations

Annual Remuneration including social contribution	1,137,656	1,137,656	-	-
Performance Bonuses	98,409	89,625	-	-
	1,236,065	1,227,281	-	-

Director's emoluments

Adv. A Mini (Board Chairperson)	175,000	284,375	-	-
Dr. N Khewu	35,000	66,000	-	-
Mr. A Hala	255,455	81,000	-	-
Mr. G Qotywa	60,000	68,000	-	-
Mr. L Mbokotho	136,000	134,000	-	-
Mr. M Sigabi	-	49,364	-	-
Mr. P Songo	26,000	39,000	-	-
Mr. R Ramabulana (Deputy Board Chairperson)	221,000	159,000	-	-
Mr. S Ngqwala	35,000	69,000	-	-
Ms. B Zantsi	40,000	78,000	-	-
Ms. F Mushohwe	76,000	67,000	-	-
Ms. V Matsiliza	50,000	76,000	-	-
Ms. Z Kiviet	157,000	146,000	-	-
Ms. A Kretzmann	25,000	20,000	-	-
Mr. MK Mafani	44,000	35,000	-	-
Mr. G Rich	60,000	48,000	-	-
Mr. AM Langa	148,000	142,000	-	-
	1,543,455	1,561,739	-	-

Shareholders unit

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
28. Remuneration of councillors				
Executive Major	1,883,167	1,966,193	1,883,167	1,966,193
Mayoral Committee Members	4,501,133	5,782,328	4,501,133	5,782,328
Speaker	842,686	878,396	842,686	878,396
Councillors	3,587,909	2,516,948	3,587,909	2,516,948
Chief Whip	792,406	826,047	792,406	826,047
Sec 79 Chair	818,919	948,004	818,919	948,004
	12,426,220	12,917,916	12,426,220	12,917,916
29. Depreciation and amortisation				
Property, plant and equipment	163,545,317	174,137,710	159,598,579	162,031,187
Intangible assets	142,182	467,609	142,182	467,609
	163,687,499	174,605,319	159,740,761	162,498,796
30. Impairment loss				
Impairments				
Property, plant and equipment	100,556,328	8,244,322	100,556,328	8,244,322
31. Finance costs				
Interest cost	2,842,204	456,019	2,842,204	456,019
Interest and penalties	1,161,787	73,317	-	-
	4,003,991	529,336	2,842,204	456,019
32. Auditors' remuneration				
External audit fees	10,793,532	10,898,129	9,372,558	9,671,011
Internal audit fees	839,141	973,815	-	-
	11,632,673	11,871,944	9,372,558	9,671,011
33. Debt impairment				
Debt impairment	335,285,703	383,517,369	335,285,703	383,517,369

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended June 30, 2022

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
34. General expenses				
Accounting fees	-	85,074	-	-
Advertising	1,148,253	2,173,198	1,130,010	2,023,444
Auditors remuneration	11,632,673	11,871,944	9,372,558	9,671,011
Bank charges	1,819,751	2,971,771	1,762,793	2,922,620
Cleaning	55,737	70,034	-	-
Computer expenses	20,522,072	13,924,285	20,080,171	13,452,507
Consulting and professional fees	631,913	45,746	3,847	-
Consumables	2,913,149	3,739,757	2,913,149	3,739,484
Entertainment	327,512	593,499	305,526	428,288
Hire	-	11,700	-	11,700
Insurance	3,474,242	4,011,997	3,310,013	3,735,105
Education and Marketing	324,880	177,255	324,880	177,255
Motor vehicle expenses	3,223,697	3,200,130	3,223,697	3,200,130
Fuel and oil	22,891,931	18,422,596	22,771,466	18,339,378
Postage and courier	4,251	4,730	2,028	2,064
Printing and stationery	1,309,894	2,579,271	1,178,530	2,405,143
Protective clothing	878,619	496,598	878,619	496,598
Repairs and maintenance	88,182	177,989	-	-
Staff training and development	41,989	181,642	-	-
Security (Guarding of municipal property)	214,936	219,335	-	-
Software expenses	496,992	604,638	-	-
Staff welfare	578,961	560,353	569,145	478,281
Subscriptions and membership fees	3,725,635	5,893,602	3,714,509	5,879,783
Telephone and fax	3,327,417	3,075,575	3,228,308	2,951,979
Travel - local	5,872,961	5,211,281	5,793,947	4,770,794
Stakeholder engagement	75,982	243,885	-	-
Assets expensed	2,890,997	1,332,381	2,890,997	1,312,417
Electricity	45,416,302	47,767,543	45,271,901	47,625,820
Rates	439,205	935,392	412,195	824,809
Water Sampling	12,789	14,316	12,789	14,316
Refuse	236,986	137,559	236,986	137,559
Sewerage	279	317	279	317
Public events and Imbizo	-	126,000	-	126,000
Study assistance reimbursements	32,617	170,946	32,617	170,946
Board fees	1,543,455	1,531,239	-	-
Communication	97,597	303,254	97,597	303,254
Other Board expenses	879,544	675,634	-	-
Recruitment costs	31,582	43,155	-	-
Indigent Subsidy	16,514,793	9,161,487	16,514,793	9,161,487
Chemicals	7,403,573	13,920,228	7,403,573	13,920,228
Skills Development Levy	3,273,230	3,129,341	3,273,230	3,129,341
Operating Leases	5,514,174	5,963,233	5,514,174	5,963,233
	169,868,752	165,759,910	162,224,327	157,375,291

35. Bulk purchases

Water	38,772,847	33,625,187	38,772,847	33,625,187
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36. Contracted services

Presented previously

Outsourced Services	32,382,943	40,154,063	32,382,943	40,154,063
Repairs and Maintenance	42,684,109	43,583,760	42,684,109	43,583,760
Consultants and Professional Fees	50,096,534	41,951,651	50,096,534	41,951,651
Other Contractors	83,793,194	64,601,125	79,277,352	55,913,445

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
37. Cash generated from operations				
Surplus	287,308,850	381,890,292	293,653,068	380,713,398
Adjustments for:				
Depreciation and amortisation	164,382,069	177,737,154	159,740,761	162,498,796
Loss on sale of assets and liabilities	559,029	197,984	559,029	197,984
Impairment deficit	100,556,328	8,244,323	100,556,328	8,244,322
Debt impairment	335,285,703	383,517,369	335,285,703	383,517,369
Movements in retirement benefit assets and liabilities	(1,513,947)	10,575,223	(706,615)	9,941,670
Movements in provisions	-	-	(2,647,443)	(2,647,443)
Non-cash movement	(21,512,677)	20,536,878	(12,730,947)	35,281,124
Changes in working capital:				
Inventories	(6,930,861)	3,075,871	(6,930,861)	3,075,871
Receivables from exchange transactions	(344,088,464)	(383,182,746)	(344,088,464)	(415,121,316)
Other receivables from non-exchange transactions	(32,435,162)	6,179,449	(32,435,162)	6,179,449
Prepayments	55,102	(57,977)	-	-
Payables from exchange transactions	26,056,875	58,185,855	21,204,271	57,917,636
VAT Payable	111,509,004	67,030,455	108,377,300	68,960,929
Unspent conditional grants and receipts	(33,707,666)	(27,558,571)	(33,798,437)	(26,238,334)
Consumer deposits	123,153	141,316	123,153	141,316
	585,647,336	706,512,875	586,161,684	672,662,771

38. Operating lease

Operating lease for the year is stated after accounting for the following:

Operating lease charges

Equipment - Contract amounts	165,876	70,323	-	-
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39. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2022

Financial assets

	At fair value	At amortised cost	At cost	Total
Prepayments	-	-	2,875	2,875
Trade and other receivables from exchange transactions	-	355,733,717	21,798,758	377,532,475
Other receivables from non-exchange transactions	-	58,194,283	-	58,194,283
Cash and cash equivalents	179,299,853	-	303,679	179,603,532
	179,299,853	413,928,000	22,105,312	615,333,165

Financial liabilities

	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	300,352,028	12,274,061	312,626,089
Bank overdraft	-	448	448
Unspent conditional grants and receipts	-	3,852,382	3,852,382
	300,352,028	16,126,891	316,478,919

Economic entity - 2021

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	2022	2021	2022	2021

39. Financial instruments disclosure (continued)

Financial assets

	At fair value	At amortised cost	At cost	Total
Prepayments	-	-	57,977	57,977
Trade and other receivables from exchange transactions	-	346,930,956	17,121,383	364,052,339
Other receivables from non-exchange transactions	-	25,759,121	-	25,759,121
Cash and cash equivalents	171,220,612	-	447,580	171,668,192
	171,220,612	372,690,077	17,626,940	561,537,629

Financial liabilities

	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	277,492,917	7,958,799	285,451,716
Unspent conditional grants and receipts	-	5,899,991	5,899,991
	277,492,917	13,858,790	291,351,707

Controlling entity - 2022

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	355,733,717	355,733,717
Other receivables from non-exchange transactions	-	58,194,283	58,194,283
Cash and cash equivalents	179,299,853	-	179,299,853
	179,299,853	413,928,000	593,227,853

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	298,697,188	298,697,188

Controlling entity - 2021

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	346,930,956	346,930,956
Other receivables from non-exchange transactions	-	25,759,121	25,759,121
Cash and cash equivalents	171,220,612	-	171,220,612
	171,220,612	372,690,077	543,910,689

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	277,492,917	277,492,917

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	2022	2021	2022	2021

39. Financial instruments disclosure (continued)

Residual interest

Financial instruments in Statement of financial performance

Economic entity - 2022

	At cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	35,590	35,590
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(1,161,787)	(1,161,787)
	(1,126,197)	(1,126,197)

Economic entity - 2021

	At cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	75,427	75,427
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(73,317)	(73,317)
	2,110	2,110

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Infrastructure	939,832,295	547,645,951	939,832,295	547,645,951
• Building	155,016,460	156,063,182	155,016,460	156,063,182
• CHDA Projects	240,324,683	182,473,816	240,324,683	182,473,816
• Consultants	1,509,761	2,045,316	1,836,394	2,045,316
• Order commitments below R30 000 - CHDA	15,362	-	-	-
• Contract commitments - CHDA	1,656,900	4,140	-	-
• Other commitments above R30 000 - CHDA	-	166,646	-	-
• Capital Expenditure	-	6,829,474	-	-
	1,338,355,461	895,228,525	1,337,009,832	888,228,265

Total capital commitments

Already contracted for but not provided for	1,338,355,461	895,228,525	1,337,009,832	888,228,265
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This committed expenditure relates to property, plant and equipment and will mainly be financed by Infrastructure Grants (Municipal Infrastructure Grant, Regional Bulk Infrastructure Grant and Municipal Water Infrastructure Grant) as well as available bank facilities, accumulated surplus.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year (CHDA)	32,760	23,440	-	-
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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
41. Contingencies				
Contingent liabilities				
The municipality is party to the following litigation matters				
Litigations				
The Municipality as the 1st Defendant in the matter relating to a motor vehicle accident that occurred between CHDM employee and the Plaintiff. The Plea has been filed and the pleadings have closed. Pre-trial proceedings have begun in preparation for the hearing of the matter.	80,000	74,000	80,000	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. Matter was initially decided in the municipality's favour by a single judge, but the Applicant has applied for leave to appeal to the full bench of the GHT High Court. Application for leave was granted. Municipality has filed Leave to Appeal to the SCA. Leave to Appeal dismissed with costs. The costs of the matter are the subject of the taxation process, and shall be due and payable after the taxation.	300,000	500,000	300,000	500,000
Claim by City Square Trading 204 (Pty) Ltd against CHDM and one other for goods supplied and services rendered. CHDM is the 2nd Defendant in the matter. Action defended and has proceeded to trial. The matter was postponed in July 2021 for further evidence. The matter has been reinstated on the roll for hearing from the 31 October 2022 to 04 November 2022.	8,600,000	8,500,000	8,600,000	8,500,000
The Municipality defends a claim that was brought against it for damages allegedly caused by blasting while the Municipality implemented an infrastructure project. The Municipality has defended the action. A plea was served to the plaintiff and the pleadings have been closed. The matter shall be enrolled for hearing at Court	410,000	400,000	410,000	400,000
WSSA claims an amount for services rendered, stock sold and other operational & maintenance related costs. Matters has been defended. Alternative Dispute Resolution processes have failed as the parties did not agree on the manner of mediation. 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, and the matter is ready for trial.	17,700,000	17,600,000	17,700,000	17,600,000

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41. Contingencies (continued)				
The Defendant has defended the action. Telkom still needs to substantiate claim. Matter is ready for trial. A special plea of failure to adhere with the Intergovernmental Relations Framework Act. The matters might be combined if the Court allows such an application.	110,000	100,000	110,000	100,000
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. It has since transpired that the Attorneys for the plaintiff have since filed a Notice of Withdrawal of Action, and the attorneys for the Municipality are in the process of engaging the attorneys for the plaintiff around the issue as the matter had been postponed pending the delivery of the judgment.	320,000	300,000	320,000	300,000
BVI Border filed an urgent application against CHDM claiming that the cancellation of the agreements between the applicant and the Municipality must be declared unlawful. CHDM opposed the application and filed a notice of intention to oppose. Information is being sought for the purposes of bringing the grounds of opposition. The Municipality has conceded to an interim interdict that the parties' obligation continues pending the finalisation of the matter. The opposition to Part B of the application has been withdrawn, and the order sought has been conceded to. Costs of the matter are still to be taxed.	200,000	-	200,000	-
Truda Foods (Pty) Ltd brought an application against the Municipality and others to declare failure to give them permits unlawful and also to restrain the Municipality from closing its 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 has been argued in the third quarter (March 2022). Judgement has been reserved.	1,365,380	1,300,000	1,365,380	-
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. Pleadings have closed.	170,000	200,000	170,000	200,000

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	2022	2021	2022	2021
41. Contingencies (continued)				
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 been referred to the Municipality's insurance for conformation of cover. The Assets Management Unit is still liaising with the Municipality's brokers and also the Water Services Team. Plea is still to be amended.	320,000	300,000	320,000	300,000
Telkom lodged 5(five) claims in a single summon that relate to the reimbursement for repair damages to their infrastructure in both the Komani and Cradock areas. The incidents apparently happened between 10 July 2017 and 25 July 2019. The matter has been defended, and a plea has been filed. Pleadings have closed and the matter is ready for trial.	250,000	200,000	250,000	200,000
A service provider, the contractor, brings an urgent application against the Municipality for two orders, which are a declaration that the contract is valid, and a payment of an outstanding amount. The matter is opposed as the applicant labours under the false impression that the contract has been terminated, and also that the certificate claimed is not due to the contractor, but rather is penalties due to the Municipality. The matter has been heard virtually on the 20th of October 2020, and was subsequently decided in the Municipality's favour. Costs are still to be taxed.	-	100,000	-	100,000
The palintiff brings a summons against the CHDM and the Enoch Mgijima Local Municipality, but only claims against 5 million Enoch Mgijima Local Municipality. In the same claim, the plaintiff prays that the CHDM not to be allowed to claim services from him. The plaintiff's claim is bad in law and attorneys have been requested to defend the matter with costs. An application for an irregular step has been brought against the plaintiff and it accordingly is being opposed.	-	100,000	-	100,000
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 decided in the Municipality's favour. The appeal date has been allocated for hearing on the 08 August 2022.	200,000	200,000	200,000	200,000
Mr Jonas claims for damages against the Municipality for the repair costs of his vehicle that was involved in an accident with a vehicle driven by a Municipality's employee. An instruction has been given to attorneys to accordingly defend the matter, and a plea has been filed. The Notice of withdrawal as attorneys record for the 2nd Defendant has been filed.	80,000	60,000	80,000	60,000

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
41. Contingencies (continued)				
The applicant brought an application on an urgent basis for the reconnection of the water supply and related services to a business and residential complex (Helvia Court) at Komani. The Municipality's Revenue Management Unit was not aware of the of the disconnection as they claim that the premises were not part of the premises in the disconnection list. The services were restored after the applicant approached the Court.	70,000	70,000	70,000	70,000
Department of Water and Sanitation sued the Intsika Yethu Local Municipality for water use charges for a period between April 2002 and June 2016. The Municipality has noted appearance to defend but also intend to activate the intergovernmental relations processes, which has 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 and also initiate alternative dispute resolution processes with the Department of Water and Sanitation.	9,000,000	8,600,000	9,000,000	8,600,000
The plaintiff instituted a claim against the defendant on damages to property of the plaintiff. The Municipality is raising a technical defence to the claim.	-	200,000	-	200,000
Zanamazi Services (Pty) Ltd instituted a claim against CHDM for a material amount. CHDM defended the matter and has filed a plea both on the merits and technical grounds.	25,000,000	24,000,000	25,000,000	24,000,000
The Tsomo Magistrates Court dismissed an application for rescission that was brought by the Municipality against Mawethu Magida. A judgment was granted by default against the Municipality in the amount of R 300,000.00 for a claim for damages allegedly caused by blasting while the Municipality implemented an infrastructure project. An appeal was brought out of Mthatha High Court and was decided in favour of the Municipality. The costs have yet to be taxed and the parties are waiting for the taxation date from.	-	100,000	-	100,000
Applicant approached the Labour Court to review the arbitration award issued in July 2016 in terms of which the Arbitrator found the said Applicant's dismissal to be substantively and procedurally fair. Applicant alleges that the Arbitrator failed to consider his long period of service to the Municipality and that he did not receive a prior warning before being dismissed. Matter was set down for hearing on 1 September 2021 but postponed by agreement between the parties. Applicant's attorneys withdrew as attorneys of record in January 2022. Attorneys have been requested to proceed to set the matter down for hearing, and utilise the services of a junior counsel.	50,000	-	50,000	-

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	2022	2021	2022	2021
41. Contingencies (continued)				
Hatch Africa filed an urgent application 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"...Information is being sought for the purposes of bringing the grounds of opposition. The Municipality has conceded to an interim interdict that the parties' obligation continue pending the finalisation of the matter. The opposition to Part B of the application has been withdrawn, and the order sought has been conceded to. Costs have been reserved.	400,000	-	400,000	-
The applicant seeks an order for specific performance that relates to the urgent repairs and maintenance to the Cradock Wastewater works and/ or the sewerage reticulation system and/ or infrastructure connected thereto within the 14 (fourteen) days from the date of the service of the Order. Though the Municipality has opposed the application, the Water Services Unit concedes most of the issues and is to bring a plan to remedy the situation. The matter has been decided against the Municipality requiring it to remedy the situation within a certain period. The Municipality monitors the compliance with the Court Order and the report have to be submitted to Court every 100 days.	120,000	-	120,000	-
BVI Border filed an urgent application against CHDM seeking an interdict, firstly, to be granted against the allocation of work to the panel of consultants pending the finalisation of Part B, which is the review of the bid award. Part A was argued at GHT High Court, and was decided in favour of BVI Border (Pty) Ltd. Part B is still due to be dealt with after the founding papers have been supplemented and the Municipality file the answering papers. The Municipality has offered to withdraw the opposition and the parties are still deliberating on the issue of costs.	400,000	-	400,000	-
The Auditor-general of South Africa (Tsakani Maluleke) hereby institutes an action against the defendants in which the plaintiff claims the relief on the grounds that the 2nd defendant has failed to pay/refuse/neglect to make payment of the outstanding audit fees. The plaintiff also filed a notice of agreement or opposition to mediation – the plaintiff does not want to litigate; they only claim the amount due to them. While the parties appear to have made settlement arrangements, the Auditor General has yet to withdraw the claim.	20,000	-	20,000	-

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	2022	2021	2022	2021
41. Contingencies (continued)				
Arbitrator at SALGBC awarded in favour of Ms Ngwendu & Mr Pambaniso in Nov 2021, in terms of which CHDM was ordered to reinstate the employees with effect from Dec 2021. CHDM is challenging the award in the Labour Court on various grounds. Security for costs in the amount of R 3,603,557.28 has already been paid to Court. Review application was served on the parties in Dec 2021. The employees have delivered a notice to oppose the application. Awaiting notification from the registrar that the record has been received from the SALGBC. The complete transcribed records were received. Awaiting the respondents answering affidavit. The applicant is supplementing its papers.	3,700,000	-	3,700,000	-
The applicants filed an application against the respondents that the respondents are ordered to reconnect water and electricity supplied to the premises of the applicant. Application granted in favour of the applicant with orders for specific performance against the Municipality. Costs are still to be taxed.	50,000	-	50,000	-
The applicant filed an application against the respondents that the applicants noncompliant with the court relating to service and time periods is condoned, that the 1st respondent is interdicted from its intention to interrupt water supply to the applicant. Application granted in favour of the applicant with orders for specific performance against the Municipality. The bill of Costs has been received, and it is still to be taxed.	80,000	-	80,000	-
The Plaintiff filed an action against the defendant claiming payment on the services rendered in the amount of R 27,135, 559.92. The matter has been defended and the Municipality has filed both the plea to the claim and the counterclaim. The plaintiff has filed a notice of intention to amend its particulars of claim, and is expected to amend its claim.	28,000,000	-	28,000,000	-
The applicant filed an application against the respondent for an order to attend the sewage spill situation in Oxford Street, Pellem Street, Mlungisi as well as Komani Airfield. To ensure that once pipes are repaired and replaced infrastructure maintained to avoid further blockages. To repair or replace the defunct sewage pump station situated in Oxford Street in Mlungisi, Komani and to provide educational trainings to members of the community regarding sanitation and the effects and causes of blockages. The matter has been opposed and it is ready for the hearing. Matter is set down for the 08th of September 2022.	200,000	-	200,000	-
The applicant filed an application against the respondent to set aside the respondent's decision to refuse applicant's request to access to information and directing the respond to supply the applicant with information requested. The information requested it the Pension Fund nomination form, and the applicant is not the executor of the estate. The Executor of the Estate has not consented to the release of the information. The matter is referred to mediation. While the parties have agreed on the mediator, the plaintiff does not seem to	100,000	-	100,000	-

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
41. Contingencies (continued)				
SRK consulting claims an amount of R223 922.30 from CHDM for the alleged additional professional services rendered. The Municipality is still considering whether to defend or settle the matter.	243,922	-	243,922	-
The applicant interdicts the implementation of a newly awarded infrastructure contract on the basis that there is still a pending matter before Court. The matter has been opposed, and it is still to be heard before Court.	200,000	-	200,000	-
TOTAL	97,739,302	63,104,000	97,739,302	63,104,000

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

41. Contingencies (continued)

Contingent assets

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 to the Municipality (as penalties). The matter of urgency was decided in the Municipality's favour. Costs of the matter are still to be taxed. The main application is still ongoing.

2. An amount of R300 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 was granted with the eviction order. An application for leave to appeal was filed. On the 10th of March 2021, the Court dismissed the application for leave to appeal was dismissed with costs. The warrant of ejection was issued, and the Sheriff attempted execution, but was halted by the Municipality's failure to furnish it with the indemnity and certain guarantees, which led to the sheriff possessing the land for more than 3 months at a cost to the Municipality. The costs of the matter are in favour of the Municipality and shall be taxed as soon as the bills of costs have been completed.

3. 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 Mithatha High Court and was decided in favour of the Municipality. The costs have yet to be taxed, and the taxation process shall begin as soon the bill of costs has been finalised by the costs consultant.

4. An amount of R60 000.00 was disclosed as a contingent asset due to the plaintiff brought summons against the CHDM and the Enoch Mgijima Local Municipality, but only claims against the R 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. Both defendants have raised exceptions to the particulars of claim. The CHDM's exception has been upheld, and the plaintiff is still to amend its particulars of claim.

5. An amount of R62 090.82 was disclosed as a contingent asset due to SNR that filed an urgent application against the Municipality- Interdicting the Municipality from awarding tender 16/2020-21/LG advertised on 1st September 2020 to any of the entities that submitted the tender. And interdicting the 1st and second respondent from performing any works in terms of the SLA and also from making any payments to any appointed bidders in terms of the tender process. CHDM opposed the matter and subsequently settled the matter on the basis that there is an order to set aside the award and remit the BEC report of November 2020 to the BAC. The Municipality has to ensure that the BAC adjudicates within 30 days from the 23rd of November 2021. There might be contempt of Court proceedings if the Municipality does not comply with the Court Order. The Municipality has taxed the wasted costs occasioned by the Applicant bringing the application out of the incorrect Court.

6. An amount of R70 000.00 was disclosed as a contingent asset due to an applicant (a consumer) filed an urgent application against the respondent for an order to reconnect water supply to the applicant's premises. The matter was opposed and the Court struck the matter from the roll with costs in favour of the municipality. The bill of costs was served on the applicants on the 3rd of June 2022.

Contingency Liabilities - CHDA

1. Tender litigation matter

Ongoing litigation matter in process where applicant (Norland Construction) has challenged the first respondent (CHDA) and second respondent (Siyalima Civils) in a tender award relating to contract number PLB07/20-21 (Xonxa Machibini pipeline and break pressure tank). The applicant is challenging the tender awarded to Siyalima Civils by CHDA and filed for an interdict suspending operations on site. The applicant filed a request for legal review by the high court of Grahamstown, where they are pursuing remedy by being awarded the tender.

The legal review is currently ongoing and Court has as yet not made an award or ruling on the matter. CHDA made attempts to settle with applicant out of Court but motion was declined.

Chris Hani District Municipality

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41. Contingencies (continued)

A contingent liability arises where CHDA anticipates outcome of Court dismissing the remedy sought by the applicant as an internal probity assessment review conducted also confirms that the applicant's bid was non responsive. However due to CHDA's delay in responding to bidder on enquiry of award before commencement of legal processes, it is anticipated that the Court may rule in favour of the applicant, demanding that CHDA settles their legal costs.

A Contingent liability thus arises on an estimated amount of R600 000 in legal fees of which payment date is yet unknown. No anticipated court order for payment of damages or other costs.

2. Tulsaspark- CHDA (Partnership agreement)

Standing contractual agreement between CHDA and Tulsaspark for operations of the DEA funded waste buy back centers. Tulsaspark was appointed as contractor before end June 2022, which has a commitment of R707 000 due and payable by CHDA as contribution at an unknown date, in the future subject to conditions being met. This is thus a contingent liability of R 707 000 in partnership contribution for stipulated % in agreement. There is a resulting contingent asset which is yet undetermined, that will accrue to CHDA on proceeds from the partnership.

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	2022	2021	2022	2021
42. Related parties				
Relationships				
Associates				
Shareholder with joint control				
Mashiya Gcobani				
Somkoko Mvuyeleni				
Mfecane Anita				
Mqamelo Thobeka				
Delubom Lindile				
Memani Thobela Headwell				
Makonza Asanda				
Shasha Mzwamadoda Moses				
Mapatwana Ntombizanele				
Mapatwana Ntombizanele				
Gqodo Zixolisile				
Gobeni Nonelela				
Makwabe Thandisizwe				
Tito Sibongile				
Lucando Bulelani				
Petela Neziwe				
Baatjies Eldridge Denzil				
Nqwemeshe Nomvuyo				
Nkwentsha-Gunuza Lindiwe				
Gcali Atwel Mthetheleli				
Roboji Ncumisa				
Banisi Vuyeka				
Vellem Siyabulela				
Sigenu Bafo				
Mbotoloshi Zukile				
Dywili Mphithizeli Capriot				
Mhleleka Amanda				
Nombulelo Cynthia				
Tembisa Mavis				
Nontoni Angelina				
Bane Zwelikhanyile				
Phumza Patricia				
Songezo Stanley				
Nokuzola				
Mandisa Mavis				
Zukile Sydwell				

KEY MANAGEMENT OF THE MUNICIPALITY HAVE RELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW

Name (Proprietary) Limited
Member in Iziphumo Consulting Solutions; Member in Technical Cross Holdings; Member in Latitoez Food Enterprise; Member in Ikhwezi Lomso Trading and Projects

Member of Jange and Mlungu Civils; Spouse is a member of Kuvula 205 Trading Enterprise

Member in Anitaza Trading
AHLS Investments
Member of Delubom Transport, L Delubom Trading and MTN Zakhane Shares; Spouse is a member of Lulwazi Trading Enterprise and MTN Zakhane Shares

Child is a Member of Vunoleo Building & Civil Youth Construction

100% Membership in Seasons Find 1260 CC; Member of Funumbona Construction & Projects

100% Membership in Safika Rural Development Consultants

Member of Brainwave Project 205
Member of GZ Civil Engineering and Member of FC Builders & Construction
Director of Hi-Lite Development Agency; Member of Ulutho Funerals

50% Membership in Mokoti Construction
Director of Smith Tabata

33% membership in El Shaddai Civil and Building Contractors

Member of Kumbu & Lam Trading Enterprise; Member of Kei Recyclers; Spouse is a member of Cool Ideas 1413 Director in BS Holdings

Director in BS Holdings
Spouse is a member of Liso Security Services & Trading

Member in Lembede Investments Holdings
Sebutha Transport and Catering
Member in Ncura's Marcia Roboji
Member in Angesisa General Trading
Director in Mqanjelwa Initiatives
Member in Nonesi Development
Director in NNL Kembali Financial Solutions
Spouse is a member of K201115430 (Pty) Ltd
Director of Hope Fountain Investment
268CC, Phalethu 0513 Event Management
Member in Buyile No.88 Construction
Member in Kokwenu Bed and Breakfast
Member in Wezi Gqiza Caterer
Member in Mduba General Trading
Director of K201115430 (Pty) (Ltd)
Director of Mesilane Projects
Member of Ubomi Civil Construction Services
Member of Unako Fencing and Construction
Member of Chris Hani Choral Music Association

Chris Hani District Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
42. Related parties (continued)				
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				Member of Amagqika Trading and Enterprise (Pty) (Ltd)
Nonala Anelisa				Director of Nonala Tose Productions
Nkosesizwe Keith				Director of Keith Ngesi Media (Pty) (Ltd)
Yolani Cyprian				Director of My Kyns Services and Suppliers
Vuyo Leratholi				Director of Mangwane na Maqwathi Holdings
Mnyengeza Ntombikayise Prudence				Member of Brainwave Projects 1538 and Valobex 225. Director of Ntomonde RSA Bhungane Transport and Tap Tac Trading
Onela Mbotshane				Member of Destiny Internet Cafer, Director of Sagodola General Trading
Themba Spampoel				Member of MQFS IT Solutions and Telecommunication and Strive Industries, Director of Strive Investments
Ncumisa Ncobo				Member of Isiqalo SNN Consulting Agency and Investment, Director of Sigalosethu Trading
Noxolo Ncede				Member of Divine Watch Protection Construction Agency and Investments, Director of Khetho-Lethu
Them bani Samuel				Director of Likhanji Development Company
Landiwe Tulile Sikhinzi				Director of Kasimmla Industries
Jongumzi Gengani				Member of Four Us By Us Construction and Development, CMZ Tours, Manga-Manga Trading
COUNCILLORS				REFER TO LIST OF COUNCILLORS DISCLOSED UNDER GENERAL INFORMATION. COUNCILLORS OF THE MUNICIPALITY HAVE RELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW:
Mbali Xolela				25% Membership in Amabandla Construction
Dyantyi Sinethemba Reginald				Director and Founding Member of Happy Valley Abattoir Co-operative Limited; Director of Sanelisa Services; Director of Tiholo Entrepreneur Support Centre, 33.34% membership in Imvelo Agencies
Gela Wongama				Director of Ithemba Liyaphilisa Financial Services; Director of Sesinethemba Construction; 10% Membership in Silver Solutions 2978; 20% Membership in Sikhuseluluntu Protection and Training Services; 20% Membership in The Best Mining and Transportation Services; 20% Membership in Urafile Trading
Nyukwana Nomveliso				30% Membership in Lihakazi Construction and Projects
Myataza Saziso				Member of Hluthamhlali Multi-purpose Trading
Venske Robert Wilhelm				50% Sikho Social Development Facilitators
Tshangana Lungisa				50% Sikho Social Development Facilitators
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 Yoyo Trading Enterprise
MR MM SHASHA- SENIOR MANAGER WSA				Spouse/Partner/Associate NOMALIZO MONICA DAMOYI has an interest in BITLINE SA 1060CC

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

42. Related parties (continued)

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

Chris Hani Development Agency	49,792,884	81,465,653
Red Guard Security	-	45,300

Interest paid to (received from) related parties - CHDA

CHDA Operational Grant	22,630,435	29,311,432
CHDM Irrugation Scheme Grant	890,249	6,273,602
CHDM Bursary Fund	-	1,227,135
CHDM Mechanisation Centre Grant	-	3,206,313
CHDM Livestock Improvement Grant	-	2,170,626
CHDM Investment Promotion and SMME Development	-	241,960
CHDM Heritage projects	-	168,690
CHDM Fertiliser blending	-	695,652
CHDM Coal exploration minning	243,008	354,578
CHDM Livestock beef infrastructure	2,086,375	4,856,290
CHDM Biltong	-	1,929,539
CHDM Komani Industrial Park	2,120,167	2,357,685
CHDM Infrastructure Agency Income	16,207,858	2,403,987
CHDM Co-Operative Centre	6,099,999	8,000,000
CHDM Economic Infrastructure	5,668,768	-

The remuneration of key management is disclosed in note 27 and Councilllors in note 28 of the Annual Financial Statement Executive Mayor, Deputy Executive Mayor, Speaker , Chief Whip , Portfolio Chairperson , MPAC and Mayoral Committee Member are full time. Each is provided with an office and secretary or administrator support at the cot of the council Executive Mayor, Deputy Executive MAyor and Speaker have use of a council owned vehicle for official duties.

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

43. Prior period errors - CHDM

1. Inventory

On the preparation of 2022 inventory register it was identified that the adjustment of R6,998 was not affected in the adjusted annual financial statement for 2021. The audited register was correct however the opening balance in the financial system and the annual financial statements was overstated by such restated amount.

2. Prepayment

An amount of R315 675.00 was paid to Eskom for connection during 2016/17. The municipality communicated with Eskom since 2017/18 about the connection and it was found that the project was stopped, and the money was taken to electricity consumption, hence we reversed the prepayment.

3. Receivable from non - exchange transaction

There is no correction of prior period error instead there is a reclassification of R512,90 from payables to receivables from non exchange transaction were there are negative votes in 2021 and in the current year these votes are positive in nature.

4. Receivable from exchange transaction

The municipality took an initiative of correcting the billing information from the system. There was a cleaning campaign of meters in order to bill correct all the meters. There were write offs that were approved by Council. All those implemented project affect the debt book of the municipality and also the debt impairment and billed revenue. After all the movement the prior year error was corrected with the amount of R 36,612,190.00

5. Property Plant and Equipment

Based on the previous year's audit, a few findings were identified on movable assets including:

1. Assets that are full depreciated but still in use
2. Incorrect Classification of Improvements as Repairs and Maintenance

Full execution of a physical verification of all movable assets held by the CHDM was conducted and All assets verified were subject to a condition assessment. Asset registers were reviewed, and the following corrections were made

1. Re- assessed the 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. The Expected Useful Life (EUL) of the asset as stated in the asset management policy is multiplied by the condition factor derived from the condition assigned to the asset during the asset verification process to calculate the remaining useful life.

Corrected the assets that was write off due to an accident on the Transport Category on the register.

	Old TB	New TB	Total
Machinery and Equipment	11 985 250.00	12 089 322.39	104 072.39
Furniture and Office Equipment	7 834 752.00	9 996 623.00	2 161 871.00
Transport assets	54 085 846.00	62 936 506.00	8 850 660.00
Computer Equipment	3 832 110.00	4 045 544.00	213 434.00
TOTAL			11 330 037.39

WIP RESTATEMENTS- Completed Projects transferred to WIP

The completion status of all projects on all the capital grants was reviewed and subsequent to the review of the completion certificates it was identified that the completion dates on the completion certificates received were dated from the prior years. The total amount of these projects was R 19,136,776.89 and this affect the depreciation and accumulated depreciation.

Infrastructure assets require impairment, but were not impaired during the 2020/21 financial year.

The physical review and verification all facility assets were carried out on all CHDM infrastructure assets. The verification process enables assets to be assessed for possible impairment losses and ultimately assets are classified within the pre-defined asset hierarchy, as per the Local Government Capital Asset Guide The data collection application used

Chris Hani District Municipality

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43. Prior period errors - CHDM (continued)

during the verification enables the data collectors to collect spatial information, photos and all other asset data fields as required.

List of assets with an indication for impairment was identified during the filed verification for the current year.

The condition assessment was done and impairment loss reflect R78m for water and R22m for sanitation for current year under review.

The Final FAR for immovable that will be submitted on 31 August 2022 has all the identified assets with the reasons for impairment and calculations for 2022. The basis of using 2022 approach was as per GRAP 3 Paragraph 45-47 state about the limitation of retrospective restatement.

Incorrect Classification of Improvements as Repairs and Maintenance

An analysis of the total population for the repairs and maintenance for the year ended 30 June 2021 was performed and all assets that were previously expensed were capitalised Unspent Conditional Grant

6. Operating lease liability

During 2021 an error was raised on the operating lease liability that the liability is overstated. The investigation was conducted and it was identified that there is a need of correcting the liability raised. 2021 was corrected by R821,818.69 reversed as overstatement of rental. The difference of R1,291,771.31 was corrected against the accumulated surplus for previous years.

7. Payables from Exchange Transactions

During the analysis of payables for 2020/2021, it was noted that an amount of R7 132 073 was understated and corrected by a journal and R512 was a reclassification from Receivables from non-exchange transactions. During the analysis of Retention register for 2020/2021 and general ledger it was identified that an amount of R533,458.00 was paid on the liability vote though it was not raised in the initial stage and the journal was passed to correct the error. The population was conducted based on the payment vouchers of 2021/2022.

8. VAT Payables

The analysis of payment voucher for 2021 was performed and it was identified that there were payments made inclusive of VAT though those service provider were VAT vendors that cause the understatement of VAT and overstatement of expenditure during 2021. There amount was R1,359,500.48 that was corrected as restatement.

9. Unspent Conditional Grant

The municipality was disclosing unspent conditional grant amounting to R33,051,820 2020/21 for unspent dated back from 2005/2006. During the 2020/21 audit the finding the information was submitted in a form of payment vouchers based on the communication made with the previous employee of Chris Hani DM and District Department. Engagement with HOD of the department confirmed and we received the confirmation letter that the Chris Hani District Municipality is not owing the department as per their financial record.

10. Service Charges

The municipality took an initiative of correcting the billing information from the system. There was a cleaning campaign of meter in order to bill correct all the meters. There were write off that was approved by Council. All those changes affect the debt book of the municipality and also the debt impairment and billed revenue which is service charge. After all the movement the prior year error was corrected with the amount of R 42,691,956.00

11. Debt Impairment

During the correction of the billing services it was identified that the previous year calculation was understated and recalculation was performed hence there is a restatement of R79,337,755.00

12. Contracted Services

Chris Hani District Municipality

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	Economic entity		Controlling entity	
Figures in Rand	2022	2021	2022	2021

43. Prior period errors - CHDM (continued)

There were transactions which were incorrectly captured in the accounting records amounting to R687 269.27, inclusive of VAT and misallocation. The whole population from July 2020 until June 2021 was analysed via payment voucher and posted journals to the general ledger to ensure that these payments are recorded in the correctly exclusive of VAT. Then journals have been prepared and processed to correct this expenditure

13. General expense

During 2021/22 the analysis of payment vouchers was performed and there were errors that were identified and payment was made in the current year 2022 which was part of 2021 that cause the understated of payables. The corrections were made amounting to R 4 003 629.06 which includes departmental electricity.

14. Commitments

The error was raised for the projected understatement of R280 279 868,85 which was form part of the omitted CHDA project drought relief project and sitting and drilling. Upon the analysis it was found that sitting and drilling and drought relief were completed during 2020/21 that means no commitment. CHDM Commitments on consultant is only one Consultant identified during the analysis and incorporated in the register. The correction of Consultant that was overstated by R68,253,947 were corrected, Budiling amounting to R3,134,161 and Infrastructure amounting to R204,066,281 that reduce the Commitment of the 2021 with total amount of R275,454,389. CHDA projects was the only understated figure amounting to R182,473,816 which is less from what was projected understatement.

15. Provisions

During the 2021/2022 audit, it was noted that the R2 647 442.89 for Zanamanzi (Pty) Ltd disclosed as the provision is already disclosed as a contingent liability amounting to R23m. The R2.6m is adjusted from the provision in order to be disclosed as a contingent liability.

16. Interest on debtor

During 2021/2022 audit, it was noted that interest on debtors was identified as the retrospective adjustment in line with GRAP 3(45). This limitation was due to prior period error that cannot be corrected by retrospective restatement due to impracticable to determine either the period-specific effects or the cumulative effect of the error in providing the reliable figure due to the manner in which Solar system calculates the interest in debtors and the prioritization used by the system when allocating payments to the oldest debt.

An analysis of the total population for the repairs and maintenance for the year ended 30 June 2021 was performed and all assets that were previously expensed were capitalised

Chris Hani District Municipality

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	2022	2021	2022	2021

43. Prior period errors - CHDM (continued)

Statement of financial position

Inventory	-	(6,998)	-	(6,998)
Prepayment	-	(315,675)	-	(315,675)
Receivable from exchange transactions	-	512	-	512
Property, plant and equipment	-	14,436,906	-	14,436,906
Operating lease liability	-	(2,113,590)	-	(2,113,590)
Payables from exchange transactions	-	(6,436,604)	-	(6,436,604)
VAT Payable	-	(1,359,500)	-	(1,359,500)
Unspent Conditional Grants and Receipts	-	(33,127,556)	-	(33,127,556)
Provision	-	2,647,443	-	2,647,443

Statement of Financial Position	As previously reported	Prior Period Error	Reclassification	Restated as at 30 June 2022
Inventory	13,994,321	(6,998)	-	13,987,323
Prepayment	315,675	(315,675)	-	-
Receivable from non-exchange transactions	25,758,609	-	512	25,759,121
Receivable from exchange transactions	383,543,146	(36,612,190)	-	346,930,956
Property, plant and equipment	4,596,031,694	14,436,906	-	4,610,468,600
Operating lease liability	(2,113,590)	2,113,590	-	-
Payables from exchange transactions	(271,056,313)	(6,436,092)	(512)	(277,492,917)
VAT Payable	(13,029,057)	1,359,500	-	(11,669,557)
Unspent conditional grants and receipts	(82,542,352)	32,911,010	-	(49,631,342)
Provision	(84,122,918)	2,647,443	-	(81,475,475)
Accumulated surplus	(4,661,558,892)	(10,097,494)	-	(4,671,656,386)
	(94,779,677)	-	-	(94,779,677)

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	2022	2021	2022	2021

43. Prior period errors - CHDM (continued)

Statement of financial performance

Service charges	-	42,691,956	-	42,691,956
Government grants and subsidies	-	140,810	-	140,810
Depreciation and amortisation	-	(11,133,458)	-	(11,133,458)
Debt impairment	-	79,337,755	-	79,337,755
Contracted services	-	907,944	-	907,944
General expenses	-	1,229,666	-	1,229,666
Losses on disposal	-	(191,781)	-	(191,781)

	As previously reported	Prior Period Error	Reclassification	Restated as at 30 June 2022
Service charges	370,644,302	42,691,956	-	- 413,336,258
Government grants and subsidies	1,271,181,327	140,810	-	- 1,271,322,137
Depreciation and amortisation	173,632,254	(11,133,458)	-	- 162,498,796
Debt impairment	304,179,614	79,337,755	-	- 383,517,369
Contracted services	184,196,066	907,744	-	- 185,103,810
General expenses	156,145,625	1,229,666	-	- 157,375,291
Losses on disposal	(6,203)	(191,781)	-	- (197,984)
	2,459,972,985	112,982,692	-	- 2,572,955,677

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

43. Prior period errors - CHDM (continued)

Prior period errors - CHDA

1. Receivables from exchange transactions incorrectly included Principal agents, these have now been corrected and removed from receivables. An amount of R 861 729 for DEA receivables was Prior year audit finding on the Agency having incorrectly included principal agents in the receivables amount. Principal agents then had to be removed, and the recalculation from this resulted in this prior error
2. VAT receivable, a journal was passed as an audit adjustment to correct VAT incorrectly accounted for on operational grant.
3. An amount of R 314 was incorrectly captured on the 1st of July when it had been processed on the 30th of June and appeared on the 30th of June on bank statement. The correction of this amount to its correct year resulted in this error.
4. There was a Prior year audit finding on the Agency having incorrectly included principal agents in the payables amount Principal agents then had to be removed, and the recalculation from this resulted in this prior error of R 17 836 912 Payables were not correctly considered as Principal agents were incorrectly accounted for the amount now excludes of principal agents
5. VAT Payable: There was a prior year Audit finding on Operational grant understated by the VAT portion as the amount R1 567 337 initially took into account VAT. A journal was passed from this prior audit year finding (ADJ005/2022) - VAT issue on operational grant
6. Unspent conditional grant incorrectly recorded an amount of R 684 709 that was included in Principal agent amounts and was adjusted to remove these amounts
7. Project income has been corrected with an amount of R 31 545 562 to include CHDM project grants excluding projects where Agency receives and agency fee.
8. Other income was incorrectly overstated by R 5 705 a LGSETA amount that was incorrectly recognised as other income in prior year instead of project income
9. Government grants were understated in prior year with an amount of R 3 780 696 due to incorrect accounting of VAT, a journal was passed as an audit adjustment to correct this issue.
10. Interest and penalties were incorrectly understated by R 633 due to a Sanlam provident fund penalty that was not recorded within that period.
11. Provisions to the amount of R 3 280 996 were incorrectly recorded as Payables in Prior year AFS and now are shown separately and are included in note 11.
12. Investment Property to the value of R 1 384 658 that was purchased in April 2021 for a project has been recorded under CHDA Investment Property as the Title Deed was registered under CHDA and will be transferred once the handovered to the correct recipients.
13. Intangible Assets, the amount R4 028 has been correct due to incorrect recording, FAR for intangible has been included in the file for reference
14. Property Plant and Equipment was revalued in the current year, the revaluation changed the prior year PPE.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Receivables from Exchange Transactions	17,058,710	17,920,439	-	-
VAT Receivables	2,213,408	-	-	-
Cash and cash equivalents	447,580	447,266	-	-
Payables	4,677,803	22,514,715	-	-
VAT payable	-	1,567,337	-	-

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	2022	2021	2022	2021
43. Prior period errors - CHDM (continued)				
Unspent conditional grants	5,899,991	6,584,700	-	-
Provisions	3,280,996	-	-	-
Property Plant and Equipment	32,300,030	19,606,271	-	-
Investment Property	791,233	-	-	-
Intangible Assets	7,627	3,599	-	-
	66,677,378	68,644,327	-	-
Statement of financial performance				
Project income	31,545,562	-	-	-
Other income	2,716,326	2,722,031	-	-
Government grants & subsidies	29,311,432	25,530,646	-	-
Interest and penalties paid	73,317	72,684	-	-
	63,646,637	28,325,361	-	-

44. Risk management - CHDM

Financial risk management

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

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

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

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

Liquidity risk

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

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

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

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

Chris Hani District Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

44. Risk management - CHDM (continued)

Credit risk

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

Credit risk consists mainly of cash deposits, cash equivalents, investments and trade debtors.

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one 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	Economic entity - 2022	Economic entity - 2021	Controlling entity - 2022	Controlling entity - 2021
Cash and cash equivalent	179,603,532	171,668,192	179,299,853	171,220,612

Risk Management - CHDA

Liquidity risk

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

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and years	Over 5 years
At 30 June 2021				
Trade and other payables		R4 667 803		

Credit risk

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

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

Financial instrument	2022	2021	2022	2021
Receivables from exchange transactions	21,798,758	17,121,383	-	-
Cash and cash equivalents	303,679	447,580	-	-
	22,102,437	17,568,963	-	-

45. Going concern

CHDM

We draw attention to the fact that at June 30, 2022, the municipality had an accumulated surplus (deficit) of R 4,949,931,064 and that the municipality's total liabilities exceed its assets by R 4,949,931,064.

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

45. Going concern (continued)

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and the agency.

CHDA

We draw attention to the fact that at 30 June 2022, the entity had an accumulated surplus of R 718 478 and that the entity's total liabilities assets exceed its liabilities by R 27 192 718.

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the entity.

46. Events after the reporting date

LEGAL MATTERS

SUBSEQUENT EVENTS

No subsequent event during 2021/2022 financial year for both entities.

47. Unauthorised expenditure

Unauthorised expenditure - Opening balance	1,009,094,709	752,324,423	1,009,094,709	752,324,423
Current year	284,172,946	392,410,627	284,172,946	392,410,627
Unauthorised expenditure - write-off	(871,407,814)	(135,640,341)	(871,407,814)	(135,640,341)
Closing balance	421,859,841	1,009,094,709	421,859,841	1,009,094,709

During the current year, Council resolved to write off R871 407 814, that is R392 410 627 and further R478 997 187 and remaining R137 686 895 of the old debt was processed in the 2016/2017 adjustment budget. Refer to Council item C629.

48. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - Opening Balance	5,534,552	15,618,668	4,592,090	14,741,541
Current year	4,003,991	573,599	2,842,204	456,109
Department of Labour	-	(9,935,472)	-	(9,935,472)
Amount written off	(4,580,687)	(670,088)	(4,580,687)	(670,088)
Less: Amounts recovered (CHDA)	(600)	(1,229)	-	-
Less: Amount recoverable - prio period (CHDA)	-	(50,926)	-	-
Closing balance	4,957,256	5,534,552	2,853,607	4,592,090

Fruitless and Wasteful expenditure was submitted to council and the council resolved that the MPAC to investigate and report back to Council the outcomes of an investigation. The process of investigation is still on not yet finalised that include the opening balance.

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
49. Irregular expenditure				
Opening balance	8,628,946	422,588,085	4,928,675	422,325,034
Opening balance as restated	8,628,946	422,588,085	4,928,675	422,325,034
Add: Irregular Expenditure - current year	46,593,640	51,601,097	46,593,640	51,601,097
Less: Amount written off	(59,710,186)	(475,225,429)	(59,710,186)	(475,225,429)
Add: Prio year error (overstatement)	-	6,227,973	-	6,227,973
Add: Irregular Expenditure - award in service of the state (CHDA)	-	44,730	-	-
Add: Irregular Expenditure - award to incorrect bidder (CHDA)	-	87,038	-	-
Add: Irregular Expenditure - Unauthorised Expenditure (CHDA)	2,220,166	3,305,452	-	-
Add: Irregular Expenditure - Variation order (CHDA)	9,688	-	-	-
Add: Prior year irregular expenditure	12,785,500	-	12,785,500	-
Irregular expenditure is presented inclusive of VAT	-	-	-	-
Closing balance	10,527,754	8,628,946	4,597,629	4,928,675

Irregular expenditure is presented inclusive of VAT

Additional text Potential Understatement of Irregual Expenditure

A

Declaration of NON-COMPLIANCE should be noted for the Siyalima Civils contract for further investigation (which is already underway through the Final Account preparation processes) because no financial loss was/ has been identified yet on delivered services even through the IA Review / Due diligence Report which was noted by the Board for further investigation and contract termination

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
49. Irregular expenditure (continued)				
Analysis of irregular expenditure - current year				
1. Contract exceeded its duration and the scope of work was extended without following proper processes of section 116 of the MFMA	42,384,578	-	-	-
2. The supplier was awarded 20 point for BBEE even though the certificated submitted stated that the supplier status is non-complicated	179,917	-	-	-
3. The Municipality did not ensure that remuneration to senior managers is in line with the approved Government Gazette	4,029,144	-	-	-
	46,593,639	-	-	-

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021
49. Irregular expenditure (continued)				
Details of irregular expenditure - Prior year				
1. Contract exceeded its duration and the scope of work was extended without 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	-	-	-

Additional details on prior year irregular expenditure

1. Transaction made in contravention of SCM Regulations 43 (1) & (2)	-	-	-	608,621
2. Transaction made in contravention of section 112 of the MFMA	-	-	-	110,000
3. Transaction made in contraction of SCM Regulation 44	-	-	-	86,409
4. Transaction made in contravention of Government Gazzette paragraph 7 & 8	-	-	-	2,405,371
5. Management contracted security services on month -to month basis splitting the contract values to lesser value	-	-	-	9,575,099
	-	-	-	12,785,500

An amount of R59 710 186 has been table to Council and referred to MPAC for investaigation. SCM unit has submitted or provided information to MPAC for investigation. Council resolved in write-off of the Irregular Expenditure amounting to R59 710 186 as irrecoverable. Additional text

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	2022	2021	2022	2021

50. Additional disclosure in terms of Municipal Finance Management Act

SALGA

Opening balance	3,973,765	3,918,770	3,973,765	3,918,770
Current year subscription / fee	(3,973,765)	(3,918,770)	(3,973,765)	(3,918,770)
	-	-	-	-

Audit fees

Opening balance	5,973,957	-	3,612,659	-
Current year subscription / fee	11,632,673	11,871,944	9,372,558	9,510,646
Amount paid - current year	(9,372,558)	(5,897,987)	(9,372,558)	(5,897,987)
	8,234,072	5,973,957	3,612,659	3,612,659

PAYE and UIF

Current year subscription / fee	63,714,202	50,037,998	63,714,202	50,037,998
Amount paid - current year	(63,714,202)	(50,037,998)	(63,714,202)	(50,037,998)
	-	-	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	52,891,807	39,892,750	52,891,807	39,892,750
Amount paid - current year	(52,891,807)	(39,892,750)	(52,891,807)	(39,892,750)
	-	-	-	-

51. Water Distribution Losses

Water Losses	93,097,878	75,315,069	93,097,878	75,315,069
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The municipality incurred water distribution losses in the current year estimated at 36,20% of 8 253 358 units amounting to R 93 097 878

The municipality incurred water distribution losses in the previous year estimated at 31.41% of 6 941 481 units amounting to R75 315069.

52. 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 2022

	Technical Services	Total
Clause 36(1)(a)(ii) Emergency	2,868,793	2,868,793

53. Segment information

General information

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Figures in Rand	Economic entity		Controlling entity	
	2022	2021	2022	2021

53. Budget differences (continued)

Identification of segments

The municipality is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

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

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Segment 1	Water and Sanitation

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

53. Budget differences (continued)

Segment surplus or deficit, assets and liabilities

Controlling entity - 2022

	Water and Sanitation	Total
Revenue		
Revenue from non-exchange transactions	657,903,638	657,903,638
Revenue from exchange transactions	369,105,158	369,105,158
Interest revenue - on debtors	94,589,300	94,589,300
Total segment revenue	1,121,598,096	1,121,598,096
Entity's revenue		1,121,598,096
Expenditure		
Depreciation and amortisation	140,814,714	140,814,714
Material items of expense	99,898,261	99,898,261
Material items on non-cash items	435,842,031	435,842,031
Total segment expenditure	676,555,006	676,555,006
Total segmental surplus/(deficit)		445,043,090
Assets		
Segment assets	589,937,188	589,937,188
Total assets as per Statement of financial Position		589,937,188
Liabilities		
Segment liabilities	203,370,422	203,370,422
Total liabilities as per Statement of financial Position		203,370,422

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

Controlling entity - 2021

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Figures in Rand

53. Budget differences (continued)

	Water and Sanitation	Total
Revenue		
Revenue from non-exchange transactions	612,698,220	612,698,220
Revenue from exchange transactions	370,644,302	370,644,302
Interest revenue - on debtors	62,769,124	62,769,124
Total segment revenue	1,046,111,646	1,046,111,646
Entity's revenue		1,046,111,646
Expenditure		
Depreciation and Amortisation	156,156,070	156,156,070
Material items of Expense	127,183,320	127,183,320
Material items on Non-Cash items	312,423,936	312,423,936
Total segment expenditure	595,763,326	595,763,326
Total segmental surplus/(deficit)		450,348,320
Assets		
Segment assets	496,380,637	496,380,637
Total assets as per Statement of financial Position		496,380,637
Liabilities		
Segment liabilities	148,740,649	148,740,649
Total liabilities as per Statement of financial Position		148,740,649

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

54. Budget differences

Material differences between budget and actual amounts

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54. Budget differences (continued)

CHDM

Revenue:

1. Service charges: The variance is less than 5%, however the variance is as a result of the billing fluctuations from month to month.
2. Other Income: The other income is as a result of the VAT recoveries that were recovered from the work performed by the appointed service provider when assisting the municipality on the VAT recoveries and VAT Reviews monthly. Therefore, the municipality has received the VAT receipts for the period of July 2021 to 30 June 2022. The amount is included in the bank balances under the CRR bank account
3. Interest Income : The interest were as a result of the interest charged on the debtors for over due accounts. Furthermore, the other interest were for the investments earned from the bank balance. Moreover, the over recoveries were also as a result of the changes in the prime interest rates during the 2021/22 financial year. Judging from the interest hikes, it increased from 7% on the 18 September 2021 to 8.25% on the 19 May 2022. Surely from these the billing impact on the interest on debtors would have then increased.
4. Gains on disposal of assets: The auction was planned within the 2021/22 financial year and the actual date for the auction took place in September 2022. Hence the under recovery on the gains
5. Government Grants and subsidies: The under recovery was as a result of the grant withholding of RBIG and the unspent that were applied for a rollover as well as the recognition criteria.

Expenditure

1. Employee related costs : The over expenditures were as a result of the overtime, standby, actuarial valuations assessed at year end and provision for performance bonus.
2. Remuneration of Councillors: This is a result of the budgetary figures on certain allowances and the impact of the increase of public bearers.
3. Depreciation and amortization: Although the variance is immaterial, however this is as a result of the certain assets being recorded at year end. This is aligned as far as possible to be aligned to the budget hence the small variance.
4. Debt Impairment: The debt impairment is over spent due to the budgetary challenges when budgeting for debt impairment, which is influenced by the collection rate and strategies that are put in place to maximise and optimise the municipal revenues. Amongst of the strategies envisaged was the implementation of the SMART and prepaid water meters that would have yielded more revenues and therefore, reduce the debt impairment. The SMART metering is to be implemented as from October 2022 going forward. This will also be influenced by the change in the culture of non-payment by consumers within the CHDM area.
5. Finance Cost: The increase of finance cost is affected by the interest charge by Eskom and Telkom. During the current year which is 2021/22 the local municipality charge interest to the district on the late payment hence there is high increase.
6. Bulk Purchase: The bulk purchases over spent due budgetary challenges where our schemes were completed during the year and as a result more water was purchased which resulted into a more expenditure. The adjustment budget is permissible once in a financial year, whereas some of our schemes are completed after the adjustment budget therefore any upwards budget for the water purchases can be effected in the next budget cycle.
7. Contracted services: This is a result of the underspending on the outsourced services such consultation fees, VIP toilets and sanitation, repairs and maintenance and professional fees as well as quality control expenditures. These are influenced by numerous factors such slow pace on the expenditure, completion of the works by service providers, delays on the availability of materials from service providers, lead time it takes for the service to be completed.
8. Transfers and subsidies: This expenditure is a result of the expenditure line items that related to the management fees paid over to CHDA for the project managed by the entity. These expenditures were dependent on the completion of the

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	2022	2021	2022	2021

54. Budget differences (continued)

capital projects in order to ascertain the full quantum of the management fees due to the entity. This is also due to VIP toilet sanitation projects that could be spent at year end as also reflected in the rollover application since the municipality received a further trench on the WSIG in March 2022.

9. General expenses: The over spending is as a result of over expenditures on telephone, e-fuel, asset threshold, audit costs, computer expenditures, departmental electricity accruals from local municipalities, vehicle tracking and Subsistence and travel. Some of these expenditures are influenced by the escalations of prices due economic changes, the departmental electricity charged by municipalities and invoices submitted late in the 2021/22 financial year. also the changes in fuel prices. Although this situation, the municipality is strictly implementing cost containment regulations and are monitored monthly for the line item expenditure that are controllable as overheads.

10. Loss on disposal of assets and liabilities:

11. Actuarial gains / losses:

CHDA

1. Project Income

The difference is due to four project costs that are overspending at the end of the financial year.

2. Tender Fees

There were no issued Tenders for the 2021/2022 Financial year. The Panel of contractors that were used were tenders from previous years

3. Other Income

The difference is due to receiving Agency fees for CHDM Infrastructure that was higher than budgeted for

4. Government Grants

The difference is due to VAT as the Parent Municipality includes VAT in their Budget.

5. Personnel

Difference is due to the exit of two senior personnel in the last quarter of 2021-2022

6. Interest and Penalties

This is due to Cashflow problems of the entity where interest is charged by various suppliers for late payment and Penalties from SARS and Sanlam for late or no payment

7. Project Cost Internal

This is due to Anticipated projects not moving as desired for the current financial year.