



CHRIS HANI
DISTRICT MUNICIPALITY
SUSTAINING GROWTH
THROUGH OUR PEOPLE

Chris Hani District Municipality
Annual Financial Statements
for the year ended June 30, 2023

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

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: J. Cengani: Speaker from 30/11/2021
Cllr: Nobantu Macingwane: Chief Whip from 30/11/2021
Cllr. S. Nxosi: Portfolio Head - Budget & Treasury Office from 30/11/2021 until 21 February 2023
Cllr. L. Sizani: Portfolio Head - Budget & Treasury Office from 01 June 2023
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 until 30 April 2023
Cllr. N.F. Papiyana: Portfolio Head - Intergrated Planning & Economic Development from 23 May 2023
Cllr. T. Bobo: Portfolio Head - Special Programmes Unit from 30/11/2021
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
Cllr: M.P. Oyiya
Cllr: U. Galada
Cllr: N.T. Mqgamqho
Cllr: N. Biko
Cllr: N. Cetman
Cllr: Z.N.E. Ralane
Cllr: N. Sitofile
Cllr: N.S. Mdumata

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General Information

	Cllr: N. Nomfombo
	Cllr: F.M. Mthandeki
	Cllr: S. Mkhunqe
	Cllr: R. Venske
	Cllr: S.H. Nobongoza
	Cllr: S. Maratana
	Cllr: S. Mthimkhulu
	llr: S. Mandela
	Cllr: N. Ndlebe
	Cllr: U.S. Mzandisi
	Cllr: V. Filana
	Cllr: X. Kani
	Cllr: Z. Simawo
	Cllr. S. Nxози
	Cllr. B. Simina
	Cllr. N. Mngqanqeni
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
Attorneys	McWilliams & Elliott Incorporated Clark Laing Inc

Chris Hani District Municipality

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

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Abbreviations used:

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

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Officer's Responsibilities and Approval

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

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

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

As the Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, 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 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, 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

Although I am primarily responsible for the financial affairs of the municipality, I am supported by the municipality's external 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 22 & 23 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 are responsible for independently reviewing and reporting on the municipality's Annual Financial Statements.

The Annual Financial Statements set out on page 5 to 98, which have been prepared on the going concern basis, were approved by the Accounting Officer on August 31, 2023 and were signed on its behalf by:

Mr. G. Mashiyi
Accounting Officer

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Financial Position as at June 30, 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	8	13,638,893	19,721,037
Receivables from non-exchange transactions	9	78,044,103	58,370,019
Prepayments		1,707,796	-
Receivables from exchange transactions	10	428,698,419	371,204,525
Cash and cash equivalents	11	105,677,729	179,299,853
		627,766,940	628,595,434
Non-Current Assets			
Property, plant and equipment	3	5,445,906,059	4,941,305,861
Intangible assets	4	3,554,159	118,510
Heritage assets	6	962,961	962,961
Investments in controlled entities	5	1,500,000	1,500,000
		5,451,923,179	4,943,887,332
Total Assets		6,079,690,119	5,572,482,766
Liabilities			
Current Liabilities			
Operating lease liability	7	178,532	-
Payables from exchange transactions	14	347,125,024	301,430,353
VAT payable	47	60,296,695	12,315,193
Consumer deposits	13	904,417	772,165
Employee benefit obligation	12	5,388,000	4,994,000
Unspent conditional grants and receipts	15	32,502,714	15,883,897
Provisions	46	81,475,475	81,475,475
		527,870,857	416,871,083
Non-Current Liabilities			
Employee benefit obligation	12	77,660,000	71,852,000
Total Liabilities		605,530,857	488,723,083
Net Assets		5,474,159,262	5,083,759,683
Accumulated surplus	16	5,474,159,262	5,083,759,683
Total Net Assets		5,474,159,262	5,083,759,683

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	425,660,540	385,929,104
Other income	19	473,345	867,450
Interest received - investment	20	179,650,977	94,778,972
Total revenue from exchange transactions		605,784,862	481,575,526
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	21	1,502,542,738	1,308,020,166
Total revenue	17	2,108,327,600	1,789,595,692
Expenditure			
Employee related costs	22	(394,559,702)	(385,487,615)
Remuneration of councillors	23	(12,541,962)	(12,426,220)
Depreciation and amortisation	24	(156,733,437)	(154,795,604)
Finance costs	25	(491,909)	(2,842,204)
Debt Impairment	26	(405,017,000)	350,090,631
Bad debts written off	26	(86,657,478)	-
Inventory Consumed - Water	27	(127,839,324)	(115,687,007)
Contracted services	28	(220,818,477)	(205,108,344)
Transfers and Subsidies	29	(65,447,271)	(80,286,881)
General Expenses	30	(112,868,713)	(114,316,249)
Total expenditure		(1,582,975,273)	(720,859,493)
Operating surplus		525,352,327	1,068,736,199
Loss on disposal of assets and liabilities		(4,399,978)	(559,029)
Actuarial gains/losses	12	8,484,000	15,116,155
Impairment loss	48	(32,110,258)	(100,556,328)
		(28,026,236)	(85,999,202)
Surplus for the year		497,326,091	982,736,997

Chris Hani District Municipality

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Balance at July 1, 2021	4,137,136,534	4,137,136,534
Changes in net assets		
Prior period error	(36,113,848)	(36,113,848)
Net income (losses) recognised directly in net assets	(36,113,848)	(36,113,848)
Surplus for the year	982,736,997	982,736,997
Total recognised income and expenses for the year	946,623,149	946,623,149
Total changes	946,623,149	946,623,149
Restated* Balance at July 1, 2022	5,083,759,683	5,083,759,683
Changes in net assets		
Prior year adjustments	(106,926,512)	(106,926,512)
Net income (losses) recognised directly in net assets	(106,926,512)	(106,926,512)
Surplus for the year	497,326,091	497,326,091
Total recognised income and expenses for the year	390,399,579	390,399,579
Total changes	390,399,579	390,399,579
Balance at June 30, 2023	5,474,159,262	5,474,159,262
Note(s)		

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		24,059,803	766,928,898
Grants		1,519,161,555	1,274,272,721
Interest income		16,903,843	10,594,121
		<u>1,560,125,201</u>	<u>2,051,795,740</u>
Payments			
Employee costs		(390,070,054)	(381,778,768)
Suppliers		(356,236,489)	(415,209,143)
Finance costs		(491,909)	(2,842,204)
Transfers and subsidies		(65,447,271)	(80,286,881)
		<u>(812,245,723)</u>	<u>(880,116,996)</u>
Net cash flows from operating activities	31	<u>747,879,478</u>	<u>1,171,678,744</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(820,373,965)	(1,162,952,287)
Proceeds from sale of property, plant and equipment	3	3,169,114	315,745
Purchase of other intangible assets	4	(4,296,751)	-
Purchase of heritage assets	6	-	(962,961)
		<u>(821,501,602)</u>	<u>(1,163,599,503)</u>
Net cash flows from investing activities		<u>(821,501,602)</u>	<u>(1,163,599,503)</u>
Net increase/(decrease) in cash and cash equivalents		(73,622,124)	8,079,241
Cash and cash equivalents at the beginning of the year		179,299,853	171,220,612
Cash and cash equivalents at the end of the year	11	<u>105,677,729</u>	<u>179,299,853</u>

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Annual Financial Statements for the year ended June 30, 2023

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
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	387,219,000	20,000,000	407,219,000	425,660,540	18,441,540	Note 51
Other income	262,119,883	-	262,119,883	473,345	(261,646,538)	Note 51
Interest income	94,519,000	40,407,000	134,926,000	179,650,977	44,724,977	Note 51
Gains on disposal of assets	3,120,000	-	3,120,000	-	(3,120,000)	Note 51
Total revenue from exchange transactions	746,977,883	60,407,000	807,384,883	605,784,862	(201,600,021)	

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	1,269,903,000	249,844,349	1,519,747,349	1,502,542,738	(17,204,611)	Note 51
Total revenue	2,016,880,883	310,251,349	2,327,132,232	2,108,327,600	(218,804,632)	

Expenditure

Personnel	(400,535,000)	10,046,000	(390,489,000)	(394,559,702)	(4,070,702)	Note 51
Remuneration of councillors	(12,715,000)	-	(12,715,000)	(12,541,962)	173,038	Note 51
Depreciation and amortisation	(180,000,000)	-	(180,000,000)	(156,733,437)	23,266,563	Note 51
Impairment loss/ Reversal of impairments	-	-	-	(32,110,258)	(32,110,258)	Note 51
Bulk purchases	(27,700,000)	621,000	(27,079,000)	-	27,079,000	
Finance costs	(530,000)	153,000	(377,000)	(491,909)	(114,909)	Note 51
Debt Impairment	(227,391,000)	10,000,000	(217,391,000)	(405,017,000)	(187,626,000)	Note 51
Bad debts written off	-	-	-	(86,657,478)	(86,657,478)	
Inventory - water consumed	(15,484,000)	(7,719,000)	(23,203,000)	(127,839,324)	(104,636,324)	Note 51
Contracted Services	(241,544,000)	(5,846,000)	(247,390,000)	(220,818,477)	26,571,523	Note 51
Transfers and Subsidies	(70,500,000)	17,054,000	(53,446,000)	(65,447,271)	(12,001,271)	Note 51
General Expenses	(142,776,000)	(12,386,000)	(155,162,000)	(112,868,713)	42,293,287	Note 51
Total expenditure	(1,319,175,000)	11,923,000	(1,307,252,000)	(1,615,085,531)	(307,833,531)	

Operating surplus

Loss on disposal of assets and liabilities	-	-	-	(4,399,978)	(4,399,978)	Note 51
Actuarial gains/losses	-	-	-	8,484,000	8,484,000	Note 51
	-	-	-	4,084,022	4,084,022	

Surplus before taxation

Surplus before taxation	697,705,883	322,174,349	1,019,880,232	497,326,091	(522,554,141)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	697,705,883	322,174,349	1,019,880,232	497,326,091	(522,554,141)	

Reconciliation

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1. Presentation of Third Quarter Financial Statement

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

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

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

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

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

Summary of significant accounting policies

These standards are summarised as follows

Reference	Description
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets

Chris Hani District Municipality

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Accounting Policies

GRAP 20	Related Party Disclosures
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangements:Grantor
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources
IFRS 4	Insurance contracts
IAS12	Income taxes
IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue
IGRAP 2	Changes in Existing Decommissioning Restoration and Similar Liabilities
IGRAP 3	Determining Whether an Arrangement Contains a Lease
IGRAP 16	Intangible Assets – Website Costs
IGRAP 20	Accounting for Adjustments to Revenue
Directive 5	GRAP Reporting Framework
Guideline	The Application of Materiality to Financial Statements

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

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

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality.

All figures have been rounded off to the nearest rand.

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.2 Going concern assumption

These Annual Financial Statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months

1.3 Materiality

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

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

1.4 Comparative figures

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

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

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

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

Allowance for slow moving, damaged and obsolete stock

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

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Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. .

Provisions

The municipality recognises provision in terms of GRAP 19 paragraph 21 that states,
A provision shall be recognise when:

- (a) an entity has a present obligation (legal or constructive) as a result of a past event
- (b) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation

Based on the above (b) and (c), the municipality decided to disclose the provision though there is currently uncertainty on how long it would take to resolve the dispute as it involves the Department of Labour and this is dependent on the outcome of the engagement process. This provision is a liability of uncertain timing or amount. Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included under the note 47 - Provisions..

Useful lives of waste and water network and other assets

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

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Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

Effective interest rate

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

Allowance for doubtful debts

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

1.6 Property, plant and equipment

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

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

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

Initial recognition and measurement

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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Accounting Policies

1.6 Property, plant and equipment (continued)

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.

Subsequent measurement - Cost model

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

Depreciation

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

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

Item	Depreciation method	Average useful life
Land	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
Infrastructure -Water	Straight-line	
Roads	Straight-line	3-100 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
WIP-Sanitation	Straight-line	5-15 years

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

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

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

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

Derecognition

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

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

Repairs and Maintenance

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

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

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

Initial Recognition

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

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

Subsequent Measurement

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

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

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

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Accounting Policies

1.7 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

Amortisation and Impairment

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

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

Derecognition

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of 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 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

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

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

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

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

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.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Chris Hani District Municipality

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Accounting Policies

1.8 Heritage assets (continued)

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 6).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset 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 a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

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.

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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.

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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 transaction	Financial asset measured at amortised cost
Investments	Financial asset measured at fair value
Cash and cash equivalents	Financial asset measured at fair value

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

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

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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 value is recognised in surplus or deficit.

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

Impairment and uncollectibility of financial assets

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

Chris Hani District Municipality

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Accounting Policies

1.9 Financial instruments (continued)

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

Presentation

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

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

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Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

Policies relating to specific financial instruments

Trade and other receivables

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

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

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

Trade and other payables

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

Cash and Cash equivalents

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

1.10 Leases

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

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

Operating leases - lessor

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

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

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

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

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

Chris Hani District Municipality

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Accounting Policies

1.10 Leases (continued)

Operating leases - lessee

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

1.11 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.

Some inventories may be allocated to other assets accounts, for example, inventory used as a component of self-constructed property, plant or equipment. Inventories allocated to other assets in this way are recognized as an expense during the useful life of that asset.

Water Inventory

Chris Hani District Municipality

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Accounting Policies

1.11 Inventories (continued)

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

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discount and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, in so far as it is stored and controlled in reservoirs at year-end.

Recognition and measurement of Water Inventory

Water Inventory shall be measured on lower of cost determined at weighted average basis and net realisable value except where GRAP 12 PARAGRAPH .18 Applies

Acquisitions of water stock should include the following:

- Bulk purchases - Supply from bulk or other water service
- providers recognised by the amount paid Water purified - Potble supply from Water Treatment Works..
- Natural sources - Supply from boreholes, springs, fountain if not supplied through the water treatment plant.
- Water stock at year end also includes any water purification costs incurred for non-purchased water. The cost of water purchased and not yet sold at reporting comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the municipality from the taxing authorities, such as VAT) and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Importantly, trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

Chris Hani District Municipality

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Chris Hani District Municipality

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Chris Hani District Municipality

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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 municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

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

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

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Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.14 Share capital / contributed capital

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

1.15 Employee benefits

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

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

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

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

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

Chris Hani District Municipality

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Accounting Policies

1.15 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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

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

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.

Chris Hani District Municipality

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Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

Chris Hani District Municipality

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Accounting Policies

1.15 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Chris Hani District Municipality

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Accounting Policies

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.16 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

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

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

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

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

Chris Hani District Municipality

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Accounting Policies

1.17 Revenue from exchange transactions

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

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

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

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

Measurement

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

Sale of goods

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

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

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.

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.17 Revenue from exchange transactions (continued)

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.

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

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

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

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

Chris Hani District Municipality

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Accounting Policies

1.18 Revenue from non-exchange transactions

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Transfers

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

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

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

Fines

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

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

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

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

1.19 Conditional grants and receipts

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

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

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 Internal reserves

Capital replacement reserve (CRR)

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

1.23 Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the South African Revenue Services is included as part of receivables or payables in the Statement of Financial Position. However, the municipality has registered with SARS, for Value Added Tax purposes on the payments basis. This means that VAT is declared or claimed to / from SARS when the payment has been made in respect of VAT Input and when the funds have been received in respect of VAT Output. The difference resulting from timing of declarations to SARS are recognised as an asset or liability depending on the net balance

1.24 Commitments

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

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

1.25 Unauthorised expenditure

Unauthorised expenditure means:

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.25 Unauthorised expenditure (continued)

- 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.

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

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

1.26 Fruitless and wasteful expenditure

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

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

1.27 Irregular expenditure

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

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

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

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

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

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

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

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.28 Use of estimates

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

1.29 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.30 Budget information

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

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

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

The approved budget covers the fiscal period from 01/07/2022 to 30/06/2023.

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

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

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

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.31 Related parties

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

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

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

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

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

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

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

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

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

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

1.32 Transfer of functions between entities under common control

Definitions

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

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

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

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

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

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

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

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

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

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

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

Identifying the acquirer and transferor

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

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

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

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

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

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

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Accounting Policies

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

Accounting by the entity as acquirer

Initial recognition and measurement

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

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

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

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

Measurement period

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

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

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

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

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

Subsequent measurement

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

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

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

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Policies

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

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

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

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

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

1.33 Events after reporting date

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

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

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

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

1.34 Investments in controlled entities

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

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

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

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated mid-year financial statements, are accounted for in the same way in the controlling entity's separate third quarter financial statements.

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

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

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

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

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

Notes to the Annual Financial Statements

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Figures in Rand

2023

2022

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:
Amendments to GRAP 1 on Presentation of Financial Statements	April 1, 2023	Early adoption amendments
Amendments to GRAP 1 (Presentation of Financial Statements amendments)	April 1, 2023	Early adoption amendments (per Standard)
Guideline on Accounting for Landfill Sites	Effective date of Improvement to GRAP 17 on Property, Plant and Equipment	
GRAP 104 on Financial Instruments	April 1, 2025	Early adoption of entire Standard permitted
GRAP 25 on Employee Benefits	Proposed April 1, 2023 (Likely April 1, 2024)	Early adoption of entire Standard permitted
IGRAP 21 The Effect of past decision on Materiality	April 1, 2023	Early adoption arrangements

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 July 1, 2023 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	April 1, 2023	Unlikely there will be a material impact.
GRAP 103 - Heritage Assets	April 1, 2023	Unlikely there will be a material impact.
GRAP 104 - Financial Instruments	April 1, 2023	Unlikely there will be a material impact.

Chris Hani District Municipality

Financial Statements for the period ended March 31, 2023

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2023			2022		
	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	85,445,341	(20,094,472)	65,350,869	85,331,341	(17,129,701)	68,201,640
Plant and machinery	21,737,537	(12,618,504)	9,119,033	20,339,435	(10,468,146)	9,871,289
Furniture and fixtures	24,421,695	(18,084,809)	6,336,886	23,958,519	(16,133,911)	7,824,608
Motor vehicles	103,510,371	(48,366,007)	55,144,364	98,790,740	(32,567,691)	66,223,049
IT equipment	17,668,315	(9,755,578)	7,912,737	14,171,586	(8,100,936)	6,070,650
Infrastructure	4,881,702,114	(1,637,378,386)	3,244,323,728	4,713,195,551	(1,458,309,411)	3,254,886,140
Sanitation Infrastructure	476,927,140	(235,673,851)	241,253,289	476,927,140	(223,736,771)	253,190,369
Community asset	16,165,013	(288,631)	15,876,382	16,165,013	-	16,165,013
Roads Infrastructure	13,684,165	(4,215,051)	9,469,114	13,684,165	(3,784,637)	9,899,528
WIP - building	8,276,046	-	8,276,046	8,276,046	-	8,276,046
WIP - sanitation	230,969,067	-	230,969,067	205,773,988	-	205,773,988
WIP - water	1,521,528,644	-	1,521,528,644	1,004,577,641	-	1,004,577,641
Total	7,432,381,348	(1,986,475,289)	5,445,906,059	6,711,537,065	(1,770,231,204)	4,941,305,861

Chris Hani District Municipality

Financial Statements for the period ended March 31, 2023

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	30,345,900	-	-	-	-	-	-	30,345,900
Buildings	68,201,640	114,000	-	-	-	(2,964,771)	-	65,350,869
Machinery and Equipment	9,871,289	1,398,102	(204,716)	-	-	(1,945,642)	-	9,119,033
Furniture and Office Equipment	7,824,608	475,664	(2,376)	-	-	(1,961,010)	-	6,336,886
Transport Assets	66,223,049	5,892,238	(7,341,430)	-	-	(8,457,614)	(1,171,879)	55,144,364
Computer Equipment	6,070,650	3,564,096	(20,570)	-	-	(1,701,439)	-	7,912,737
Infrastructure: Water	3,254,886,140	2,529,645	-	156,712,751	-	(140,051,649)	(29,753,159)	3,244,323,728
Infrastructure: Sanitation	253,190,369	-	-	-	-	(10,744,892)	(1,192,188)	241,253,289
Community asset	16,165,013	-	-	-	-	(288,631)	-	15,876,382
Infrastructure: Roads	9,899,528	-	-	-	-	(430,414)	-	9,469,114
WIP - Buildings	8,276,046	-	-	-	-	-	-	8,276,046
WIP - Sanitation	205,773,988	25,195,079	-	-	-	-	-	230,969,067
WIP - Water	-	-	-	-	-	-	-	-
WIP - Water	1,004,577,641	673,663,755	-	-	(156,712,752)	-	-	1,521,528,644
	4,941,305,861	712,832,579	(7,569,092)	156,712,751	(156,712,752)	(168,546,062)	(32,117,226)	5,445,906,059

During 2023 the property, plant and equipment depreciation is R168,426,405 (2022 R160,476,688).as per the asset registers in note 3. On the statement of financial performance, the depreciation is less because of water inventory consumed calculated as per GRAP 12 relating to water infrastructure assets amounting to R13,295,570 (2022 R5,396,802) which reduced the depreciation on the face of the statemnet of financial performance

Chris Hani District Municipality

Financial Statements for the period ended March 31, 2023

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	30,345,900	-	-	-	-	-	30,345,900
Buildings	71,081,299	-	-	-	(2,879,659)	-	68,201,640
Plant and machinery	11,963,164	648,385	(553,403)	-	(2,186,857)	-	9,871,289
Furniture and office equipment	9,996,623	55,281	-	-	(2,227,296)	-	7,824,608
Transport assets	70,191,750	5,401,834	(150,891)	-	(9,219,644)	-	66,223,049
Computer equipment	4,045,560	3,854,710	(170,480)	-	(1,659,140)	-	6,070,650
Infrastructure: Water	3,099,791,447	363,558,572	-	-	(130,463,669)	(78,000,210)	3,254,886,140
Infrastructure: Sanitation	286,981,431	-	-	-	(11,234,944)	(22,556,118)	253,190,369
Other property, plant and equipment	-	16,165,013	-	-	-	-	16,165,013
Infrastructure: Roads	10,329,942	-	-	-	(430,414)	-	9,899,528
WIP - Buildings	8,276,046	-	-	-	-	-	8,276,046
WIP - Sanitation	203,287,948	32,111,677	-	(29,625,637)	-	-	205,773,988
WIP - Water	815,392,834	548,613,781	-	(359,428,974)	-	-	1,004,577,641
	4,621,683,944	970,409,253	(874,774)	(389,054,611)	(160,301,623)	(100,556,328)	4,941,305,861

Pledged as security

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

Chris Hani District Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2023 2022

3. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

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

Repairs and maintenance	59,899,560	42,961,210
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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 description	Expected Completion Date before Extension	Reasons	Amount per WIP Register 30 June 2023
07/2018-2019/MD(TN)	ENGCOCO NEW 2MI/ DAY WASTE WATER TREATMENT WORKS PHASE 1 AND OUTFALL SEWER	3/6/2021	The contractor fail to execute the project due to cashflow problems and inexperience personnel on site to implement the project. Notice of termination was issued to the contractor and the contractor after the notice submitted a proposal to remediate 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

Chris Hani District Municipality

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Notes to the Annual Financial Statements

Figures in Rand		2023	2022
3. Property, plant and equipment (continued)			
08/2018/MD(TN)	CLUSTER 4 WATER SUPPLY BACKLOG ERADICATION : KWAMZOLA AND MATAFENI-B WATER SUPPLY	15/01/2021	33 066 459,28
			Contractor failed to implement the project due to financial capacity It also failed to submit on time the letter of intent to claim for extension 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
11/2019-2020/MS(BN)	GUBENXA AND MAXONGOSHOEK VILLAGES RURAL WATER SUPPLY SCHEME	31/03/2021	15 310 455,39
			Contractor is terminated
27/2020-2021/LG(TN)	CLUSTER6 WATER BACKLOG: CONSTRUCTION OF A BULK LINK LINE FROM SITHOLENI WATER TREATMENT WORKS TO LOKSHINI COMMAND RESEVIOR	4/23/2021	17 385 432,2
			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
29/2016/MD(TN)	UPGRADE OF TSOMO WATER WASTE TREATMENT WORKS: CIVIL MECHANICAL AND INSTRUMENTATION WORK	30/05/2019	84 205 816,91
			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

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand		2023	2022
3. Property, plant and equipment (continued)			
CHD007325	Cobosi Drought relief p	- 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. Contract terminated	2 625 681,10
51/2016/MD(BL)	Upgrading of the Water Reticulation at Polar Park Elliot Phase 4		
37/2010/MD(AM)	Refurbishment & Upgrading of Water and Sewer Infrastructure in Ilinge	PSP was terminated not yet resolved	
51/2014/MD(BL)	Cala Bulk Sanitation Services Upgrading of Cala WWTW including Bulk Pump Stations and Associated Rising Mains-Phase 1	Contract terminated	
10/2018/MD(BN)	CHDM Water Supply Backlog Cluster 4 Northern Scheme; Primary Mains and 1.8ML Reservoir from Sikungwini to Lady Frere and Upper Ndonga	Contract terminated	
37/2016/MD(TN)	CHDM Water Supply Backlog Cluster 2 Phase 3; Water Supply to Tsakana, Kwagcina, Emanuneni, Guse, Qungu, Kwadlomo, Nyongwana, Khalana and Dayimane	Project done by CHDA	
CHD007325	Nkomfeni Drought relie	- 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

Financial Statements for the period ended March 31, 2023

Notes to the Annual Financial Statements

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4. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	12,141,366	(8,587,207)	3,554,159	7,844,616	(7,726,106)	118,510

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software, other	118,510	4,296,750	(861,101)	3,554,159

Reconciliation of intangible assets - 2022

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

Pledged as security

There are no intangible assets that are pledged as security:

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand				2023	2022
5. Interests in other entities					
Investments in controlled entities					
Name of company	Held by	% ownership interest 2023	% ownership interest 2022	Carrying amount 2023	Carrying amount 2022
Chris Hani Development Agency		100.00 %	100.00 %	1,500,000	1,500,000
				<u>1,500,000</u>	<u>1,500,000</u>
				1,500,000	1,500,000

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

Chris Hani Development Agency

The district municipality has a 100% shareholding in Chris Hani Development Agency. The purpose of the municipal entity is to carry out the promotion and implementation of the local economic development initiatives and investment promotion in Chris Hani District. the municipal entity was fully operational during the 12 months and all contributions made by the district municipality were treated as Transfers and Subsidies paid, refer to Note 29

Chris Hani District Municipality

Financial Statements for the period ended March 31, 2023

Notes to the Annual Financial Statements

Figures in Rand

6. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Statue	962,961	-	962,961	962,961	-	962,961

Reconciliation of heritage assets 2023

	Opening balance	Total
Statue	962,961	962,961

Reconciliation of heritage assets 2022

	Opening balance	Total
Statue	962,961	962,961

7. Operating lease asset (liability)

Current liabilities	(178,532)	-
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Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
8. Inventories		
Inventory stores	12,947,853	19,204,339
Water for distribution	691,040	516,698
	13,638,893	19,721,037

8.1 Inventory Reconciliation

Stationery	241,182	90,126
Cleaning Material	52,517	64,461
Water & Fittings	12,654,154	19,049,752
Water Inventory	691,040	516,699
	13,638,893	19,721,038

9. Receivables from non-exchange transactions

Sundry receivables - Roadworks subsidy	6,427,679	6,427,679
Local Municipalities	2,000,004	2,000,004
Rental and Eskom service deposits	15,631,410	14,668,242
RBIG	6,862,227	6,862,227
Other Debtors	1,189,269	931,796
DHS Emergency Housing	1,211,903	1,211,903
WSIG	7,446,896	-
MIG	37,274,715	26,268,168
	78,044,103	58,370,019

**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 Municipalities	2,000,004	2,000,004
Rental and Eskom service deposits	15,631,410	14,668,242
DHS Emergency Housing	1,211,903	1,211,903
Other Debtors	1,780,507	1,096,772
MIG	37,274,715	26,268,168
RBIG	6,862,227	6,862,227
WSIG	7,446,896	-
	78,635,341	58,534,995

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

9. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

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

Sundry receivables - Roadworks subsidy**	6,427,679	6,427,679
Local Municipalities	2,000,004	2,000,004
Rental and Eskom service deposits	15,631,410	14,668,242
DHS Emergency Housing	1,211,903	1,211,903
Other Debtors	1,780,507	1,096,772
MIG	37,274,715	26,268,168
RBIG	6,862,227	6,862,227
WSIG	7,446,896	-
	78,635,341	58,534,995

Receivables from non-exchange transactions impaired

As of June 30, 2023, other receivables from non-exchange transactions of R78 635 341 (2022: R58 534 995) were past due and assessed for impairment per GRAP 104 but not impaired.

10. Receivables from exchange transactions

Gross balances

Water	2,006,489,435	1,607,158,643
Sewerage	422,300,680	351,874,117
Sundry Debtors	2,622,705	2,596,214
	2,431,412,820	1,961,628,974

Less: Allowance for impairment

Water	(1,630,535,467)	(1,283,141,739)
Sewerage	(369,587,443)	(304,714,443)
Sundry Debtors	(2,591,491)	(2,568,267)
	(2,002,714,401)	(1,590,424,449)

Net balance

Water	375,953,968	324,016,904
Sewerage	52,713,237	47,159,674
Sundry Debtors	31,214	27,947
	428,698,419	371,204,525

Water

Current (0 -30 days)	121,582,683	156,074,585
31 - 60 days	83,688,276	108,685,919
61 - 90 days	40,626,000	33,879,244
91 - 120 days	39,906,787	30,231,086
121 - 365 days	452,991,620	242,347,244
> 365 days	1,268,760,921	1,035,940,565
Impairment allowance	(1,630,535,467)	(1,283,141,739)
	377,020,820	324,016,904

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
10. Receivables from exchange transactions (continued)		
Sewerage		
Current (0 -30 days)	14,148,196	13,717,710
31 - 60 days	17,057,072	14,055,332
61 - 90 days	8,292,566	6,952,309
91 - 120 days	8,193,398	6,675,836
121 - 365 days	63,020,795	54,994,575
> 365 days	311,588,654	255,478,355
Impairment allowance	(369,587,443)	(304,714,443)
	52,713,238	47,159,674
Sundry Debtors		
Current (0 -30 days)	9,232	12,921
31 - 60 days	10,295	11,668
61 - 90 days	2,596	5,000
91 - 120 days	2,596	3,745
121 - 365 days	46,950	17,304
> 365 days	2,551,036	2,545,575
Impairment allowance	(2,591,491)	(2,568,267)
	31,214	27,946
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1,590,424,448)	(2,083,086,295)
Contributions to allowance	(412,289,952)	492,661,847
	(2,002,714,400)	(1,590,424,448)

Note explaining that it was impractical to go beyond 2022 as per GRAP Standards for interest on debtors.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4,200	4,200
Bank balances	4,770,394	(71,535,339)
Short-term deposits	100,903,135	250,830,992
	105,677,729	179,299,853

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

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023			2022		
11. Cash and cash equivalents (continued)						
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2023	June 30, 2022	June 30, 2021
First National Bank - Current Account - 62002510693	5,767,535	7,383,886	22,652,807	4,745,659	(71,372,408)	21,433,512
First National Bank - Call Account - 62004499481	101,635	109,866	132,631	101,635	109,866	132,631
First National Bank - Call Account - 62190652521 (CRR)	8,499,950	114,427,826	30,237,960	8,499,950	114,427,826	30,237,960
First National Bank - Call Account - 62187939784	2,854,800	2,120,213	54,397	2,854,800	2,120,213	54,397
First National Bank - Call Account - 62187936532 (National)	28,623,237	42,168,950	14,642,214	28,623,237	42,168,950	14,642,214
First National Bank - Call Account - 62187938538 (Provincial)	988,841	65,625	346,190	988,841	65,625	346,190
First National Bank - Public Sector - Cheque Account - 62610267602	405,901	235,095	284,116	24,735	(162,932)	(82,117)
First National Bank - Public Sector - Cheque Account - 62868460363 (EPWP)	922,564	578	114,731	922,564	578	114,731
First National Bank - Call Account - 62868467418 (RBIG)	48,905,606	87,712,796	104,336,894	48,905,606	87,712,796	104,336,894
First National Bank - Call Account - 62896975201 (MDRG)	10,006,501	4,225,198	-	10,006,501	4,225,138	-
Cash on hand	-	-	-	4,200	4,200	4,200
Total	107,076,570	258,450,033	172,801,940	105,677,728	179,299,852	171,220,612

The municipality is reflecting a favorable cashbook of R4,745,659 though the bank statement is reflecting favorable balance of R5,767,534.80 the variance is caused by debtors receipts not updated amounting to R823,509.82 and unallocated deposit of R198,365.98. The cashbook in bank 7 reflects R24 735 though the bank statement reflects R405 901. The variance is caused by the deposit not receipted at month end amounting to R15 082.54 and unreconciling difference amounting to R366 083.92

12. 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	56,759,000	55,212,000
Present value of the defined benefit obligation-partly or wholly funded	26,289,000	21,634,000
	83,048,000	76,846,000
Non-current liabilities	(77,660,000)	(71,852,000)
Current liabilities	(5,388,000)	(4,994,000)
	(83,048,000)	(76,846,000)

[Provide a brief description of the link between the reimbursement right(s) and the related obligation]

The fair value of plan assets includes:

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
12. Employee benefit obligations (continued)		
Changes in the present value of the post Medical benefit obligation are as follows:		
Opening balance	55,212,000	60,606,717
Benefits paid	-	-
Net expense recognised in the statement of financial performance	1,547,000	(5,394,717)
	56,759,000	55,212,000
Net expense recognised in the statement of financial performance		
Current service cost	3,442,000	4,426,136
Interest cost	6,443,000	6,742,523
Actuarial (gains) losses	(6,522,804)	(15,240,376)
Policy changes	-	(1,323,000)
Benefits paid	(1,815,196)	-
	1,547,000	(5,394,717)
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Obligation	(6,522,804)	(15,240,376)
Actuarial (gains) losses – Plan assets	-	(1,323,000)
	(6,522,804)	(16,563,376)
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	12.54 %	11.29 %
Expected rate of return on assets	8.14 %	8.46 %
Actual return on reimbursement rights	4.07 %	3.13 %

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand 2023 2022

12. Employee benefit obligations (continued)

Long Service Awards Liability

The municipal operates an undefine benefit plan for all its employees under the plan, a long service award is payable after 5 years of continuous services, 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.

Reconcillation of long service awards- June 2023	Opening balance	Additions	Utilised during the year	Total
Long service awards	- 21,634,000	9,158,000	(4,503,000)	26,289,000

Reconcillation of long service awards- June 2022	Opening balance	Additions	Utilised during the year	Total
Long service awards	- 16,945,898	7,911,029	(3,222,927)	21,634,000

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by 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 2023, 780 (2022, 798) employees were eligible for the Long Service Awards.

The current service cost for the year ending 30 June 2023 was estimated to be R3 037 226 whereas the cost of the ensuing year is estimated to be R2 600 000 and R2 938 000

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 5.54% was obtained from the differential between market yields on index-linked premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $(1+11.26\%-0.50\%)/(1+4.94\%)-1$.

Thus, a general earnings inflation rate of 6.54% 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 4.43%. It was assumed that the next general earnings increase will take place on 1 July 2024.

Discount rate	11.26%
Normal salary increase	6.54%
Net effective discount rate	4.43%

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

Opening balance	21,634,000	16,945,898
Current year service cost	2,600,000	2,037,226
Interest cost	2,201,000	1,203,655
Benefits paid	(3,118,183)	(3,222,927)
Actuarial losses	(1,384,817)	4,670,148
Addition of pro-rata LSA	4,357,000	-
	26,289,000	21,634,000

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

Present value of the long service awards wholly unfunded	27,991,244	21,634,000
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Net expense recognised in the statement of financial performance

Current service cost	2,600,000	2,037,226
Interest cost	2,201,000	1,203,655
Actuarial losses	(1,384,817)	1,447,221

Chris Hani District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
12. Employee benefit obligations (continued)		
Addition of pro-rata LSA	4,357,000	-
	7,773,183	4,688,102
Long Service Awards liability		
Medical contribution subsidies	1,815,196	1,734,000
Current portion of long service awards	3,118,183	3,260,000
	4,933,379	4,994,000
13. Consumer deposits		
Water	904,417	772,165
14. Payables from exchange transactions		
Trade payables	152,675,661	157,310,220
Payments received in advanced	17,065,177	13,176,189
Retentions	115,847,046	72,746,224
Bonus provisions	9,674,897	10,933,799
Accrued leave pay	20,516,757	16,912,245
Deposits received	8,335	8,335
Other payables	31,337,151	30,343,341
	347,125,024	301,430,353
15. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Provincial; MIG	-	(10)
Municipal Disaster Grant	11,055,000	-
National; EPWP	-	185,021
National; Regional Bulk Infrastructure Grant (RBIG)	21,047,543	-
National: Finance Management Grant	-	(1,485)
Municipal Disaster Covid-19	-	75,741
National; Department of Transport- Rural Road Asset Mgt Grant	400,172	371
National; WSIG	-	14,050,770
National; MWIG	(1)	-
Municipal Disaster Recovery Grant	-	1,573,489
	32,502,714	15,883,897

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

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

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

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
16. Accumulated surplus		
Accumulated surplus - 2023		
	Accumulated Surplus	Total
Opening balance	5,083,759,683	5,083,759,683
Surplus	497,326,091	497,326,091
Correction of prior year error	(106,926,512)	(106,926,512)
	5,474,159,262	5,474,159,262
Accumulated surplus - 2022		
	Accumulated Surplus	Total
Opening balance	4,137,136,534	4,137,136,534
Surplus	982,736,997	982,736,997
Prior period error	(36,113,848)	(36,113,848)
	5,083,759,683	5,083,759,683
17. Revenue		
Service charges	425,660,540	385,929,104
Other income	473,345	867,450
Interest received - investment	179,650,977	94,778,972
Government grants & subsidies	1,502,542,738	1,308,020,166
	2,108,327,600	1,789,595,692
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	425,660,540	385,929,104
Other income	473,345	867,450
Interest received - investment	179,650,977	94,778,972
	605,784,862	481,575,526
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	1,502,542,738	1,308,020,166
18. Service charges		
Service charges	80,663	1,930
Sale of water	358,799,978	317,880,877
Sewerage and sanitation charges	66,779,899	68,046,297
	425,660,540	385,929,104
19. Other income		
Staff recoveries (Telephone)	1,000	50,239
Tender documents	78,609	433,433
VAT on Conditional Grant	621	32
Sundry receipts	393,115	383,746
	473,345	867,450

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
20. Interest income		
Interest revenue		
Bank	284,272	189,672
Interest - investments	16,619,571	10,404,449
Interest - debtors	162,747,134	84,184,851
	179,650,977	94,778,972

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
21. Government grants & subsidies		
Operating grants		
Equitable share	654,460,000	600,621,000
Finance Management Grant	1,000,000	1,000,000
Municipal Infrastructure Grant Operational EPWP	41,980,426	44,408,004
Rural Road Asset Management Grant	3,630,000	3,838,001
LG SETA	3,704,828	3,299,736
WSIG Operational	676,559	641,028
	6,541,221	12,108,525
	711,993,034	665,916,294
Capital grants		
Municipal Infrastructure Grant	419,533,801	286,061,929
Water Services Infrastructure Grant	80,156,444	76,841,192
Regional Bulk Infrastructure Grant	290,859,459	275,774,240
Municipal Disaster Recovery Grant	-	3,426,511
	790,549,704	642,103,872
	1,502,542,738	1,308,020,166
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
.		
National; Municipal infrastructure Grant		
Balance unspent at beginning of year	-	60,152
Current-year receipts	450,451,000	304,343,000
Conditions met - transferred to revenue	(461,457,547)	(330,671,320)
Transfer to debtor	11,006,547	26,268,168
	-	-
LG SETA		
Current-year receipts	676,559	641,028
Conditions met - transferred to revenue	(676,559)	(641,028)
	-	-
National : EPWP		
Balance unspent at beginning of year	(185,020)	(185,020)
Current-year receipts	3,630,000	3,838,000
Conditions met - transferred to revenue	(3,630,000)	(3,838,000)
Re-payment of unspent	185,020	-
	-	(185,020)
National :Finance Management Grant		
Balance unspent at beginning of year	-	706
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,706)
	-	-

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
21. Government grants & subsidies (continued)		
Conditions still to be met - remain liabilities (see note 15).		
Provide explanations of conditions still to be met and other relevant information.		
Municipal Disaster grant		
Balance unspent at beginning of year	75,741	75,741
Re-payment of unspent	(75,741)	-
	-	75,741
Conditions still to be met - remain liabilities (see note 15).		
National : DOT-Rural Road Asset Management Grant		
Balance unspent at beginning of year	371	108
Current-year receipts	4,105,000	3,300,000
Conditions met - transferred to revenue	(3,704,828)	(3,299,737)
Re-payment of unspent	(371)	-
	400,172	371
Conditions still to be met - remain liabilities (see note 15).		
National; Regional Bulk Infrastructure Grant		
Balance unspent at beginning of year	-	49,259,319
Current-year receipts	311,907,000	220,268,000
Conditions met - transferred to revenue	(290,859,459)	(275,774,241)
Other	-	(615,305)
Transfer to Debtor	1	6,862,227
	21,047,542	-
Conditions still to be met - remain liabilities (see note 15).		
Provide explanations of conditions still to be met and other relevant information.		
Water service Infrastructure Grant		
Balance unspent at beginning of year	14,050,770	51,003
Current-year receipts	65,200,000	103,000,000
Conditions met - transferred to revenue	(86,697,665)	(89,000,233)
Transfer to debtor	7,446,895	-
	-	14,050,770
Conditions still to be met - remain liabilities (see note 15).		
Provide explanations of conditions still to be met and other relevant information.		
Municipal Disaster Recovery Grant		
Balance unspent at beginning of year	1,573,489	-
Current-year receipts	-	5,000,000
Conditions met - transferred to revenue	-	(3,426,511)
Re-payment of unspent	(1,573,489)	-
	-	1,573,489

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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21. Government grants & subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

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

Municipal Disaster Grant

Current-year receipts	11,055,000	-
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Conditions still to be met - remain liabilities (see note 15).

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

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
22. Employee related costs		
Basic	235,063,253	224,153,121
Bonus	19,968,025	18,200,882
Medical aid - company contributions	28,667,091	29,215,477
UIF	1,713,541	1,742,169
Leave pay provision charge	5,248,970	7,965,072
Industrial Council Levies	100,679	98,172
Travel, motor car, accommodation, subsistence and other allowances	30,015,705	27,860,322
Overtime payments	9,697,373	13,205,561
Long-service awards	7,919,183	6,463,806
Housing benefits and allowances	1,607,827	1,450,112
Pension Fund Contribution	40,913,749	37,099,979
Group Life Insurance	2,197,802	1,991,682
	383,113,198	369,446,355

Remuneration of municipal manager- G. Mashiyi

Annual Remuneration	1,565,457	1,413,372
Car and other allowances	590,471	614,905
Performance Bonuses	120,654	335,978
Contributions to UIF, Medical and Pension Funds	2,255	256,532
Other	547,317	114,908
Other	-	124
	2,826,154	2,735,819

Remuneration of chief finance officer- C. Mapeyi

Annual Remuneration	1,185,626	1,057,197
Car and other allowances	546,690	531,450
Performance Bonuses	90,249	263,112
Contributions to UIF, Medical and Pension Funds	59,399	236,777
Other	194,937	10,616
Other	-	43,329
	2,076,901	2,142,481

Remuneration of executive director; Corporate Services - Y. Matakane- Dakuse

Annual Remuneration	523,508	1,197,153
Car and other allowances	180,633	475,770
Performance Bonuses	76,437	287,219
Contributions to UIF, Medical and Pension Funds	99,473	269,309
Other	21,716	12,005
Other	-	97,330
	901,767	2,338,786

Director Corporate Services - Y Matakane - Dakuse resigned in September 2022. Thokozani Skefile-Jaxa (Manager Corporate Services) acted as Director Corporate Services from October 2022 to March 2023 and appointed as a Director from April 2023

Remuneration of Director; Health Services - N Mnyengeza

Annual Remuneration	1,185,686	1,057,197
Car and other allowances	553,573	507,956
Performance Bonuses	90,249	256,860
Contributions to UIF, Medical and Pension Funds	235,914	229,436
Other	-	40,124

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
22. Employee related costs (continued)	2,065,422	2,091,573
Remuneration of Former Director: Integrated Planning and Development - Z. Shasha		
Annual Remuneration	-	881,567
Car and other allowances	-	352,580
Performance Bonuses	-	218,891
Contributions to UIF, Medical and Pension Funds	-	193,353
Other	-	8,842
Service Bonus	-	96,346
	-	1,751,579
Remuneration of Director; Integrated Planning and Development - Z. M. Duze		
Annual Remuneration	1,125,201	281,293
Car and other allowances	516,609	102,862
Performance Bonuses	64,051	65,635
Contributions to UIF, Medical and Pension Funds	203,634	51,164
Other	36,382	10,030
Other	-	31
	1,945,877	511,015
Remuneration of Director; Strategic Services - B. Mthembu		
Annual Remuneration	-	1,094,957
Car Allowance	-	447,338
Performance Bonuses	-	270,966
Contributions to UIF, Medical and Pension Funds	-	251,545
Other	-	113
Other	-	97,330
	-	2,162,249
Remuneration of Acting Director: Strategic Services - B. Ganyaza	123,769	42,497
Remuneration of Director; Technical Services - L. Govu / M. Shasha		
Annual Remuneration	649,688	1,185,057
Car and other allowances	224,220	481,319
Performance Bonuses	84,257	283,409
Contributions to UIF, Medical and Pension Funds	126,485	215,436
Other	225,675	46,192
Other	-	96,346
	1,310,325	2,307,759
Remuneration of Acting Director: Technical Services - M. Shasha	108,120	62,20

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
23. Remuneration of councillors		
Executive Mayor	1,119,207	1,045,805
Deputy Executive Mayor	903,523	837,362
Mayoral Committee Members	4,295,598	4,501,133
Speaker	903,523	842,686
Councillors	3,644,627	3,587,909
Chief Whip	849,604	792,406
Sec 79 Chair	825,880	818,919
	12,541,962	12,426,220

In-kind benefits

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

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

The Deputy Mayor and Speaker utilises separate Council owned vehicles for official duties.

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

24. Depreciation and amortisation

Property, plant and equipment	155,872,335	154,653,422
Intangible assets	861,102	142,182
	156,733,437	154,795,604

During 2023 the property, plant and equipment depreciation is R168,426,405 (2022 R160,476,688). as per the asset registers in note 3. On the statement of financial performance, the depreciation is less because of water inventory consumed calculated as per GRAP 12 relating to water infrastructure assets amounting to R13,295,570 (2022 R5,396,802) which reduced the depreciation on the face of the statement of financial performance

25. Finance costs

Interest cost	491,909	2,842,204
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26. Debt impairment and Bad debts

Debt impairment	405,017,000	(350,090,631)
Bad debts written off	86,657,478	-
	491,674,478	(350,090,631)

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
27. Inventory Consumed - Water		
Water	127,839,324	115,687,007
Inventory consumed - water reconciliation		
Bulk Purchase	25,765,945	38,715,646
Electricity	48,870,759	42,900,016
Employee cost - WTW	24,109,373	21,534,014
Chemicals	15,975,846	7,403,573
Depreciation	13,295,570	5,396,802
	128,017,493	115,950,051
Water reconciliation represents the input costs capitalised to the inventory control account.		
28. Contracted services		
Presented previously		
Outsourced services	32,528,012	32,324,813
Repairs and Maintenance	59,899,560	42,961,210
Consultants and professional fees	40,070,123	50,906,745
Other Contractors	88,320,782	78,915,576
Contractors	220,818,477	205,108,344
29. Transfer and subsidies		
Other subsidies		
CHDM Choral Music Association	100,000	-
Engcobo Subsidy	-	1,856,946
VIP Toilets	29,275,320	45,288,215
Chris Hani Development Agency	36,071,951	33,141,720
	65,447,271	80,286,881

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
30. General expenses		
Advertising	887,840	1,367,286
Auditors remuneration	8,154,532	9,372,558
Bank charges	4,376,552	1,762,793
Computer expenses	16,887,571	20,937,158
Consulting and professional fees	-	3,847
Consumables	4,059,253	2,260,975
Entertainment	375,736	305,526
Insurance	1,994,987	3,310,013
Education & Marketing	85,180	324,880
Motor vehicle expenses	1,746,749	3,319,811
Fuel and oil	35,094,004	22,771,466
Postage and courier	1,030	2,028
Printing and stationery	1,045,278	1,172,530
Protective clothing	935,152	878,619
Staff welfare	703,455	569,145
Subscriptions and membership fees	3,951,295	3,714,509
Telephone and fax	3,123,444	3,228,308
Travel - local	7,576,764	5,793,947
Assets expensed	2,798,964	2,890,997
Electricity	182,649	4,235,194
Rates	-	412,195
Water	12,095	12,789
Refuse	3,739	236,986
Sewerage	390	279
Study Assistance Reimbursements	-	32,617
Communication	171,108	97,597
Indigent Subsidy	8,529,730	16,514,793
Chemicals	-	(1)
Skills Development Levy	3,401,116	3,273,230
Operating Leases	6,770,100	5,514,174
	112,868,713	114,316,249
31. Cash generated from operations		
Surplus	497,326,091	982,736,997
Adjustments for:		
Depreciation and amortisation	170,029,007	160,192,406
Gain on sale of assets and liabilities	4,399,978	559,029
Impairment deficit	32,110,258	100,556,328
Debt impairment	405,017,000	(350,090,631)
Bad debts written off	86,657,478	-
Movements in retirement benefit assets and liabilities	14,686,000	14,409,540
Actuarial gains/losses	(8,484,000)	(15,116,155)
Interest on debtors	162,747,134	84,184,851
Changes in working capital:		
Inventories	6,082,144	(5,733,714)
Receivables from exchange transactions	(711,915,506)	241,632,211
Other receivables from non-exchange transactions	(19,674,084)	(32,610,898)
Prepayments	(1,707,796)	-
Payables from exchange transactions	45,694,671	23,937,436
VAT	47,981,502	645,636
Unspent conditional grants and receipts	16,618,817	(33,747,445)
Consumer deposits	132,252	123,153
Operating Lease Liability	178,532	-
	747,879,478	1,171,678,744

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
32. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	577,965,680	975,455,043
• Building	158,424,331	158,424,331
• CHDA Projects	143,920,939	228,440,426
• Consultants	-	1,836,394
	880,310,950	1,364,156,194
Total capital commitments		
Already contracted for but not provided for	880,310,950	1,364,156,194
<p>This committed expenditure relates to property, plant and equipment and will be financed by Infrastructure Grants (Municipal Infrastructure Grant, Regional Bulk Infrastructure Grant and Water Infrastructure Grant) as well as available bank facilities, accumulated surplus..</p>		
Total commitments		
Authorised capital expenditure	880,310,950	1,364,156,194

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
33. Contingencies		
Comtingent liabilities		
The municipality is party to the following litigation matters.		
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Litigations		
Sally McKenzie case. 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. Pre-trial minute was filed. The Plaintiff's Attorneys have not filed further papers. However, the Defendant's discovery will need to be supplemented and consultation is required with the 2nd Defendant to strengthen the defense. In the interim, the Attorneys have requested an Accident Report from the Queenstown Police Station and have been following up on same.	80,000	80,000
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	60,000	300,000
Norland is a contractor rendering a Construction in Molteno Water Works. They Summoned against the Municipality payment of an amount of R 300 000.00 for the services rendered well as standing occasioned by the contractor which was unable to continue with work at termination of consultant. The official's relevant department acknowledges amount owed. Municipality in engaging the contractor on settling the amount and foregoing standing time.	300,000	-
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 and is partly heard for further hearing in May 2023. The matter was heard and the application was dismissed with costs. The matter has now been set down to commence, by arrangement between Advocate Beyleveld SC, Advocate Ford SC and Judge Eksteen, on 28 August 2023 it will be heard at Makhanda High Court. The Attorneys are to consult with client in preparation for the trial.	8,600,000	8,600,000
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 WSSA claims an amount for services rendered, stock sold and other operational & maintenance related costs. Matter has been defended. The 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 favor of the normal litigation process. The pleadings have closed. The matter went on a trial in October and finalized in November 2022. The court ruled against the Municipality. The judgment debt has been paid in full and the Plaintiff are preparing to send the matter for taxation in respect of costs.	-	410,000
Telkom still needs to substantiate claim. Matter is ready for trial. A special plea of failure to adhere with the Inter governmental Relations Framework Act. The matters might be combined if the Court allows such an application.	1,061,125	17,700,000
	110,000	110,000

Chris Hani District Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
33. Contingencies (continued)		
AM Putter case. 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. The Attorneys for the Municipality appointed Advocate Beyleveld SC to provide an opinion on the furtherance of the matter herein. He provided an opinion advising that the Attorneys write a letter to the attorneys for the plaintiff, putting them on terms of their non-compliance of Rule 41(1) which allows for "the withdrawal of an action any time before the matter has been set down and thereafter by consent of the parties or leave of the court" and requesting that they tender costs, failing which an application for an order for payment. On a face-to-face consultation with the Municipality at Queenstown in March 2023, the Attorneys informed the Municipality of the above events And Counsel's Opinion. Costs will be pursued.	320,000	320,000
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
Element Consulting Engineers (PTY)LTD, is suing the Municipality for a capital claim of an amount R 3 481 997,42 for 1st claim R1 456 841,229 New Rathwick Project (2010); Molteno Project (April 2012) 2nd claim amounting to R1 827 115,47 and The Emergency Housing Project (December 2017) amount R198 040,73. The Municipality has filed a notice of intention to oppose. Part A of the application is to have the contract between the Municipality and Element Consulting Engineers reviewed and set aside on the grounds that it is not in compliance with legal prescripts, the contract is open ended and the contract is beyond its validity date. Part B is an application to have the claim against the Municipality for services rendered put bon hold pending the finalisation of part A of the Application. The matter is still on pleadings stage.	4,000,000	-
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. The Municipality has approached the Labour Court in view to review the decision. The attorney is instructed to follow up. Judgment was handed down on 15 February 2023 and the order is in favour of the Municipality stating that the dismissal of Dr Sambumbu was substantively and procedurally fair. On 18 April 2023, attorneys for Municipality received a notice of application of leave to appeal to the Labour Appeal court and the condonation application thereto. The application was forwarded to Municipality for further instructions and the Municipality requested a Memo on merits of the application and the Municipal's prospects of success. The Memo was filed by Adv Kroon SC. The Municipality instructed the attorneys to file opposing papers and answering affidavit. We are currently awaiting for a directive from the Judge.	1,365,380	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 in August 2021. No further steps taken by the Plaintiff. 2nd defendant recently filed Special Plea and plea.	170,000	170,000

Chris Hani District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
33. 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. Consultation is to take place.	320,000	320,000
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 Pre-trial proceedings have commenced.	250,000	250,000
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
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. . Due to the fact that the Plaintiff has been silent the attorneys have proceeded with requesting the discovery from the plaintiff.	80,000	80,000
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. The case was settled in 2021/2022 financial year.	-	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. Unfortunately, the DWS has continued with the litigation process against Intsika Yethu Municipality, an action that makes litigation to subsist.	9,000,000	9,000,000
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. Pleadings have closed. Defendant has filed Discovery affidavit. No further action by Plaintiff.	25,000,000	25,000,000
M. Ngqoyiya case. 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

Chris Hani District Municipality

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33. 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
Agric EC. 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. Affidavit received from applicant on 14/04/2023 regarding the status of the project. Parties will meet on 8 August 2023 to discuss possible settlement of the matter.	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
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
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. The applicants served the supplemented affidavit and received the respondents' s answering affidavit thereto. The applicant further filed its replying affidavit . The request for a trial date has been filed. The court file has been indexed and paginated awaiting a date.	3,700,000	3,700,000
Mac Mkhunyana Investments (Pty) Ltd case. The Applicant filed application against respondents that applications non-complaint with the court relating to and time period condoned, that the respondent is interdicted from intention to interrupt water supply to applicant. Application granted In favour of the Applicant with no order for specific performance . The matter remains dormant as there is no action taken by applicant.	50,000	50,000
Rolfe Industrial Holdings. The Applicant filled application against respondents that applications non-compliant with the court relating to and time period condoned, that the respondent is u=interdicted to interrupt water supply to Applicant. Application granted in favour of the Applicant with no order for specific performance.	80,000	80,000
Mfuraa Projects and General case. 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 defendant has filed the Discovery Affidavit as required by Plaintiff. Settlement negotiations to follow once discovered documentation is considered.	28,000,000	28,000,000

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33. Contingencies (continued)		
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. An order was made in terms of Notice of motion and the Municipality is to pay the costs of the application. Bills were taxed and forwarded to the Municipality for payment and payment was made.	-	200,000
N. Hememe case. 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. The matter is defended. No further action taken by plaintiff.	-	100,000
SRK consulting claims an amount of R223 922.30 from CHDM for the alleged additional professional services rendered. The Municipality entered an appearance to defend. The Plaintiff has filed its discovery notices. The matter is still on discovery stage.	243,922	243,922
Diphatse Trading and Projects case. The applicant interdicts the implementation of a newly awarded infrastructure contract on the basis that there is still a pending matter before the court. The matter has been opposed and it is still to be heard before the court. The matter was withdrawn o 5 July 2022 by the applicant. The cost order was awarded in favour of the municipality.	-	200,000
Lukhozi Construction Engineers entered into a contract with the Municipality for Professional services. The scope of works was extended but no new agreement was entered into. The contracts were terminated in 2021 and the Plaintiff did not oppose termination, however claimed a 10% of the outstanding contract amount as per extension of scope. The Municipality is defending the matter on the grounds that the Plaintiff has been paid all the amount due and payable to the as per the contract. And any extension of scope, if any is invalid as it does not fall within the legal prescripts. The application for review of that decision has been made. The matter is on pleadings stage.	1,000,000	-
N. Fumbeza case. An employee is dismissed for gross dereliction of duty and gross negligence. The matter is referred to arbitration for the alleged Unfair/ Unlawful Dismissal. The matter proceeded on the 08th and the 09th of March 2022. The parties agreed on the 6th of April 2023 that the matter convene, and it is still pending. The attorneys for the Municipality have requested that the matter be set down for hearing and awaiting date from Labour Court.	80,000	-
Sanele Sisusa case. The municipality as the 1st +Defendant in the matter relating to a motor vehicle accident that occurred between CHDM employee and the plaintiff, He is claiming for damages that were the result of the collusion. The municipality is defending the matter on the grounds that the Applicant was the one negligent and caused the accident. The matter is on Pleadings stage.	75,000	-
S. Ngxenyane case. The applicant issued summons against the municipality seeking declaration order of failure to provide portable drinkable water to the applicants communal taps be declared constitutional in terms section 27 of the constitution of republic of SA further that the municipality facilitate expedite supply of clean and purified water to applicants communal taps. The matter is defended and pleadings not yet closed. The Municipality will apply that the matters be consolidated when the time comes.	100,000	-
N. Dintsi case. The applicant issued summons against the municipality seeking declaration order of failure to provide portable drinkable water to the applicants communal taps be declared constitutional in terms section 27 of the constitution of republic of SA further that the municipality facilitate expedite supply of clean and purified water to applicants communal taps. The Municipality is defending the matter and is on pleadings stage.	100,000	-

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Figures in Rand	2023	2022
33. Contingencies (continued)		
V. Makhamba case. The applicant issued summons against the municipality seeking declaration order of failure to provide portable drinkable water to the applicants communal taps be declared constitutional in terms section 27 of the constitution of republic of SA further that the municipality facilitate expedite supply of clean and purified water to applicants communal taps. The matter is defended and on pleadings stage	100,000	-
W. Nkewana case. The applicant issued summons against the municipality seeking declaration order of failure to provide portable drinkable water to the applicants' communal taps be declared constitutional in terms section 27 of the constitution of republic of SA further that the municipality facilitate expedite supply of clean and purified water to applicants communal taps. The matter is defended and on pleadings stage	100,000	-
Y. Ngxothelwa case. The applicant issued summons against the municipality seeking declaration order of failure to provide portable drinkable water to the applicants The applicant issued summons against the municipality seeking declaration order of failure to provide portable drinkable water to the applicants communal taps be declared constitutional in terms section 27 of the constitution of republic of SA further that the municipality facilitate expedite supply of clean and purified water to applicants communal taps. The matter is defended and on pleadings stage.	100,000	-
M. Nozwembile case. The applicant issued summons against the municipality seeking declaration order of failure to provide portable drinkable water to the applicants communal taps be declared constitutional in terms section 27 of the constitution of republic of SA further that the municipality facilitate expedite supply of clean and purified water to applicants communal taps. The matter is defended and on pleadings stage.	100,000	-
T. Mtsewu case. The applicant issued summons against the municipality seeking declaration order of failure to provide portable drinkable water to the applicants communal taps be declared constitutional in terms section 27 of the constitution of republic of SA further that the municipality facilitate expedite supply of clean and purified water to applicants communal taps. The matter is defended and on pleadings stage.	100,000	-
M. Mthiyo case. The applicant issued summons against the municipality seeking declaration order of failure to provide portable drinkable water to the applicants communal taps be declared constitutional in terms section 27 of the constitution of republic of SA further that the municipality facilitate expedite supply of clean and purified water to applicants communal taps. The matter is defended and on pleadings stage	100,000	-
N. Nkele case. The applicant issued summons against the municipality seeking declaration order of failure to provide portable drinkable water to the applicants communal taps be declared constitutional in terms section 27 of the constitution of republic of SA further that the municipality facilitate expedite supply of clean and purified water to applicants communal taps. The matter is defended and on pleadings stage	100,000	-
V. Gcora case. The applicant issued summons against the municipality seeking declaration order of failure to provide portable drinkable water to the applicant's communal taps be declared constitutional in terms section 27 of the constitution of republic of SA further that the municipality facilitate expedite supply of clean and purified water to applicants communal taps. The matter is defended. The pleadings not closed.	100,000	-
	85,535,427	97,739,302

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Figures in Rand	2023	2022
33. Contingencies (continued)		
Contingent assets		
A contingent asset was 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.	100,000	100,000
A contingent was due to an action for eviction against HJT Transport for unlawful possession of Municipality's land despite the expiry of a mining permit. HTJ has defended the matter claiming that the permit has been extended, but has not submitted sufficient proof. The Municipality has applied for summary judgement 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 and 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.	-	300,000
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 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 taxation process shall begin as soon the bill of costs has been finalised by the costs consultant.	80,000	300,000

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Figures in Rand	2023	2022
33. Contingencies (continued)		
VW Shumi Case. A contingent asset was 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. An application was brought to have the respondents dismissed with costs as they have not filed amended particulars within the stipulated time frame. The matter was heard on 27 September 2022, however the matter was postponed sine die on account of respondent's notice of opposition being received. The respondents were to file their answering affidavits on 7 October 2022 and applicants were to file their replying papers on 21 October 2023. The respondents were to pay the wasted costs on a party and party scale. The plaintiff filed the answering affidavits and subsequently filed their notice of intention to amend their particulars of claim on 14 October 2022. The attorneys filed replying affidavit and subsequently filed Rule 30(2)(b) . Application in response to plaintiff's irregular step of filing a notice of intention to amend. The matter was set down on the unopposed motion court roll on 14 March 2023. Closer to the date the attorneys were served with the notice of opposition causing the matter to be removed from unopposed roll and allowing the attorneys to file their answering papers. On 16 April 2023, the attorneys received a letter from the plaintiffs new attorneys requesting indulgence while they withdraw their notice of intention to amend, withdraw their notice of opposition and tender costs for Rule 30(2)(b) application. The attorneys informed the plaintiff's attorneys that the Municipality is not in a position to condone the non-compliance with the Court order upholding the exception and the attorneys are proceeding with the application to dismiss. The plaintiff served the attorney with the withdrawals however there's no mention of costs. The attorneys have enquired about costs and awaiting reply. The Municipality is proceeding with the application to dismiss.	60,000	60,000
A contingent was 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.	-	62,091
A contingent asset was 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	-	70,000
A contingent asset was due 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 is still to be prosecuted upon receiving the date of the appeal. Matterjoined for hearing	200,000	-

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33. Contingencies (continued)		
a contingent asset was due to an applicant that seeks an order interdicting and restraining CHDM and restraining 2nd respondent from taking any further steps in the implementation of tender with tender number 8/3/25 2021/2022 bid cluster 4 water supply Backlog Northern Scheme. Matter opposed hearing date 5 July 2022. On 5 July 2022, application withdrawn. The Municipality bill of costs has been drafted and awaits taxation by correspondent attorney. No objections have been received and awaiting taxation date from taxing master.	200,000	-
	640,000	892,091

Chris Hani District Municipality

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34. Related parties

Relationships

Associates

Shareholder with joint control
Somkoko Mvuyeleni

Refer to note

Name (Proprietary) Limited

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

Delubom Lindile

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

Makonza Asanda

100% Membership in Seasons Find 1260 CC; Member of Funumbona Construction & Projects 100% Membership in Safika Rural Development Consultants

Shasha Mzwamadoda Moses

Gqodo Zixolisile

Member of GZ Civil Engineering and Member of FC Builders & Construction

Gobeni Nonelela

Director of Hi-Lite Development Agency; Member of Ulutho Funerals

Makwabe Thandisizwe

50% Membership in Mokoti Construction

Tito Sibongile

Director of Smith Tabata

Lucando Bulelani

33% membership in El Shaddai Civil and Building Contractors

Petela Neziwe

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

Baatjies Eldridge Denzil

Director in BS Holdings

Nqwemeshe Nomvuyo

Spouse is a member of Liso Security Services & Trading

Nkwentsha-Gunuza Lindiwe

Member in Lembede Investments Holdings

Gcali Atwel Mthetheleli

Sebutha Transport and Catering

Roboji Ncumisa

Member in Ncura's Marcia Roboji

Banisi Vuyeka

Member in Angesisa General Trading

Vellem Siyabulela

Director in Mqanjelwa Initiatives

Sigenu Bafo

Member in Nonesi Development

Mbotoloshi Zukile

Spouse is a member of K201 115430 (Pty) Ltd

Dywili Mphithizeli Capriot

Director of Hope Fountain Investment 268CC

Mhlekwana Amanda

Phalethu 0513 Event Management

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

Themba Spampoel

Sagodola General Tradin

Ncumisa Ncobo

Member of Isiqalo SNN Consulting Agency and Investment, Director of Siqalothu Trading

Noxolo Ncede

Member of Divine Watch Protection Construction Agency and Investments, Director of Khetho-Lethu

Jongumzi Cengani

Director of Kasimmla Industries. 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

Chris Hani District Municipality

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34. Related parties (continued)

Dyantyi Sinethemba Reginald	Director and Founding Member of Happy Valley Abattoir Co-operative Limited; Director of Sanelisa Services; Director of Tlholo Entrepreneur Support Centre, 33.34% membership in Imvelo Agencies
Gela Wongama	Director of Ithemba Liyaphilisa Financial Services; Director of Sesinethemba Construction; 10% Membership in Silver Solutions 2978; 20% Membership in Sikhuseluluntu Protection and Training Services; 20% Membership in The Best Mining and Transportation Services; 20% Membership in Urafile Trading
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 HAPERATIONSHIPS WITH BUSINESSES AS INDICATED BELOW:
Hlahla Mtibe NNV	Director in Zano-buntu Trading Enterprise, Spouse is a member of Yovo Trading Enterprise
MR MM SHASHA- SENIOR MANAGER WSA	Spouse/Partner/Associate NOMALIZO MONICA DAMOYI has an interest in BITLINE SA 1060CC
MR MT MAVUNDHLA- WSP: O & M TECHN (INKWANCA)	Director in Chris Hani Skills Centre Co-operative, Director in MLT Reno Project, Spouse/Partner/Associate AGNES MAKAZI MATROSS has an interest in MAMA TROSKIE TRADING ENTERPRISE and Izaphetha Trading and Projects

The remuneration of key management is disclosed in note 22 and Councillors in note 23 of the Annual Financial Statements.

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip, Portfolio Chairperson, MPAC and Mayoral Committee Members are full-time. Each is provided with an office and secretary or administrator support at the cost of the council.

The Executive Mayor, Deputy Executive Mayor and Speaker have use of a council owned vehicle for official duties.

Related party transactions

Interest paid to (received from) related parties

Chris Hani Development Agency	165,311,892	49,792,884
Phalethu 0513 Event Management	52,900	-

35. Unauthorised expenditure

Unauthorised expenditure - Opening balance	424,610,614	1,009,094,709
Current year	344,076,508	286,923,719
Unauthorised expenditure write-off	(421,859,841)	(871,407,814)
Closing balance	346,827,281	424,610,614

During the current year, Council resolved to write off R137 686 895 relating to 2016/2017 that was incurred during mSCOA implementation and R284 172 946 relates to 2021/2022 that was incurred due to impairment loss and financial constraint due to inability of Revenue collection, totalling to R421,859,841. Council certified that the Unauthorised expenditure was irrecoverable and approved the write-off as per the recommendation by MPAC after an investigation. Refer to Council Resolution C1258

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36. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure - Opening balance	2,853,517	4,592,000
Current year	491,909	2,842,204
Amount written off	(3,258,733)	(4,580,687)
Closing balance	86,693	2,853,517

Fruitless and Wasteful was submitted to Council and Council resolved that the MPAC to investigate and report back to Council the outcomes of the investigation. The council certified that the Fruitless and Wasteful was irrecoverable and approved the write off . Opening balance, prior year and current year Fruitless and Wasteful has been written off as per council resolution C1239.

Chris Hani District Municipality

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37. Irregular expenditure		
Opening balance as previously reported	5,472,931	4,928,675
Add: Prior year irregular expenditure	35,278,541	12,785,500
Add: Irregular expenditure - current year	135,089,388	47,468,942
Less: Amount written off	(88,471,426)	(59,710,186)
Closing balance	87,369,434	5,472,931

Analysis of expenditure awaiting condonation per age classification

Current year	135,089,388	47,468,942
Prior years	40,751,472	17,714,175
	175,840,860	65,183,117

Details 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	127,895,075	43,259,881
2. Contract irregularities identified by IA at CHDA	4,332,800	-
3. The Municipality did not ensure that remuneration to senior managers is in line with the approve Government Gazette	2,661,567	4,029,144
4. The supplier was awarded 20 points for BBBEE even though the submitted certificate stated that the supplier status is non-compliant.	-	179,917
5. The requirements for local content and production were not stipulated in all bid document	199,946	-
	135,089,388	47,468,942

Details of irregular expenditure - Prior year

1. The Municipality did not ensure that remuneration to senior managers is in line with the approve Government Gazette.	2,405,371	2,405,371
2. Contract irregularities identified by IA at CHDA	32,873,170	-
3. Management traded with the supplier that has been non tax compliant since 11 July 2020, and therefore was non-compliant at the final award.	-	608,621
4. Management used pre evaluation conditions in evaluating the quotations received on the evaluation report dated 15 February 2021 approved by Senior Manager SCM that were not included on the RFQ No: 285/2020-2021/YD (LL) resulting in a disqualification of the quotation of Mjoji Technologies that met the pre-evaluation conditions and was cost effective as they quoted less amount than other quotations	-	110,000
5. Management awarded persons in the service of the state	-	86,409
6. Management contracted security services on month-to-month basis, splitting the contract values to lesser values.	-	9,575,099
	35,278,541	12,785,500

Irregular Expenditure was submitted to Council and Council resolved that the MPAC to investigate and report back to Council the outcomes of the investigation. The council certified that the irregular expenditure was irrecoverable and approved the write off . The council was also satisfied that the the municipality received value for the expenditure incurred. Opening balance, prior year and current year Irregular Expenditure has been written off as per council resolution C1257.

During the year under review (2023) it was noted that the irregular expenditure for 2022 was understated with CHDA amounting to R32,873,170.00 and remuneration of senior manager not in-line with the approved government gazette amounting to R 2,405,371.00. The total irregular expenditure identified in the current year from the prior year amounts to R35,728,541.00

Chris Hani District Municipality

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38. Additional disclosure in terms of Municipal Finance Management Act		
SALGA		
Current year subscription / fee	3,920,265	3,973,765
Amount paid - current year	(3,920,265)	(3,973,765)
	-	-
Audit fees		
Opening balance	4,176,705	3,612,659
Current year subscription / fee	9,449,148	9,372,558
Amount paid - current year	(13,321,205)	(9,372,558)
	304,648	3,612,659
PAYE and UIF		
Current year subscription / fee	69,173,404	63,714,202
Amount paid - current year	(69,173,404)	(63,714,202)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	60,716,764	52,891,807
Amount paid - current year	(60,716,764)	(52,891,807)
	-	-

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2023:

June 30, 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor RW Venske	-	76,771	76,771

39. 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. There were no deviations during 2022/2023 financial year.

40. Water Distribution Losses

Water Losses	88,466,601	93,097,878
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The municipality incurred water distribution losses in the previous year estimated at 36,20% of 8 253 358 units amounting to R93 097 878. and current year @ 36.16% of 8 622 476 amounting to R88,466,601.30

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41. Risk management

Financial risk management

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

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

The Budget and Treasury Office 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.

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	2023	2022
Cash and cash equivalents	105,677,729	179,299,853

42. Financial instruments disclosure

Categories of financial instruments

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42. Financial instruments disclosure (continued)

2023

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	428,698,419	428,698,419
Other receivables from non-exchange transactions	-	78,635,341	78,635,341
Cash and cash equivalents	105,677,729	-	105,677,729
	105,677,729	507,333,760	613,011,489

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	347,125,024	347,125,024

2022

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	371,204,525	371,204,525
Other receivables from non-exchange transactions	-	58,534,995	58,534,995
Cash and cash equivalents	179,299,853	-	179,299,853
	179,299,853	429,739,520	609,039,373

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	301,595,329	301,595,329

43. Events after the reporting date

LEGAL MATTERS

SUBSEQUENT EVENTS

No subsequent event reported as at 31 August 2023

44. Accounting by principals and agents

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

Entity as principal

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

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

Fee paid

Fee paid as compensation to the agent (30 June 2023)	7,584,196	15,362,733
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Chris Hani District Municipality

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44. Accounting by principals and agents (continued)

These agency are as per the Memorandum of Understanding that states 10% to be paid in each invoice claimed by the agent and move from operating cost or general expense to WIP.

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

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

45. Going concern

These financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for atleast the next 12 months..

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The municipality do have a stable and growing revenue base although it was slower than projected five years ago.

We draw attention to the fact that at 30 June , 2023, the municipality had an accumulated surplus (deficit) of R 5 477 477 277 and that the municipality's total assets exceed its liabilities by R 5 477 477 277.

46. Provisions

Reconciliation of provisions - 2023

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

Reconciliation of provisions - 2022

	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 debt up until the matter is resolved. The matter was reported as from 2018/2019 financial year

47. VAT payable

VAT (Receivables) / Payables	60,296,695	12,315,193
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VAT Reconciliation

VAT Control	115,842,239	66,063,568
Ouput VAT	(764,279,691)	(705,535,699)
Input VAT	708,734,147	651,787,324
	60,296,695	12,315,193

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48. Impairment of assets

Impairments

Property, plant and equipment	32,110,258	100,556,328
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The impairment loss is evaluated at reporting date which in this instance is the 30 June 2023. The impairment was calculated based on the condition of the asset at year end during the physical verification. Based on the physical condition assessment done in the current financial year an amount of R32 110 258 (2022: R100 556 328) was recognised as impairment loss. The recoverable amount of these assets was based on their value in use.

49. Segment information

General information

Identification of segments

A segment is an activity of an entity:

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

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

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

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

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

The reporting measurement basis for the management reports is the same as that of the annual financial statements.

On the first-time adoption of GRAP 18, comparative segment information has not been presented in terms of the transitional provisions contained in Directive 3.

Aggregated segments

The municipality operates throughout the District (Chris Hani). Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Eastern Cape were sufficiently similar to warrant aggregation.

Chris Hani District Municipality

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49. Segment information (continued)

Types of goods and/or services by segment

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

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

Chris Hani District Municipality

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49. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Water and Sanitation	Total
Revenue		
Revenue from exchange transactions	425,660,540	425,660,540
Revenue from non-exchange transactions	842,776,178	842,776,178
Interest revenue-on Debtors	162,747,134	162,747,134
Total segment revenue	1,431,183,852	1,431,183,852
Entity's revenue		1,431,183,852
Expenditure (Non Cash items amd material items)		
Depreciation and Amortisation	150,796,541	150,796,541
Impairment Loss	30,945,347	30,945,347
Employee Related Cost	110,615,718	110,615,718
Inventory Water-consumed	127,839,324	127,839,324
Debt Impairment	405,017,000	405,017,000
Bad debts	86,657,478	86,657,478
Other expense	149,735,263	149,735,263
Total segment expenditure	1,061,606,671	1,061,606,671
Total segmental surplus/(deficit)	369,577,181	369,577,181
Assets (Current and Non-current)		
Inventories	13,345,194	13,345,194
Receivables from exchange transactions	428,698,419	428,698,419
Receivables from non-exchange transactions	58,011,517	58,011,517
Property Plant and Equipment	5,247,543,842	5,247,543,842
Total segment assets	5,747,598,972	5,747,598,972
Total assets as per Statement of financial Position		5,747,598,972

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	Water and Sanitation	Total
49. Segment information (continued)		
Liabilities		
Payables from exchange transactions	46,615,027	46,615,027
Consumer deposit	904,417	904,417
Unspent Conditional Grants	32,502,714	32,502,714
Total segment liabilities	80,022,158	80,022,158
Total liabilities as per Statement of financial Position		80,022,158

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

2022

	Water & Sanitation	Total
Revenue		
Revenue from non-exchange transactions	657,903,638	657,903,638
Interest Revenue - On Debtors	94,589,300	94,589,300
External Revenue from Exchange Transaction	385,929,103	385,929,103
Total segment revenue	1,138,422,041	1,138,422,041
Entity's revenue		1,138,422,041
Expenditure		
Depreciation & Amortisation	141,698,613	141,698,613
Material Items of Expense	99,898,261	99,898,261
Material Items on Non- Cash Items	329,189,633	329,189,633
Total segment expenditure	570,786,507	570,786,507
Total segmental surplus/(deficit)	567,635,534	567,635,534

Chris Hani District Municipality

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49. Segment information (continued)

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.

50. Prior-year errors

The below is the process that was undertaken in restating the prior year balances:

1. Inventory Water

During the current financial year it was noted that the Inventory water was not accounted in the inventory balance. The municipality did the analysis of all the cost that related to water balance for 2021/2022 and developed the methodology and template for accounting the water inventory. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, in so far as it is stored and controlled in reservoirs at year-end. The calculation was done as per following.

- . Employee Cost – All operators for Chris Hani District
- . Bulk Purchase
- . Electricity

Chris Hani District Municipality

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50. Prior-year errors (continued)

- . Chemicals
- . Depreciation

2. Receivable from exchange transaction

During the current financial year the following errors were identified:

The municipality took an initiative of correcting the billing information from the system, The municipality embarked on a meter verification and customer information to reduce interim charges and ensure that billing is based on actual meter readings.

In the 2021/22 financial year the municipality did not account and measure revenue from service charges as per GRAP 9. The municipality performed an assessment in the current financial year and noted that the errors were caused by the following issues:

- *Customers billed using incorrect rates and incorrect customer type;
- *Incorrect consumption units were used;
- *Some customers were not billed throughout the 2021/22 financial year; and
- *Differences between the age analysis and AFS.

Interest on debtors

The corrections in service charges and receivables from exchange transactions also affected amount of interest charged on overdue accounts. The municipality could not practically apply the retrospective adjustments of the prior year period per GRAP 3 due to impractical application to have a reliable figure. Management identified a limitation on the retrospective adjustments on the interest on debtors in line with GRAP 3 (45). This limitation was due to Interest pertaining to the retrospective adjustment which could not be corrected by retrospective restatement due to impracticability 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 the SOLAR billing system calculates the interest in debtors. In accordance with paragraph .46, the municipality will restate the comparative information prospectively from the earliest date practicable.

3. Property plant and equipment

The Sabalele Multi-Purpose Centre was constructed to Chris Hani District Municipality but there were challenges in valuing the property for the purpose of including in the Fixed Asset Register.

Physical verification was conducted to determine the components that can be included in the fixed asset register, as well as confirming the condition of each asset identified. Further steps were taken to value the assets using the Depreciated Replacement Cost method. The valuation of the asset and/or components was based on their conditions as well as their current replacement costs.

The depreciated replacement cost (DRC), which is an accepted fair value calculation method was used to determine the Fair Value /Deemed Cost. (Refer to the asset verification and valuation methodology).

Chris Hani District Municipality

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50. Prior-year errors (continued)

The 2021/22 Financial statements have been adjusted to include the Sabalele Multi-Purpose Centre asset at 30 June 2022 at the following depreciated Replacement cost:

The municipality was not able to determine the exact purchase or completion date and as a result it was not practically possible to allocate the restatement figure between cost and accumulated depreciation as at 30 June 2022. Management decided to include the depreciated replacement cost as additions for the 2021/2022 financial year in line with GRAP 3. The method applied by municipal management will not change the depreciated replacement cost as at 30 June 2022.

Heritage Assets

On the Sabalele Multi – Purpose Centre it was also noted that there was a statue that need to be considered on the fixed asset register. The statue was tested against GRAP 103 and met the definition and recognition requirements of a heritage asset per GRAP 103. The consideration was made and treated as heritage asset amounting to R962 961.00 in line with the GRAP standard.

PPE – Depreciation (Prior Period Adjustment)

Depreciation for additions during the 2021/22 financial period was reviewed and revised. The additions to the asset register were previously depreciated using months instead of days, resulting to inaccuracies in depreciation.

Review was done on all additions and depreciation recalculated resulting to the adjustment of depreciation in the prior year amounting to R34 078.17.

Work-in-progress (WIP)

During the current financial year, it was identified that the amount recorded as the transfer out from the Work-in-progress register did not reconcile with the amount spent up to date (date of completion) as per last payment certificate, though the finding was resolved however the municipality did another analysis of WIP vs the last payment certificate.

The whole population for 2021/22 financial year was analysed and a detailed review of prior year WIP was done and projects that were previously not transferre out were identified and adjusted for. Expenditure that was previously not capitalised was identified and capitalised to WIP resulting in a total adjustment of R16 239 964.36. This was done in line with GRAP 17. The capital WIP transferred out was understated in the 2021/22 financial period by R4 109 600.07. Invoices amounting to R2 541 302.62 were recieved in the 2022/23 financial year for expenditure relating to the previous years. Projects that were completed in the previous years were R14 671 666.91.

4. Payable from exchange transaction

The municipality conducted the investigation of payment vouchers paid during 2022 /23 for the period ended 2022 and identified some invoices that are related 2022 financial year and corrected the payable cut off by passing the journals amounting to **R2 898 141.00** for correction in the system.

5. Vat Payable

Analysis of vat input and vat output was conducted including the opening balance and the correction was made and some correction on payable identified amount to **R 107 731 664.00**.

6. Service Charges

The municipality took an initiative of correcting the billing information from the system,

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50. Prior-year errors (continued)

The municipality embarked on a meter verification and customer information to reduce interim charges and ensure that billing is based on actual meter readings.

In the 2021/22 financial year the municipality did not account and measure revenue from service charges as per GRAP 9. The municipality performed an assessment in the current financial year and noted that the errors were caused by the following issues:

*Customers billed using incorrect rates and incorrect customer type;

*Incorrect consumption units were used;

*Some customers were not billed throughout the 2021/22 financial year; and

*Differences between the age analysis and AFS.

After all the corrections were affected the prior year Revenue was corrected accordingly with the amount of **R16 823 946.00**

7. 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 **R 14 804 928.00**

8. Employee related cost

During the correction of water inventory , employee related costs relating to water department (Water Operators) were affected as we reclassify their salaries to inventory consumed. After all the correction affecting the employee related reduce by **R 21 534 014.00**

9. Depreciation

During the correction of water inventory , depreciation relating to water treatment were affected as we reclassify the depreciation to inventory consumed. After all the correction affecting the water depreciation reduce by **R 17 999 423.00**

10. Contracted Services

There were transactions which were incorrectly captured in the accounting records, inclusive of VAT. The whole population from July 2022 until June 2023 was analysed via general ledger and payment voucher to ensure that these payments are recorded in the correctly exclusive of VAT and correct financial year. Then journals have been prepared and processed to correct this expenditure. The corrections amounting to **R667 406.00**

11. General Expenses

During 2022/23 the analysis of payment voucher was performed and there are errors that was identified that there was payment made in the current year 2023 which was part of 2022 that caused the understated of payables. The correction of water inventory for water treatment work is also reduced the electricity amount included in inventory consumed. The corrections were amounting to **R47 908 078.00** that include the changes on of the department electricity.

12. Bulk Purchase / Water Inventory Consumed

During the 2021/22 financial year water inventory was incorrectly accounted as bulk purchase was not consider on the inventory at year. The bulk Purchase was included in the inventory consumed.

13. Transfer and subsidies

During the 2022/2023, it was identified that Engcobo amounting to R856, 946.00 was overstated and correction need to be made to CHDA vote and also CDC was overstated by R2,500,000.00. The correction of VIP toilet that was disclose in the WIP amounting to R9,211,729.19.The population was conducted on transfers and subsidies and identification of animal care payment was made to CHDA amounting to R58,130.00. The correction amounting to R10,720,849.00.

14. Retention

Chris Hani District Municipality

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50. Prior-year errors (continued)

During 2022/ 2023 the retention register population was reviewed, and it was identified that there were projects paid but still in the retention liability and some of the projects were terminated and the retention was no longer applicable. The amount correcting is R 1 996 431.00

15. Commitments

During the 2022/2023 financial year there were errors identified in the commitment register. CHDM Commitments / Consultants and CHDA implemented projects. The entire population was revisited, and the following were identified; The correction of Building amounting to **R 3,407,871.00** which was understated, Infrastructure that was understated by **R 35 622 748,15**. CHDA projects were overstated by **R11 884 256,86**. The below table illustrate the work done.

16. Receivable from non-exchange transactions

During the 2022/2023 financial year it was identified that receivable from non- exchange transaction was having a reclassification on other debtors because of transaction that was negative in 2021/22 financial year now is positive amounting to R175 736.00

17. Accumulated Surplus

After all the analysis conducted on the statement of financial position the accumulated surplus increase with R133 828 630.00 for the financial year 2021/2022

Statement of financial position

2023

	Note	As previously reported	Correction of error	Restated
Inventories	1	20,918,184	(1,197,147)	19,721,037
Receivables from exchange transactions	2	355,733,717	15,470,808	371,204,525
Property, Plant and Equipment	3	4,927,837,107	13,468,754	4,941,305,861
Payables from exchange transactions	4	(298,697,188)	(2,898,141)	(301,595,329)
VAT Payable	5	(120,046,857)	107,731,664	(12,315,193)
Receivables from non-exchange	17	58,194,283	175,736	58,370,019
Heritage	18	-	962,961	962,961
Accumulated surplus		4,949,931,053	133,828,630	5,083,759,683
		9,893,870,299	267,543,265	10,161,413,564

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Service Charges	6	369,105,158	16,823,946	-	385,929,104
Debt Impairment	7	335,285,703	14,804,928	-	350,090,631
Employee related cost	8	407,021,629	(21,534,014)	-	385,487,615
Depreciation	9	159,816,198	(5,020,594)	-	154,795,604
Contracted Services	10	204,440,938	667,406	-	205,108,344
General expenses	11	162,224,327	(47,908,078)	-	114,316,249
Bulk Purchase	12	38,772,847	(38,772,847)	-	-
Water inventory consumed	12	-	115,687,007	-	115,687,007
Transfer and Subsidies	13	70,364,848	10,720,849	(798,816)	80,286,881
Deficit for the year		1,747,031,648	45,468,603	(798,816)	1,791,701,435

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51. Budget differences

Classification

Service Charges

The variance is 5% as compared to the budget, the variance is as a result of the increase in tariff rates and billing data analysis that was done by the municipality in the current financial year.

Other Income

The variance is due to a delay in the SARS VAT Audit on the VAT Income on conditional grants. An amount of R260,816,182 was budgeted for the VAT Income which had a material effect on the underspending in Other Income.

Interest Income

The variance between actual and budget is 27%, which is due to an increase from interest from debtors due to increase in debtors. Furthermore, the interest from investments earned from the bank balance increased due changes in the prime interest rates during the 2022/23 financial year.

Gains and Disposal of Assets

The variance was due to assets that could not be traced on the floor during physical verifications and therefore were written off. Further the money recovered through auction was less than carrying value of the assets auctioned.

Total Revenue from Exchange

Transfer Revenue

Government Grants & Subsidies

The variance is due to RBIG projects that were planned for the current financial year but could not be fully completed during the 2022/2023 financial period which therefore resulted into an unspent conditional grant which the municipality has subsequently applied to be roll-over to the 2023/2024 financial period.

Total Revenue

Expenditure

Chris Hani District Municipality

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51. Budget differences (continued)		
Employee Related Costs		The over expenditures were as a result of performance bonus, medical aid contributions, leave pay provision and overtime that were over budget in the current financial year.
Remuneration of Councillors		Although the variance is immaterial, this is as a result of under recovery due to cell phone allowance to the councillor . This is aligned as far as possible to be aligned to the budget hence the small variance.
Depreciation and Amortisation		The variance is as 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.
Debt Impairment		The variance is due an increased in debtors balance. There was a huge increase in outstanding balances that were past overdue and qualified for debt impairment.
Finance Costs		The variance is due to a decrease from Eskom debt that was paid during the current financial year.
Inventory Water - Consumed		The variance is due to the recalculation of the water inventory using a new methodology. The calculation of inventory-water consumed was also affected by increase in revenue, as the calculation is also based on units of water sold.
Contracted Services		This is a result of the underspending on the outsourced services such as repairs and maintenance, business and financial expenditures. These are influenced by numerous factors such as 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.
Transfers and Subsidies		The variance was due to VIP toilets that were completed in the current financial year, therefore the expenditure was transferred from WIP to transfers and subsidies as the projects were completed and transferred to beneficiaries more than the budget.
General Expenses		The under spending is due to certain operational projects that could not be implemented such as subsidy that is provided to the CHDA entity due to various reasons including financial constraints. The municipality is also implementing cost containment measures to ensure that operational expenditure is managed effectively and effeciently.

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2022

51. Budget differences (continued)

Total Expenditure

Loss on Disposal of assets & liabilities

The variance was due to assets that could not be traced on the floor during physical verifications and therefore were written off. Further the money recovered through auction was less than carrying value of the assets auctioned.

Impairment Loss

The variance was due to poor condition of the infrastructure assets that was identified during physical verifications. The condition of the assets was worse than anticipated.

Actuarial gains / losses

The municipality did not make a provision for employee benefit obligation as this is an assumption of gains or loss at the end of the financial year.

Surplus

