Chris Hani District Municipality
Annual Financial Statements
for the period ended 30 June 2024

Chris Hani District Municipality

Annual Financial Statements for the year ended 30 June 2024

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 Regulatuons 2005. - The Constitution of South Africa. - Water Services Act 108 of 1997.
Mayoral committee	
Executive Mayor	Cllr. L. Sizani - Executive Mayor from 01/09/2023 Cllr. W. Gela from 30/11/2021 until 31/08/2023 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. L. Sizani: Portfolio Head - Budget & Treasury Office from 01/06/2023 until 31 August 2023 Cllr: S. Lali: Portfolio Head - Health & Community Services from 30/11/2021 to 30/11/2023 Cllr: S. Lali: Portfolio Head - Budget & Treasury Offices from 01/12/2023 Cllr. M. A. Fatyela - Portfolio Head - Health & Community Services from 01/12/2023 Cllr. N.F. Papiyana: Portfolio Head - Intergrated Planning & Economic Development from 23/05/ 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. Mgqamqho Cllr: N. Biko Cllr: N. Cetman Cllr: Z.N.E. Ralane Cllr: N. Sitofile

General Information

	Cllr: N.S. Mdumata Cllr: N. Nomfombo Cllr: F.M. Mthandeki Cllr: S. Mkhunqe Cllr: R. Venske Cllr: S.H. Nobongoza Cllr: S. Maratana Cllr: S. Mthimkhulu Cllr: S. Mendela Cllr: N. Ndlebe Cllr: U.S. Mzandisi Cllr: V. Filana Cllr: X. Kani Cllr: Z. Simawo Cllr. S. Nxozi Cllr. B. Simina Cllr. N. Mnqanqeni
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 Px Limba Attorneys Inc, S Booi and Sons J Modi Attorneys Jolwana Mgidlana Inc. Mjenxane Attorneys Inc. Wesley Pretorius and Associates Inc.

Index

	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance as at 30 June 2024	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9
Significant Accounting Policies	10 - 47

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
MEC	Member of executive council
MFMA	Municipal Finance Management Act
SALGA	South African Local Government Association
mSCOA	Municipal Standard Chart of Accounts

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 30 June 2025 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 the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The Accounting Officer would like to bring to your attention the following material matters to your attention:

The Accounting Officer certify that the salaries, allowances and benefits of councillors as disclosed in note 23 & 24 to these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act; Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The Annual Financial Statements set out on page 5 to 105, which have been prepared on the going concern basis, were approved by the Accounting Officer on August 31, 2024 and were signed on its behalf by:

Mr. G. Mashiyi
Accounting Officer

Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	8	22 621 379	13 636 700
Operating lease asset	7	14 178	-
Receivables from non-exchange transactions	9	122 696 769	75 432 159
Prepayment	48	1 004 075	1 707 796
Receivables from exchange transactions	10	440 998 348	166 321 349
Cash and cash equivalents	11	20 442 357	105 677 729
		607 777 106	**362 775 733**
Non-Current Assets			
Property, plant and equipment	3	5 694 925 942	5 350 668 037
Intangible assets	4	3 544 704	3 554 159
Heritage assets	6	962 961	962 961
Investments in controlled entities	5	1 500 000	1 500 000
		5 700 933 607	**5 356 685 157**
Total Assets		**6 308 710 713**	**5 719 460 890**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	426 897 188	345 506 416
VAT payable	47	37 006 384	34 029 903
Consumer deposits	13	1 079 583	904 417
Employee benefit obligation	12	5 888 073	5 388 000
Unspent conditional grants and receipts	15	26 516	32 502 714
Provisions	46	81 475 475	81 475 475
		552 373 219	**499 806 925**
Non-Current Liabilities			
Employee benefit obligation	12	91 128 599	77 660 000
Total Liabilities		**643 501 818**	**577 466 925**
Net Assets		**5 665 208 895**	**5 139 421 925**
Accumulated surplus	16	5 665 208 895	5 139 421 925
Total Net Assets		**5 665 208 895**	**5 139 421 925**

* See Note 51

Statement of Financial Performance as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	343 294 446	405 634 467
Other income	19	24 362 534	473 345
Interest received - investment	20	204 380 754	179 650 977
Total revenue from exchange transactions		**572 037 734**	**585 758 789**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	21	1 389 270 554	1 502 542 738
Total revenue	17	**1 961 308 288**	**2 088 301 527**
Expenditure			
Employee related costs	22	(412 069 313)	(394 559 702)
Remuneration of councillors	23	(13 842 491)	(12 541 962)
Depreciation and amortisation	24	(168 280 136)	(156 733 437)
Finance costs	25	(473 443)	(2 304 403)
Debt Impairment	26	1 033 218 963	(571 753 754)
Bad debts written off	26	(1 226 732 051)	(86 657 478)
Inventory consumed	27	(160 753 927)	(127 348 149)
Contracted services	28	(288 406 085)	(220 925 293)
Transfers and Subsidies	29	(83 669 308)	(65 348 706)
General Expenses	30	(114 827 844)	(112 850 098)
Total expenditure		**(1 435 835 635)**	**(1 751 022 982)**
Operating surplus		**525 472 653**	**337 278 545**
Gain (loss) on disposal of assets and liabilities		2 422 229	(4 399 978)
Actuarial gains/losses	12	(2 674 146)	8 484 000
Reversal of impairments (Impairment loss)	49	566 234	(32 117 226)
		314 317	**(28 033 204)**
Surplus for the year		**525 786 970**	**309 245 341**

* See Note 51

Statement of Changes in Net Assets as at 30 June 2024

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2022	**5 164 913 921**	**5 164 913 921**
Changes in net assets		
Prior year adjustments	(334 737 337)	(334 737 337)
Net income (losses) recognised directly in net assets	(334 737 337)	(334 737 337)
Surplus for the year	309 245 341	309 245 341
Total recognised income and expenses for the year	(25 491 996)	(25 491 996)
Total changes	(25 491 996)	(25 491 996)
Restated* Balance at 01 July 2023	**5 139 421 925**	**5 139 421 925**
Changes in net assets		
Surplus for the year	525 786 970	525 786 970
Total changes	525 786 970	525 786 970
Balance at June 30, 2024	**5 665 208 895**	**5 665 208 895**

Note(s)

* See Note 51

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		54 850 139	24 966 323
Grants		1 309 327 839	1 501 611 759
Interest income		25 664 349	21 249 009
		1 389 842 327	1 547 827 091
Payments			
Employee costs		(407 618 114)	(419 442 054)
Suppliers		(460 957 316)	(418 124 149)
Finance costs		(473 443)	(2 304 403)
Transfers and subsidies		(83 669 308)	(65 348 706)
		(952 718 181)	(905 219 312)
Net cash flows from operating activities	31	**437 124 146**	**642 607 779**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(523 585 580)	(715 102 267)
Proceeds from sale of property, plant and equipment	3	2 694 062	3 169 114
Purchase of other intangible assets	4	(1 468 000)	(4 296 751)
Net cash flows from investing activities		**(522 359 518)**	**(716 229 904)**
Net increase/(decrease) in cash and cash equivalents		**(85 235 372)**	**(73 622 125)**
Cash and cash equivalents at the beginning of the year		105 677 729	179 299 853
Cash and cash equivalents at the end of the year	11	**20 442 357**	**105 677 728**

The accounting policies on pages 10 to 47 and the notes on pages 48 to 104 form an integral part of the annual financial statements.

* See Note 51

Statement of Comparison of Budget and Actual Amounts as at 30 June 2024

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	428 801 000	-	**428 801 000**	343 294 446	**(85 506 554)**	Note 53
Other income	276 011 162	-	**276 011 162**	24 362 534	**(251 648 628)**	Note 53
Interest income	148 045 000	30 000 000	**178 045 000**	204 380 754	**26 335 754**	Note 53
Gains on disposal of assets	3 285 360	-	**3 285 360**	2 422 229	**(863 131)**	Note 53
Total revenue from exchange transactions	**856 142 522**	**30 000 000**	**886 142 522**	**574 459 963**	**(311 682 559)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1 319 057 000	22 104 193	**1 341 161 193**	1 389 270 554	**48 109 361**	Note 53
Total revenue	**2 175 199 522**	**52 104 193**	**2 227 303 715**	**1 963 730 517**	**(263 573 198)**	
Expenditure						
Employee related costs	(421 280 688)	(34 828 200)	**(456 108 888)**	(412 069 313)	**44 039 575**	Note 53
Remuneration of councillors	(13 223 421)	(619 064)	**(13 842 485)**	(13 842 491)	**(6)**	Note 53
Depreciation and amortisation	(179 539 994)	530 000	**(179 009 994)**	(168 280 136)	**10 729 858**	Note 53
Impairment loss/ Reversal of impairments	-	-	**-**	566 234	**566 234**	Note 53
Inventory consumed - water	(57 315 017)	12 918 738	**(44 396 279)**	(160 753 927)	**(116 357 648)**	
Finance costs	(500 000)	-	**(500 000)**	(473 443)	**26 557**	Note 53
Bad debts written off	(223 935 000)	39 470 000	**(184 465 000)**	(193 513 088)	**(9 048 088)**	Note 53
Contracted Services	(277 718 363)	(422 770)	**(278 141 133)**	(288 406 085)	**(10 264 952)**	Note 53
Transfers and Subsidies	(86 807 500)	2 132 533	**(84 674 967)**	(83 669 308)	**1 005 659**	Note 53
General Expenses	(149 053 000)	(11 487 189)	**(160 540 189)**	(114 827 844)	**45 712 345**	Note 53
Total expenditure	**(1 409 372 983)**	**7 694 048**	**(1 401 678 935)**	**(1 435 269 401)**	**(33 590 466)**	
Operating surplus	**765 826 539**	**59 798 241**	**825 624 780**	**528 461 116**	**(297 163 664)**	
Gain on disposal of assets and liabilities	10 000 000	-	**10 000 000**	-	**(10 000 000)**	Note 53
Actuarial gains/losses	-	-	**-**	(2 674 146)	**(2 674 146)**	Note 53
	10 000 000	**-**	**10 000 000**	**(2 674 146)**	**(12 674 146)**	
Surplus before taxation	**775 826 539**	**59 798 241**	**835 624 780**	**525 786 970**	**(309 837 810)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**775 826 539**	**59 798 241**	**835 624 780**	**525 786 970**	**(309 837 810)**	
Reconciliation						

Significant Accounting Policies

Figures in Rand	Note(s)	2024	2023

Significant Accounting Policies

1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5. Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

Summary of significant accounting policies

These standards are summarisd as follows

Reference	Description
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of Non-cash-generating Assets

Significant Accounting Policies

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 Decomissioning Restoration and Similar Liabilities
IGRAP 3	Determining Whether an Arrangement Contains a Lease
IGRAP 16	Intangible Assets – Website Costs
IGRAP 20	Accounting for Adjustments to Revenue
Directive 5	GRAP Reporting Framework
Guideline	The Application of Materiality to Financial Statements

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

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

1.1 Presentation currency

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

All figures have been rounded off to the nearest rand.

1.2 Going concern assumption

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

Significant Accounting Policies

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.

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 assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

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

Significant Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

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 theobligation; 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 that it would take long to resolve the dispute as it involves the Department of Labour and this is dependent on the outcome 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 46 - Provisions..

Useful lives of waste and water network and other assets

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

Post-retirement benefits

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

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

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

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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 is 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 year
IT equipment	Straight-line	3-13 years
Infrastructure:		
Roads	Straight-line	3-100 years
Sewerage	Straight-line	7-100 year
Water	Straight-line	5-100 years
Communication facillities	Straight-line	5-30 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.

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unles 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.The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

Repairs and Maintanance

The municipality separately discloses expenditure to repairs and maintainance of property, plant and equipment in the notes to the financial statements (see note 3).

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

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.

Significant Accounting Policies

1.7 Intangible assets (continued)

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 provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

Amortisation and impairment

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

Item	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.

Significant Accounting Policies

1.8 Heritage assets (continued)

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

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.

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.

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.

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.

Significant Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

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

- 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.

Significant Accounting Policies

1.9 Financial instruments (continued)

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of 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.

Significant 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
Cash and cash equivalents	Financial asset measured at fair value

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

Class	Category
Trade and other payables from exchange	Financial liability measured at amortised cost

Significant 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, theentity 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.

Significant 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 asrevenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or

Significant Accounting Policies

1.9 Financial instruments (continued)
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.

Significant 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 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 roperty, plant or equipment. Inventories allocated to other assets in this way are recognized as an expense during the useful ife of that asset.

Water Inventory

Water is regargded 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

Inventories shall be measured at the lower of cost and net realisable value, except where paragraph .18 applies.

Inventories shall be measured at the lower of cost and current replacement cost where they are held for:

(a) distribution through a non-exchange transaction; or

Significant Accounting Policies

1.11 Inventories (continued)

(b) consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Aquisition of water stock should include the following:

-Bulk purchases -supply from bulk or other water service
-Providers recognised by the amount paid water purified- Portable 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 coporting comprises the purchase price, import duties and other taxes(other than those subsequently recoverable by the municicality 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 determing 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:

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.

Significant Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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.

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.

Significant 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.

Significant 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.

Significant Accounting Policies

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

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.

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.

Significant Accounting Policies

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

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 a municipality after deducting all of its liabilities.

1.15 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

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

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within welve 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 he 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, 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

Significant Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Significant Accounting Policies

1.15 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant Accounting Policies

1.15 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other espects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is 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.

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:

Significant Accounting Policies

1.15 Employee benefits (continued)

. 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.

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

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

Significant Accounting Policies

1.16 Provisions and contingencies (continued)

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

Significant 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.

Significant 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.

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.

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

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.

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 - Sanitation

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.

Significant 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.

Significant 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. 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 and expenses 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:

- overspending of a vote or a main division within a vote; and

Significant Accounting Policies

1.25 Unauthorised expenditure (continued)

- 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 written-off 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 write-off 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 written-off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount written-off.

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 written-off 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

Significant 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 sgnificant to the financial statements are disclosed in the relevant sections of the financial statements. Although these etimates 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 Jul 2023 to 30 Jun 2024.

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

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

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

Significant 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.

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Significant 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 an municipality's objectives, either by providing economic benefits or service potential.

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

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

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

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

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

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

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

Identifying the acquirer and transferor

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

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

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

Determining the transfer date

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

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

Significant 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.

Significant 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 Investment in controlled entities

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

The municipality applies the same accounting for each category of investment

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

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

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.

Significant Accounting Policies

1.35 Consumer deposits

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with the council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.36 Unspent conditional grants and receipts

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidied and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. The revenue is driven by legislation.

Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered a financial instrument.

The liability must always be cash-backed.

Unspent conditional grants are recognised as a liability when the grant is received.

When grant conditions are met, an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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 arrangements	April 1, 2023	Early adoption

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after
GRAP 25 - Employee Benefits	April 1, 2023
GRAP 103 - Heritage Assets	April 1, 2023
GRAP 104 - Financial Instrument	April 1, 2025

Figures in Rand	2024	2023

3. Property, plant and equipment

	2024			2023		
	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	85 447 826	(22 496 265)	62 951 561	85 447 827	(20 109 519)	65 338 308
Plant and machinery	22 380 429	(14 365 545)	8 014 884	21 257 156	(12 138 123)	9 119 033
Furniture and fixtures	24 499 450	(19 812 011)	4 687 439	24 421 695	(18 084 809)	6 336 886
Motor vehicles	89 596 872	(40 477 288)	49 119 584	103 510 371	(48 366 007)	55 144 364
Computer equipment	21 121 247	(11 501 143)	9 620 104	17 668 315	(9 755 578)	7 912 737
IWater nfrastructure	5 922 159 161	(1 787 137 374)	4 135 021 787	4 886 875 061	(1 637 608 492)	3 249 266 569
Sanitation Infrastructure	542 176 494	(248 797 668)	293 378 826	479 196 827	(237 590 566)	241 606 261
Community asset	16 165 013	(1 010 284)	15 154 729	16 165 013	(288 631)	15 876 382
Roads Infrastructure	13 684 165	(4 645 655)	9 038 510	13 684 165	(4 215 051)	9 469 114
WIP - building	14 728 207	(6 452 161)	8 276 046	8 276 046	-	8 276 046
WIP - sanitation	256 002 013	-	256 002 013	206 187 152	-	206 187 152
WIP - water	813 314 559	-	813 314 559	1 445 789 285	-	1 445 789 285
Total	**7 851 621 336**	**(2 156 695 394)**	**5 694 925 942**	**7 338 824 813**	**(1 988 156 776)**	**5 350 668 037**

Figures in Rand	2024	2023

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	30 345 900	-	-	-	-	-	-	30 345 900
Buildings	65 338 308	-	-	-	-	(2 331 959)	(54 788)	62 951 561
Machinery and Equipment	9 119 033	989 363	-	-	-	(2 093 512)	-	8 014 884
Furniture and Office Equipment	6 336 886	77 756	-	-	-	(1 727 203)	-	4 687 439
Transport Assets	55 144 364	688 778	(112 392)	-	-	(5 977 205)	(623 961)	49 119 584
Computer Equipment	7 912 737	3 870 668	(159 441)	-	-	(2 003 860)	-	9 620 104
Infrastructure: Water	3 249 266 569	21 010 529	-	1 016 617 323	-	(151 872 634)	-	4 135 021 787
Infrastructure: Sanitation	241 606 261	62 991 028	-	-	-	(12 463 446)	1 244 983	293 378 826
Community asset	15 876 382	-	-	-	-	(721 653)	-	15 154 729
Infrastructure: Roads	9 469 114	-	-	-	-	(430 604)	-	9 038 510
WIP - Buildings	8 276 046	-	-	-	-	-	-	8 276 046
WIP - Sanitation	206 187 152	49 814 861	-	-	-	-	-	256 002 013
	-	-	-	-	-	-	-	-
WIP - Water	1 445 789 285	384 142 597	-	-	(1 016 617 323)	-	-	813 314 559
	5 350 668 037	**523 585 580**	**(271 833)**	**1 016 617 323**	**(1 016 617 323)**	**(179 622 076)**	**566 234**	**5 694 925 942**

Figures in Rand	2024	2023

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	68 189 079	114 000	-	-	-	(2 964 771)	-	65 338 308
Plant and machinery	9 871 288	1 398 103	(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	3 259 828 980	2 529 646	-	156 712 751	-	(140 051 649)	(29 753 159)	3 249 266 569
Infrastructure: Sanitation	251 273 654	2 269 687	-	-	-	(10 744 892)	(1 192 188)	241 606 261
Community assets	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	180 992 074	25 195 078	-	-	-	-	-	206 187 152
WIP - Water	928 838 282	673 663 755	-	-	(156 712 752)	-	-	1 445 789 285
	4 843 798 151	**715 102 267**	**(7 569 092)**	**156 712 751**	**(156 712 752)**	**(168 546 062)**	**(32 117 226)**	**5 350 668 037**

During 2024 the property, plant and equipment depreciation is R179,506,246 (2023 R168,546,062).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 R12,876,260, 2023 R13,295,370) which reduced the depreciation on the face of the statement of financial perfomance

Pledged as security

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

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	99 956 189	57 920 108

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	Amount per WIP Register 23/24	Expected Completion date before extension	Reasons
07/2018-2019/MD(TN)	ENGCOBO NEW 2MI/ DAY WASTE WATER TREATMENT WORKS PHASE 1 AND OUTFALL SEWER	65 082 516,44	03/06/2021	The contractor was affected by Covid 19, and after covid 19 they developed a catch up plan to bring a personnel with expertise and capacity .There were also issues with landowners department of correctional services, the municipality engaged the department regarding the construction of 200 pipeline across the prison. Application for servitude was made and stalled. Subsequently a new application has been made again for servitude. The M&E subcontractor has not been appointed. The project will delay. Revised completion date 25 Feb 2025.
11/2019-2020/MS(BN)	GUBENXA AND MAXONGOSHOEK VILLAGES RURAL WATER SUPPLY SCHEME	17 098 498,17	31/03/2021	The Contractor failed to fulfil its contractual obligation and it resulted to termination.
12/2018-2019/MD(AM)	CLUSTER 5 WATER SUPPLY BACKLOG PROJECT: WATER SUPPLY TO LALINI AND NKWENKWEZI VILLAGES	18 361 423,25	30/09/2021	The contractor was terminated.

Figures in Rand				2024	2023

3. Property, plant and equipment (continued)

15/2018-2019/MD(BN)	WATER SUPPLY BACKLOGIN CHDM-CLUSTER 1: CONSTRUCTION OF BULK WATER SUPPLY : MHLANGA AND MGWALANE	104 975 408,86	30/10/2022	The contractor was liquidated.
27/2019-2020/LG(BN)	CALA BULK SANITATION SERVICES: COMPLETION OF CALA WASTE WATER TREATMENT WORKS INCLUDING BULK PUMP STATIONS AND ASSOCIATED RISING MAINS PHASE 1	94 096 900,87	2022/12/17	The contractor was unable to work due to perpetual community unrest hence the envisaged completion date was not adhered to by the contractor. The unrests caused massive delays.
29/2016/MD(TN)	UPGRADE OF TSOMO WATER WASTE TREATMENT WORKS: CIVIL MECHANICAL AND INSTRUMENTATION WORK	100 577 625,11	30/05/2019	The contractor was terminated and subsequently th consultant was also terminated by the municipality.
42/2016/BM(NM)	CONSTRUCTION OF NEW CHRIS HANI VILLAGE OFFICE PARK - PHASE 1	8 276 045,94	12/02/2023	The Consultant was liquidated leading to Court processes and this has caused further delays. The Municipality is currently exploring for external funding .Phase one was completed.

4. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	13 609 366	(10 064 662)	3 544 704	12 141 366	(8 587 207)	3 554 159

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	3 554 159	1 468 000	(1 477 455)	3 544 704

Reconciliation of intangible assets - 2023

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

Pledged as security

Carrying value of intangible assets pledged as security:

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

5. Interests in other entities

Investments in controlled entities

Name of company	Held by	% ownership interest 2024	% ownership interest 2023	Carrying amount 2024	Carrying amount 2023
Chris Hani Development Agency		100,00 %	100,00 %	1 500 000	1 500 000
				1 500 000	1 500 000
				1 500 000	1 500 000

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

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 6 months and all contributions made by the district municipality were treated as Transfers and Subsidies paid, refer to Note 30

Figures in Rand | 2024 | 2023

6. Heritage assets

	2024			2023		
	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 2024

	Opening balance	Total
Statue	962 961	962 961

Reconciliation of heritage assets 2023

	Opening balance	Total
Statue	962 961	962 961

7. Operating lease asset (liability)

Current assets	14 178	-

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

8. Inventories

Inventory stores	22 376 654	12 947 853
Water for distribution	244 725	688 847
	22 621 379	**13 636 700**

8.1 Inventory Reconciliation

Stationery	216 932	241 182
Cleaning Material	58 257	52 517
Water & Fittings	22 058 625	12 654 154
Water Inventory	287 565	688 847
	22 621 379	**13 636 700**

9. Receivables from non-exchange transactions

Sundry receivables - Roadworks subsidy	-	6 427 679
Local Municipalities	4	4
Rental and Eskom service deposits	17 446 324	15 631 410
RBIG	35 582 593	6 862 227
Other Debtors	784 524	1 480 972
DHS Emergency Housing	1 211 903	1 211 903
WSIG	8 109 965	6 543 249
MIG	54 454 150	37 274 715
Engcobo	5 107 306	-
	122 696 769	**75 432 159**

Service deposits consists of rental deposits and Eskom service deposits.

Other debtors consists of amounts receivable from 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
Local Municipalities	4	4
Rental and Eskom service deposits	17 446 324	15 631 410
DHS Emergency Housing	1 211 903	1 211 903
Other Debtors	784 524	1 480 972
MIG	54 454 150	37 274 715
RBIG	35 582 593	6 862 227
WSIG	8 109 965	6 543 249
Engcobo	5 107 306	-
	122 696 769	75 432 159

Figures in Rand	2024	2023

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
Local Municipalities	4	4
Rental and Eskom service deposits	17 446 324	15 631 410
DHS Emergency Housing	1 211 903	1 211 903
Other Debtors	784 524	1 480 972
MIG	54 454 150	37 274 715
RBIG	35 582 593	6 862 227
WSIG	8 109 965	6 543 249
Engcobo	5 107 306	-
	122 696 769	75 432 159

Receivables from non-exchange transactions impaired

As of June 30, 2024, other receivables from non-exchange transactions of R122,696,769(2023 June: R75 432, 159)were past due and assessed for impairment per GRAP 104 was considered for Roads Subsidy.

10. Receivables from exchange transactions

Gross balances		
Water	1 306 692 691	1 958 565 460
Sewerage	184 212 548	399 595 611
Sundry Debtors	177 475	2 622 705
	1 491 082 714	**2 360 783 776**
Less: Allowance for impairment		
Water	(891 996 441)	(1 799 198 209)
Sewerage	(157 975 420)	(392 677 792)
Sundry Debtors	(112 505)	(2 586 426)
	(1 050 084 366)	**(2 194 462 427)**
Net balanc		
Water	414 696 250	159 367 251
Sewerage	26 237 128	6 917 819
Sundry Debtors	64 970	36 279
	440 998 348	**166 321 349**
Water		
Current (0 -30 days)	350 563 684	161 045 269
31 - 60 days	44 974 598	41 536 037
61 - 90 days	45 217 132	40 626 000
91 - 120 days	51 760 654	39 906 787
121 - 365 days	369 065 935	495 238 921
> 365 days	445 110 688	1 180 212 447
Impairment allowance	(891 996 441)	(1 799 198 210)
	414 696 250	**159 367 251**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Receivables from exchange transactions (continued)

Sewerage		
Current (0 -30 days)	28 971 337	19 818 753
31 - 60 days	7 507 937	8 516 518
61 - 90 days	7 378 729	8 292 566
91 - 120 days	7 514 233	8 193 398
121 - 365 days	35 812 514	38 691 492
> 365 days	97 027 799	316 082 885
Impairment allowance	(157 975 421)	(392 677 793)
	26 237 128	**6 917 819**
Sundry Debtors		
Current (0 -30 days)	23 158	15 388
31 - 60 days	7 016	4 139
61 - 90 days	7 016	2 925
91 - 120 days	14 532	2 596
121 - 365 days	23 136	46 950
> 365 days	102 617	2 550 708
Impairment allowance	(112 505)	(2 586 427)
	64 970	**36 279**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(2 194 462 428)	(1 590 424 448)
Contributions to allowance	1 144 378 061	(604 037 980)
	(1 050 084 367)	**(2 194 462 428)**

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	8 407 786	4 770 394
Short-term deposits	12 030 371	100 903 135
	20 442 357	**105 677 729**

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.

11. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2024	30 June 2023	30 June 2022	June 30, 2024	30 June 2023	30 June 2022
First National Bank - Current Account - 62002510693	9 043 569	5 767 535	7 838 886	8 437 433	4 745 660	(71 372 408)
First National Bank - Call Account - 62004499481 (Equitable Share)	316 808	101 635	109 866	316 808	101 635	109 866
First National Bank - Call Account - 62190652521 (CRR)	3 004 424	8 499 950	114 427 826	3 004 424	8 499 950	114 427 826
First Natonal Bank - Call Account - 62187939784 (MIG)	49 978	2 854 800	2 120 213	49 978	2 854 800	2 120 213
First National Bank - Call Account - 62187936532 (WSIG)	5 682 718	28 623 237	42 168 950	5 682 718	28 623 237	42 168 950
First National Bank - Call Account - 62187938538 (RRAMS)	1 562 978	988 841	65 625	1 562 978	988 841	65 625
First National Bank - Public Sector - Cheque Account - 62610267602 (Water account)	21 051	405 901	235 095	(29 646)	24 735	(162 932)
First National Bank - Public Sector - Cheque Account - 62868460363 (EPWP)	6 075	922 564	578	6 075	922 564	578
First National Bank - Call Account - 62868467418 (RBIG)	219 586	48 905 606	87 712 796	219 586	48 905 606	87 712 796
First National Bank - Call Account - 62896975201 (MDRG)	1 187 801	10 006 501	4 225 198	1 187 801	10 006 501	4 225 138
Cash on hand	-	-	-	4 200	4 200	4 200
Total	**21 094 988**	**107 076 570**	**258 905 033**	**20 442 355**	**105 677 729**	**179 299 852**

The municipality is reflecting a favourable balance cashbook balance of R8 437 432.74, and the bank statement is reflecting a favourable balance of R9 043 569. The variance is caused by debtors receipts not updated relating to June and updated afetr year end amounting to R52 003 and debtors receipts updated in Bank 007 (water account) amounting R554 133. The cashbook in bank 7 (water account) reflects (R29 646) and the bank statement reflects R21 051. The variance is cuased by the deposit not receipted at month end amounting to R50 697.

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	67 522 749	56 759 000
Present value of the defined benefit obligation-partly or wholly funded	29 485 923	26 289 000
	97 008 672	**83 048 000**
Non-current liabilities	(91 128 599)	(77 660 000)
Current liabilities	(5 880 073)	(5 388 000)
	(97 008 672)	**(83 048 000)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Employee benefit obligations (continued)

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

Opening balance	56 759 000	55 212 000
Net expense recognised in the statement of financial performance	10 771 749	1 547 000
	67 530 749	**56 759 000**

Net expense recognised in the statement of financial performance

Current service cost	3 115 000	3 442 000
Interest cost	6 995 000	6 443 000
Actuarial (gains) losses	2 578 817	(6 522 804)
Benefits paid	1 917 068	(1 815 196)
	14 605 885	**1 547 000**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(2 674 144)	8 484 000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	13,41 %	12,54 %
Expected rate of return on assets	7,32 %	8,14 %
Actual return on reimbursement rights	4,42 %	4,07 %

Figures in Rand	2024	2023

12. Employee benefit obligations (continued)

Long Service Awards Liability

The municipal operates an undefine benefit plan for all its emplyees 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.

Reconciliation of Long Service Awards - June 2024		Opening Balance	Additions	Utilised during the year	Total
Long Service Awards	-	26 289 000	5 809 329	(2 612 406)	29 485 923

Reconciliation 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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024 by One Pangae 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 2024, 895 (2023, 780) employees were eligible for the Long Service Awards.

The current service cost for the year ending 30 June 2024 was estimated to be R2 938 000 whereas the cost of the ensuing year is estimated to be R3 410 016 and R3 644 390..

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 5.85% 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+10.40%-0.5%)/(1+4.81%)-1. Thus, a general earnings inflation rate of 5.66% 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 4.29. It was assumed that the next general earnings increase will take place on 1 July 2024.

Discount rate	10.40%	
Normal salary increase	5.85%	
Net effective discount rate	4.29%	
Changes in the present value of the long service awards are as follows:		
Opening balance	26 289 000	21 634 000
Current year service cost	2 938 000	2 600 000
Interest cost	2 776 000	2 201 000
Benefits paid	(2 612 406)	(3 118 183)
Actuarial losses	95 329	(1 384 817)
Addition of pro-rata LSA	-	4 357 000
	29 485 923	**26 289 000**
The amount recognised in the statement of financial position are as follows:		
Present value of the long service awards wholly unfunded	29 485 923	27 991 244
Net expense recognised in the statement of financial performance		
Current service cost	2 938 000	2 600 000
Interest cost	2 776 000	2 201 000
Actuarial losses	95 329	(1 384 817)
Addition of pro-rata LSA	-	4 357 000

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Employee benefit obligations (continued)

	5 809 329	**7 773 183**
Long Service Awards liability		
Medical contribution subsidies	1 917 068	1 815 196
Current portion of long service awards	2 612 406	3 118 183
	4 529 474	**4 933 379**

13. Consumer deposits

Water	1 079 583	904 417

14. Payables from exchange transactions

Trade payables	199 142 982	152 576 319
Payments received in advanced	46 680 347	17 065 177
Retentions	127 103 601	115 781 917
Bonus provisions	11 149 741	9 674 897
Accrued leave pay	26 059 077	20 516 757
Deposits received	8 335	8 335
Other payables	16 753 105	29 883 014
	426 897 188	**345 506 416**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Disaster Grant	19 873	11 055 000
National: Regional Bulk Infrastructure Grant (RBIG)	-	21 047 543
National: Department of Transport - Rural Road Asset Mgt Grant	6 644	400 172
National: MWIG	(1)	(1)
	26 516	**32 502 714**

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.

16. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2024

	Accumulated Surplus	Total
Opening balance	5 139 421 925	5 139 421 925
Surplus	525 786 970	525 786 970
	5 665 208 895	**5 665 208 895**

Figures in Rand	2024	2023

16. Accumulated surplus (continued)

Accumulated surplus - 2023

	Accumulated Surplus	Total
Opening balance	5 164 913 921	5 164 913 921
Surplus	309 245 341	309 245 341
Prior period error	(334 737 337)	(334 737 337)
	5 139 421 925	**5 139 421 925**

17. Revenue

Service charges	343 294 446	405 634 467
Other income	24 362 534	473 345
Interest received - investment	204 380 754	179 650 977
Government grants & subsidies	1 389 270 554	1 502 542 738
	1 961 308 288	**2 088 301 527**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	343 294 446	405 634 467
Other income	24 362 534	473 345
Interest received - investment	204 380 754	179 650 977
	572 037 734	**585 758 789**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	1 389 270 554	1 502 542 738

18. Service charges

Service charges	226 383	80 663
Sale of water	285 877 109	347 380 953
Sewerage and sanitation charges	57 190 954	58 172 851
	343 294 446	**405 634 467**

19. Other income

Staff recoveries (Telephone)	-	1 000
Tender documents	273 319	78 609
Own Revenue - Unallocated deposits	23 696 054	-
VAT on Conditional Grant	-	621
Sundry receipts	393 161	393 115
	24 362 534	**473 345**

20. Interest income

Interest revenue		
Bank	232 458	284 272
Interest - investments	20 147 928	16 619 571
Interest - debtors	184 000 368	162 747 134
	204 380 754	**179 650 977**

Figures in Rand	2024	2023

21. Government grants & subsidies

Operating grants		
Equitable share	695 711 000	654 460 000
Finance Management Grant	1 000 000	1 000 000
Municipal Infrastructure Grant Operational	18 488 485	41 980 426
EPWP	2 384 000	3 630 000
Rural Road Asset Management Grant	3 861 529	3 704 828
LG SETA	704 837	676 559
Municipal Disaster Grant	38 730 127	-
WSIG Operational	48 473 214	6 541 221
	809 353 192	**711 993 034**
Capital grants		
Municipal Infrastructure Grant	321 538 950	419 533 801
Water Services Infrastructure Grant	24 610 503	80 156 444
Regional Bulk Infrastructure Grant	233 767 909	290 859 459
	579 917 362	**790 549 704**
	1 389 270 554	**1 502 542 738**

Equitable Share

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

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National; Municipal infrastructure Grant

Current-year receipts	322 848 000	450 451 000
Conditions met - transferred to revenue	(340 027 434)	(461 457 547)
Transfer to debtor	17 179 434	11 006 547
	-	**-**

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

LG SETA

Current-year receipts	704 837	676 559
Conditions met - transferred to revenue	(704 837)	(676 559)
	-	**-**

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

National : EPWP

Balance unspent at beginning of year	-	(185 020)
Current-year receipts	2 384 000	3 630 000
Conditions met - transferred to revenue	(2 384 000)	(3 630 000)
Re-payment of unspent	-	185 020
	-	**-**

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

National : Finance Management Grant

Current-year receipts	1 000 000	1 000 000

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
21. Government grants & subsidies (continued)		
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	**-**

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

Municipal Disaster grant

Balance unspent at beginning of year	-	75 741
Re-payment of unspent	-	(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	400 172	371
Current-year receipts	3 468 000	4 105 000
Conditions met - transferred to revenue	(3 861 528)	(3 704 828)
Re-payment of unspent	-	(371)
	6 644	**400 172**

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

National; Regional Bulk Infrastrucure Grant

Balance unspent at beginning of year	21 047 542	-
Current-year receipts	184 000 000	311 907 000
Conditions met - transferred to revenue	(233 732 258)	(290 859 459)
Transfer to Debtor	28 684 716	1
	-	**21 047 542**

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

Water service Infrastructure Grant

Balance unspent at beginning of year	-	14 050 770
Current-year receipts	71 517 000	65 200 000
Conditions met - transferred to revenue	(73 083 716)	(86 697 665)
Transfer to debtor	1 566 716	7 446 895
	-	**-**

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

Municipal Disaster Recovery Grant

Balance unspent at beginning of year	-	1 573 489
Re-payment of unspent	-	(1 573 489)
	-	**-**

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

Municipal Disaster Grant

Balance unspent at beginning of year	11 055 000	-
Current-year receipts	27 695 000	11 055 000

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
21. Government grants & subsidies (continued)		
Conditions met - transferred to revenue	(38 730 126)	-
	19 874	**11 055 000**

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

22. Employee related costs

Basic	242 338 505	235 063 253
Bonus	21 832 160	20 288 083
Medical aid - company contributions	28 873 711	28 667 091
UIF	1 816 317	1 713 541
Leave pay provision charge	7 512 623	5 248 970
Industrial Council Levies	112 891	100 679
Travel, motor car, accommodation, subsistence and other allowances	32 816 639	30 015 705
Overtime payments	11 371 432	9 697 373
Long-service awards	5 730 486	7 919 183
Housing benefits and allowances	1 602 284	1 607 827
Pension Fund Contributions	45 190 892	40 913 749
Group Life Insurance	1 581 874	2 197 802
	400 779 814	**383 433 256**

Remuneration of Municipal Manager - G. Mashiyi

Annual Remuneration	1 491 279	1 565 457
Car and other allowances	608 185	590 471
Service Bonus	186 409	120 654
Contributions to UIF, Medical and Pension Funds	2 125	2 255
Other (Grouplife, Special allowance and Bargaining Council)	314 108	547 317
	2 602 106	**2 826 154**

Remuneration of Chief Finance Officer - C. Mapeyi

Annual Remuneration	1 115 472	1 185 626
Car and other allowances	562 094	546 690
Performance Bonuses	139 433	90 249
Contributions to UIF, Medical and Pension Funds	51 503	59 399
Other (Grouplife, Special allowance and Bargaining Council)	207 867	194 937
	2 076 369	**2 076 901**

Remuneration of Director; Corporate Services - T. Skefile-Jaxa

Annual Remuneration	745 597	523 508
Car and other allowances	233 539	180 633
Performance Bonuses	77 666	76 437
Contributions to UIF, Medical and Pension Funds	202 117	99 473
Other (Grouplife, Special allowance and Bargaining Council)	7 533	21 716
	1 266 452	**901 767**

Remuneration of Director; Health Services - N. Mnyengeza

Annual Remuneration	1 115 472	1 185 686
Car and other allowances	569 366	553 573
Performance Bonuses	139 434	90 249
Contributions to UIF, Medical and Pension Funds	240 649	235 914
Other (Grouplife, Special allowance and Bargaining Council)	137	-
	2 065 058	**2 065 422**

Remuneration of Director; Integrated Planning and Development - Z.M. Duze

Annual Remuneration	1 086 882	1 125 201
Car and other allowances	541 599	516 609

Figures in Rand	2024	2023
22. Employee related costs (continued)		
Performance Bonuses	132 794	64 051
Contributions to UIF, Medical and Pension Funds	260 175	203 634
Other (Grouplife, Special allowance and Bargaining Council)	36 518	36 382
	2 057 968	**1 945 877**
Remuneration of Director; Technical Services - M. Shasha		
Annual Remuneration	717 482	649 688
Car and other allowances	233 539	224 220
Performance Bonuses	77 666	84 257
Contributions to UIF, Medical and Pension Funds	185 326	126 485
Other (Grouplife, Special allowance and Bargaining Council)	7 533	225 675
	1 221 546	**1 310 325**
23. Remuneration of councillors		
Executive Mayor	1 214 960	1 119 207
Deputy Executive Mayor	973 893	903 523
Mayoral Committee Members	5 016 204	4 295 598
Speaker	973 893	903 523
Councillors	3 857 321	3 644 627
Chief Whip	915 874	849 604
Sec 79 Chair	890 346	825 880
	13 842 491	**12 541 962**

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	166 802 682	155 872 335
Intangible assets	1 477 454	861 102
	168 280 136	**156 733 437**
25. Finance costs		
Trade and other payables	473 443	2 304 403

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

26. Debt impairment and Bad debts

Debt impairment	1 033 218 963	(571 753 754)
Bad debts written off	(1 226 732 051)	(86 657 478)
	(193 513 088)	**(658 411 232)**

27. Inventory Consumed - Water

Water	160 753 927	127 348 149

Inventory consumed - water reconciliation

Bulk Purchase	25 834 562	25 765 945
Electricity	54 944 515	48 692 590
Employee cost - WTW	50 516 823	24 109 373
Chemicals	16 383 596	15 975 846
Depreciation	12 876 260	13 295 570
	160 555 756	**127 839 324**

Water reconciliation represents the input costs capitalised to the inventory control account.

28. Contracted services

Presented previously

Outsourced services	48 909 974	32 528 012
Repairs and Maintenance	99 956 189	57 920 108
Consultants and professional fees	41 362 399	40 176 938
Other Contractors	98 177 523	90 300 235
	288 406 085	**220 925 293**

29. Transfer and subsidies

Other subsidies

CHDM Choral Music Association	-	100 000
Irrigation Scheme - Products	1 205 991	819 299
Intsika Yethu Municipality Nursery	316 200	-
Chris Hani Sports Confederation	140 000	-
VIP Toilets	43 356 346	29 176 755
Chris Hani Development Agency	38 650 771	35 252 652
	83 669 308	**65 348 706**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

30. General expenses

Advertising	1 183 970	887 840
Auditors remuneration	9 723 209	8 154 532
Bank charges	2 151 461	4 184 329
Computer expenses	18 796 080	16 887 571
Consumables	5 559 722	4 059 253
Entertainment	550 120	378 970
Insurance	2 531 850	1 994 987
Education & Marketing	79 100	85 180
Motor vehicle expenses	1 426 678	1 746 749
Fuel and oil	29 886 266	35 094 004
Postage and courier	145	1 030
Printing and stationery	1 179 402	1 045 278
Protective clothing	2 126 641	935 152
Staff welfare	578 435	703 455
Subscriptions and membership fees	4 350 774	3 951 295
Telephone and fax	2 776 954	3 123 444
Travel - local	8 234 809	7 573 529
Assets expensed	1 601 846	2 798 964
Electricity	173 653	356 258
Water	16 037	12 095
Refuse	4 473	3 739
Sewerage	562	390
Tourism development	6 417	-
Communication	151 900	171 108
Indigent Subsidy	11 687 504	8 529 730
Skills Development Levy	3 744 028	3 401 116
Operating Leases	6 305 808	6 770 100
	114 827 844	**112 850 098**

On the consumables its including sundries is inluding R1,179,529.60 for CSPS, Bank charges on stop orders and EPWP funded by the municipality. The split is caused by the pending case on the transaction made by municipal employee.

Figures in Rand	2024	2023
31. Cash generated from operations		
Surplus	525 786 970	309 245 341
Adjustments for:		
Depreciation and amortisation	-	156 733 437
(Loss) gain on sale of assets and liabilities	(2 422 229)	4 399 978
Impairment loss	(566 234)	32 117 226
Debt impairment	(1 033 218 963)	571 753 754
Bad debts written off	1 226 732 051	86 657 478
Interest expense	-	2 304 403
Depreciation of PPE and Amortisation of intangible	168 280 136	-
Depreciation on inventory	-	13 295 570
Inventory consumed (portion of inventory	12 876 260	-
Other Income (own revenue)	(23 696 054)	-
Interest on debtors	(178 716 405)	(158 401 968)
Increase in provision relating to employee cost	2 674 146	(8 484 000)
Changes in working capital:		
Receivables from exchange transactions	(289 271 775)	(381 273 741)
Movement in employee benefit	11 286 526	14 686 000
Prepayment	703 721	(1 707 796)
Payables from exchange transactions	228 567 739	(4 003 513)
VAT Receivable/Payable	(123 125 337)	-
Unspent conditional grants and receipts	(79 942 715)	(930 979)
Consumer deposits	175 166	132 252
Inventories	(8 984 679)	6 084 337
Operating lease	(14 178)	-
	437 124 146	**642 607 779**

32. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	440 125 426	616 371 253
• Building	158 424 331	158 424 331
• CHDA Projects	-	177 867 891
• Consultants	89 609 514	-
	688 159 271	**952 663 475**

Total capital commitments

Already contracted for but not provided for	688 159 271	952 663 475

Total commitments

Total commitments

Authorised capital expenditure	688 159 271	952 663 475

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)

Total commitments

Authorised capital expenditure	688 159 271	952 663 475

Figures in Rand	2024	2023

33. Contingencies

Comtingent liabilities

The municipality is party to the following litigation matters..

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
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
CitySquare Trading 204. CHDM is the 2nd Defendant in the matter. Action defended and has proceeded to trial. The matter was postponed sine die in July 2021 for further evidence. The matter has been reinstated on roll for hearing and is partly heard for further hearing in May 2023. At the end of the Applicant's case, an application was filed by the Municipal counsel for an absolute on from the instance. The applicate on 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. Matter finalised and order granted in favour of the plaintiff. On instruction of CHDM, the Attorneys entered into a monthly payment arrangement wherein CHDM has undertaken to pay R 1 million per month on the 1st of every month. Furthermore, to avoid tax implications that may be harmful to CHDM an arrangement was made that the instalments would be paid directly to City Square. The Plaintiff filed their notice of intention to tax. The MuicipalityY is opposing the plaintiff's bill of costs and are to file up submission by 26 April 2024.	-	8 600 000
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 Municipality is now paying the court order..	-	1 061 125
The Defendant has defended the action. Telkom still needs to substantiate claim. Matter is ready for trial. A special plea for failure to adhere with the Intergovernmental Relations Framework Act. The matters might be combined if the Court allows such an application. Pleadings have closed. Plea trial proceedings have commenced.	110 000	110 000

Figures in Rand	2024	2023
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
Element Consulltng Engineers (Pty/LTD is suing the Municipality capital claim for amounts of R3 481 997,42 in total 1st claim is R1 456 841,29 Rathwick Project (2010); 2nd R1 827 115,47 Molteno Project and 3rd claim R198 040,73, for Emergency Housing Project (2017) The Municipality has filed a noticeof 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 on hold pending the finalisation of part A of the Application. The matter is still on pleadings stage The Applicants went under business rescue.	4 000 000	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. The Registrar contacted the Judge to enquire about same. The Judge directed that CHDM file submissions on the merits of the matter as well as before a directive can be issued on the appellant's application for leave to appeal and condonation application thereto. Adv Kroon SC has finalised the submissions and the same has been forwarded to CHDM for commentary before service and filing can be effected	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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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. The draft plea has been prepared. However, a consultation is required with the Municipality. A notice of bar has not been filed by Mr Miggels. It is advisable for CHDM not to contact the plaintiff as the plaintiff has not pursued the matter.	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
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. The plaintiff has not discovered. The Attorneys are preparing a final compel application to discover. However, the Attorneys are to consult with CHDM concerning the appointment of Counsel to move the application.	80 000	80 000
Inyathi Construction. The applicant issued summons against the Municipality seeking for an order of the decision of municipality to award the tender of Cluster 8 Water Supply Backlog and all administration actions and contracts concluded to such award be reviewed and set aside. The matter has been set down for hearing 20/06/2024.	600 000	-
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. Applicant has filed Rule 37 on 19/04/2024.	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
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

Figures in Rand	2024	2023
33. Contingencies (continued)		
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. Both parties went to site for inspection in February 2024. CHDM has filed a further report.	120 000	120 000
Idalette Foto's cc. Plaintiff is suing the CHDM for vacurious liability as one of its Councilors was involved in a motor vehicle collision belonging to the plaintiff. A plea and special plea of non-compliance has been served.	45 000	-
The Auditor-general of South Africa (Tsakani Maluleke hereby instituted action against defendants in the plaintiff claim the relief on the grounds that the defendant has to pay/refuse/neglect to make payment of the outstanding audit fees. The plaintiff also filed a notice agreement or opposition to mediation, the plaintiff does 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 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. The Attorneys received a notice of setdown of the matter for 21 February 2024. The Advocate's files have been indexed and paginated and the Advocate is preparing a practice note. The trial took place on 21/02/2024. On 27/02/2024 acting Judge Makhura issued a ruling in favour of the 3rd and 4th respondents. The Municipality is proceeding with the appeal.	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. On the request of the applicant (Mfuraa Projects), the matter was removed from the roll on 11/03/2024.	28 000 000	28 000 000
SRK Consulting claims for amount of R223 992.30 from the CHDM for the additional services rendered. The Municipality entered an appearance to defend. The Plaintiff has filed its discovery notices. The matter is still on discovery stage. The parties will proceed with the pre-trial on notice from the applicant. The Applicant is yet to fie the pre-trial notice.	243 922	243 922

Figures in Rand	2024	2023
33. Contingencies (continued)		
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 Municiplaity 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. Plea filed and the matter has progressed to discovery stage.	1 000 000	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. The matter was then postponed to 14 June 2023 for the final witness of the applicant to testify. After conclusion of the evidence, arguments will be presented. The arbitration took place on 15 August 2023. The matter was to be heard on 22 February 2024. On arrival and on request of the Applicant, the matter was postponed to 29 April 2024. What remains is for the applicant's final witness to testify after which closing argument will be delivered and the award handed down.	80 000	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. CHDM discovery affidavit was filed on 16/02/2024. On 16/04/2024 the plaintiff tabled settlement proposal by CHDM.	75 000	75 000
S. Ngxenye 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 Municiplaty will apply that the matters be consolidated when the time comes. Matters have been consolidated under case no: 2187/23. The matter has been set down for hearing on 01/08/2024. CHDM filed its heads of arguments 17/04/2024.	1 000 000	100 000
N. Dintsi The applicant issued summons against the municipality seeking declaration order of failure to provide portable drinkable water to the applicants' communal taps be declared unconstituonal in terms of section 27 of the Constitution of Republic of SA, further that the municipality facilitate and expedite supply of clean and purified water to applicants' communal taps. The Municipality is defending the matter and is on pleadings stage.	-	100 000
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 unconstitutional in terms of section 27 of the Constitution of republic of SA, further that the municipality facilitate and expedite supply of clean and purified water to applicants' communal taps. The matter is defended and on pleadings stage.	-	100 000

Notes to the Annual Financial Statements

Figures in Rand	2024	2023
33. Contingencies (continued)		
Y.Ngxothelwa 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. 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
The Applicant institutes action against the Municipality, in which the Plaintiff claims relief on the Electronic Communication facilities that were damaged while carrying out work on the site by the Defendant. The matter is on pleadings.	332 981	-
The Auditor General claims for outstanding fees. The matter is mediated out of court. It appears that there is misunderstanding between the office of the auditor on interest that were previously waived by same office	505 049	-
Egxeni Engineering entered a contract with the defendant for professional services. The plaintiff claims the municipality for an amount of R829 718,38 for services rendered. we are still to consult and establish liability in this matter. A counter claim has been filed. The Attorneys are waiting for applicant plea on counter claim in order to apply for trial date. CHDM received plea to the counter claim and replication to CHDM plea. The matter is on pleading stage.	1 329 718	-
Hatch Goba. The plaintiff entered a contract with the defendant for professional services in relation to the design and construction of the Caca dam. The funding department has called for planning of construction of the dam and has picked up that the professional service provider dealing with the project is registered under MIG and the project will proceed on RBIG. The Municipality had advised the Hatch that they will be using services of another service provider. Hatch Goba interdicted the Municipality on appointing another service provider. The Municipality is defending the matter and has applied the review of the contract against Hatch be expedited.	1 100 000	-

Figures in Rand	2024	2023
33. Contingencies (continued)		
Xhentu Local Residents. The applicant issued summons against the municipality seeking declaration order for failure to construct toilets and ablution facilities at Xhentu locality to be declared Constitutional and Valid in terms of section 24 of the Constitution. May 2024, CHDM has mediation. CHDM has served and filed answering affidavit. On 7th	100 000	-
Kuza-Ngcete Local Residents. The applicant issued summons against the municipality seeking declaration order for failure to construct toilets and ablution facilities at Kuza-Ngcete locality to be declared Constitutional and Valid in terms of section 24 of the Constitution. CHDM has received plaintiff's replying affidavit. CHDM is preparing for heads of argument.	100 000	-
Chibi Local Residents. The applicant issued summons against the municipality seeking declaration order for failure to construct toilets and ablution facilities at Chibi locality to be declared Constitutional and Valid in terms of section 24 of the Constitution. CHDM has received plaintiff's replying affidavit. CHDM is preparing for heads of argument	100 000	-
Ncalukeni Local Residents. The applicant issued summons against the municipality seeking declaration order for failure to construct toilets and ablution facilities at Kuza-Ncalukeni locality to be declared Constitutional and Valid in terms of section 24 of the Constitution. A court order to consolidate the application was granted on 20/02/2024., under case number: 4956/23.	800 000	-
Betram (Pty) Ltd. The Municipality published a tender with the description that they want 5 panel of service providers to do the work that was advertised on the tender, the applicant submitted all the requirements. The applicant was far from the lowest priced tender and had to be awarded the most points in terms of the preference point system. The Municipality appointed 6 service providers. The Applicant claims that if the tenderers were scored correctly, they could have obtained the highest points. The applicant now issued summons in essence to review and set aside the decision of the municipality to award the tender to 5 highest scoring tenderers (from the second to the seventh respondents) .The Municipality is defending the matter. The defendant filed notice of opposition. Court order by agreement between the parties was granted on 23/02/2024. In terms of the court order, the decision was reviewed and set aside.	250 000	-
Asanda Makonza Case. The applicant seeks for an order on a award handed down by second respondent (Commissioner Thobela Ncetezo) on the 15 of January 2024 under case number EDC 062313 to be reviewed, set aside and corrected in terms of section 145 of the Labour Relations Act 66 0f 1995. Applicant has taken up the matter on appeal and subsequently resigned.	350 000	-
BVI Border Pty Ltd. Urgent interdict to render the cancellation of the joint venture agreement by the Municipality unlawful.	300 000	-
Vuyiseka Hukwe's case. On 27 June 2022, the Plaintiff slipped and fell in overflowing drain water due to a malfunctioning sewage drain that was overflowing, as a result, the Plaintiff suffered serious injuries which include dislocated patella and soft tissue and is unable to work. The Plaintiff seeks compensation amounting to R400 000	600 000	-
	81 257 050	**85 535 427**

Figures in Rand	2024	2023

33. Contingencies (continued)

Contingent assets

Diphatse Trading. A service provider, 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 was opposed as the applicant laboured under the false impression that the contract was terminated, and also that the certificate claimed was not due to the contractor, but to the Municipality (as penalties). The judgment is in favour of the Municipality. Bill of costs taxed and allocated. Currently in the process of recovering the allocated costs.	-	100 000
The Tsomo Magistrates Court dismissed an applicatton for rescission that was brought by the Municipality against Mawethu Magida. A judgment was granted by default against the Municipality in the amount of R 300,000.00 for a claim for damages allegedly caused by blasting while the Municipality implemented an infrastructure project. An appeal was brought at Mthatha High Court and was decided in favour of the Municipality. The bill was taxed however the attorneys are trying to trace Mr Magida as his attorneys of record withdrew.	80 000	80 000
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. Th e 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. However, the Attorneys are to consult with the Municipality in proper preparation of the application. The Attorneys briefly consulted with the Advocate this year in order to discuss dates to move the application in the interim. The Advocate will revert with dates. The Attorneys consulted with Counsel concerning the matter. Counsel advised that his diary for this year is open to file an application to dismiss the matter. Counsel will have to peruse the file to revert with the dates, in the interim the attorneys requested the correspondence to peruse the court file for further pleading filed by the plaintiff. The correspondent Attorneys confirmed that they have not received pleadings from the plaintiff.	60 000	60 000

Figures in Rand	2024	2023
33. Contingencies (continued)		
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. Matter joined for hearing	200 000	200 000
A contingent asset was due to an applicant (Diphatse Trading and projects) 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	200 000
	540 000	**640 000**

Figures in Rand	2024	2023

34. Related parties

Relationships	
Associates	Refer to note
Shareholder with joint control	Name (Proprietary) Limited
Ncumisa Ncobo	Director in Isiqalo SNN Consulting Agency. Director in Siqalosethu Trading
Sizwe Qotywa	Shareholder in Avior - Ordinary Shares Mtoniswa Trading
Zolisa Ngcuka	Director in Bright Youth NPC
Nobuhle Mahlasela	Shareholder/Owner in Sosisa Property Developments. Landlord in Vuliveli Chalmers Street
Vuyeka Yabo	Shareholder in Invest Global Reit, Avweng, , EC10, LABAT, Purple Group Limited, Tongaat Hulett, Bright light Solar VCC, Angesisa Trading
Siyabulela Vellem	Owner in Transport Services
Pamela Mabentsela	Shareholder in Mabentsela Undertakers and Lambcrops Multitraders
Gcobani Mashiyi	Owner in Lathiloez and Emerging Farmer. Shareholder in ZINACO and Ikhwezi Lomso. Member in Iziphumo Consulting and Technical Cross Holdings
Pumlani Libala	Shareholder in Easy Equity. Owner in KUUM Capital
Zolile Duze	Founding member in M & P Family Trust
Roboji Ncumisa	Owner in Emerald Boutique Guest House. Landlord in Residential Property Zone 1-420
Mvuyeleni Somkoko	Member in Jange and Mlungu Civils
L;indile Delubom	Director in Delubom Transport, 33% member in Emakhaya Properties Flate,
Asanda Makonza	100% Membership in Seasons Find 1260CC. Member in Funumbona Construction & Projects
Mziwamadoda Moses Shasha	100% in Safika Rural Dev Consultant
Ntombizanele Mapatwana	Director in Brainwave Project 205
Zixolisile Gqodo	Member in GZ Civil Engineering. Member in FC Builders & Construction
Thulethu Ncokazi	100% in Jekeso Communication. Member in Relittle Investments
Nonelela Gobeni	Director Hi-Lite Development Agency. Member in Ulutho Funerals
Mthetheleli Atwel Gcali	Director in Sebutha Transport & Catering
Thandisizwe Makwabe	50% Membership in Mokoti Construction.
Neziwe Petela	Director in Kumbu & Lam Trading Enterprise. Director in Kei Recyclers
Vuyiseka Banisi	Member in Angesisa General Trading
Bafo Sigenu	Member in Nonesi Development
Bathandwa Ngxangana	Own share in Northam, Capitec, South 32. Director in Sibakulu Group. Partnership in Oxygen Investment. Director of Flats
Ntombikayise Prudence Mnyengeza	Member in Brainwave Projects 1538 and Valobex 225.Director in Ntomonde, RSA Bhungane Transport and Tap Tac Trading.
Onela Mbotshane	Member in Destiny Internet Cafer. Director in Sagodola General Trading
Themba Spampoel	Member in M Q F S IT Solutions and Telecommunication and in Strive Industries. Director in Strive Investments
Noxolo Ncede	Member in Divine Watch Protection Construction Agency and Investments

Figures in Rand	2024	2023

34. Related parties (continued)

COUNCILLORS	REFER TO LIST OF COUNCILLORS DISCLOSED UNDER GENERAL INFORMATION. COUNCILLORS OF THE MUNICIPALITY HAVE RELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW:
Siyabulela Nxozi	Owner in Residential Flat N77 Ekuthuleni Khowa
Kenneth Klark	Shares in Johannesburg Stock Exchange. Side memmber in Twizza. Side member in Crickley Dairy. FamilyTurst in Clifton Turst
Bongeka Nobuntu	Member in Nice Flower Trading 39. Director BBAO Sopitsho Construction and Lady Million Incorporated
Patheka N. Makapela	Member in Hange Wool Growers Co-operative Limited
Lusanda Sizani	50% Ownership in Likhaya BNB
MUNICIPAL EMPLOYEES	EMPLOYEES OF THE MUNICIPALITY HAVE R ELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW:
Mabele Yonela	Owner in Thembelani & Yonela Music Band
Bongile Stanford Magadla	Owner in Banekazi Holdings CC. Owner in Alucwe Investment CC. Director in Inkululo Leadership Academy
Snathamanzi Cekiso	Spouse, Owner in Khwezilomso enterprises
Nontozabethini Mtibe	Spouse, Yolo Trading Enterprise
Avela Mananga	Owner in Guadville Security
Thandeka Siqwayi	Shareholder in RedGuard Solutions
Amanda Mdzeke	Shareholder in Matoti's Transport Services
Nomfundo Sobukwe	Family member in R. Sobukwe Trust. Board member in Borien Educational Fund
Zanoxolo Kolanisi	Shareholder in Umhlanga Oceans Hotel and Flat - Gqeberha 32 Clyde street
Nozuko Ncedo	Owner in AMS Rhudulu Projects
Fezeka Mketsu	Owner in Queenstown Palm Lodge. Facilitator/Assesor/Moderator
Luseko Maxhama	Director in Flawless Force SA-NGO Superlife Fine Fragrance
Nontuthuzelo Khonyashe	Director in Bell Caxton Print,Marry and Roberts,Member in Nompak Limited,Member in woolwarths Holding,Member in Honey Fashion Accessories
Sonnieke Kriel	Member in Flats
Sinovuyo Griffits Mbele	Member in Backstage Indwe
Elizabeth De Klerk	Director in Flats
Lindelwa Tyali	Director in Amatshezi Bottle Store
Nozabathini Hlahla Mtibe	Member in Amway,Yovo Trading Enterprise
Sakhele Dyili	Member in Flats in East London
Bayanda Mtiya	Member in Inuka and Justine
Wandisile Nkwenkwezi	Member in Asoze Toilet Hiring
Ayanda Ngxaba	Ownership in Latayas Collection, Director in Flats Elliot
Gcobisa Matakane	Director in Flats in East London
Charlene Vries	Director in Honey Tupperware
Fundiswa Hansi	Owner in Seling Clothes
Siphokazi Mfikili	Beneficiary in NHFC Subsidy
Bulelwa Mboyi	Directors of Community Transformation Resdintial Property Westebourne Park

Figures in Rand	2024	2023

34. Related parties (continued)

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	95 547 772	165 311 892
Phalethu 0513 Event Management	-	52 900

35. Unauthorised expenditure

Unauthorised expenditure - Opening balance	346 827 281	424 610 614
Current year	98 733 378	344 076 508
Less: Amount written-off: current	(98 733 378)	-
Less: Amount written-off: prior period	(344 076 508)	(421 859 841)
Closing balance	**2 750 773**	**346 827 281**

The Council approved an amount of R344,076,508 from the opening balance and the current year expenditure amounting to R98,733,380. The amounts written off were investigated by MPAC and the outcome indicated that there was no financial loss incurred. The amount was certified as irrecoverable by CHDM Council.

36. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - Opening balance	86 693	2 853 517
Current year	473 442	491 909
Amount UIFWE incurred- prior period (UIFWE identified in the current year incurred in prior year	1 768 003	-
Less: Amount written off - current	(385 437)	(3 258 733)
Less: Amount written off - prior period	(1 501 095)	-
Closing balance	**441 606**	**86 693**

The fruitless and wasteful expenditure for opening balance , quarter 1,2,3 and 4 was submitted to council and referred to MPAC for investigation and report back to council. The outcome of the investigation was to write off the expenditure.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

36. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

The interest has been incurred due to late payment of invoices for Eskom , and Telkom.	473 443	491 909
The amount is interest incurred due to a court case which was finalised in the current financial year	1 768 003	-
	2 241 446	**491 909**

Figures in Rand	2024	2023

37. Irregular expenditure

Opening balance as previously reported	87 369 434	5 472 931
Add: Prior year irregular expenditure	75 830 703	35 278 541
Add: Irregular expenditure - current year	76 636 563	135 089 388
Less: Amount written off	(237 419 927)	(88 471 426)
Closing balance	**2 416 773**	**87 369 434**

Analysis of expenditure investigated

Current year	76 636 563	135 089 388
Prior years	163 230 137	40 751 472
	239 866 700	**175 840 860**

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	74 929 358	127 895 075
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 Gazzette	1 707 205	2 661 567
4. The requirements for local content and production were not stipulated in all bid document	-	199 946
	76 636 563	**135 089 388**

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. Contract irregularities identified by IA at CHDA	-	32 873 170
3. The contract was not appointed in line with MCCR.	75 240 870	-
4. Contract exceeded its duration and the scope of works was extended without following proper processes of section 116 of the MFMA.	87 789 321	-
5. The requirements for local content and production were not stipulated in all bid document.	199 946	-
	163 230 137	**35 278 541**

Irregular Expenditure for opening balance, quarter 1,2,3 & 4 was submitted to Council and Council resolved for MPAC to investigate and report back to Council. The outcome of the investigation from MPAC declared the amount irrecoverable and be written off by Council.

38. Additional disclosure in terms of Municipal Finance Management Act

SALGA

Current year subscription / fee	4 281 723	3 920 265
Amount paid - current year	(3 211 292)	(3 920 265)
	1 070 431	**-**

Audit fees

Opening balance	304 648	4 176 705
Current year subscription / fee	11 181 691	9 449 148
Amount paid - current year	(11 210 759)	(13 321 205)
	275 580	**304 648**

Figures in Rand	2024	2023

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

PAYE and UIF

Current year subscription / fee	76 625 292	69 173 404
Amount paid - current year	(70 171 096)	(69 173 404)
	6 454 196	**-**

Pension and Medical Aid Deductions

Current year subscription / fee	67 484 554	60 716 764
Amount paid - current year	(67 484 554)	(60 716 764)
	-	**-**

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2024:

December 31, 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor RW Venske	-	62 736	62 736
Councillor September - Caba	-	3 975	3 975
	-	**66 711**	**66 711**

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 2023/2024 financial year.

There are no deviations for 30 June 2024.

40. Water Distribution Losses

Water Losses	113 879 145	88 466 601

The municipality incurred water distribution losses in the current year 2024 is 9 183 820 @ R12,40 amounting to R113,879,144.80estimated @ 23% and previous year 2023 estimated @ 36.16% of 8 622 476 amounting to R88,466,601.30

Figures in Rand	2024	2023

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 settles by delivering cash or another financial asset.

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

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

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

Credit risk

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

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

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

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

Except for trade and other receivables which have already been impaired, the following financial assets are exposed to limited credit risk at year end:

Financial instrument	2024	2023
Cash and cash equivalents	20 442 358	105 677 729

42. Financial instruments disclosure

Categories of financial instruments

Figures in Rand	2024	2023

42. Financial instruments disclosure (continued)

2024

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	440 998 348	440 998 348
Other receivables from non-exchange transactions	-	122 696 769	122 696 769
Cash and cash equivalents	20 442 357	-	20 442 357
	20 442 357	**563 695 117**	**584 137 474**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	389 592 005	389 592 005

2023

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	166 321 349	166 321 349
Other receivables from non-exchange transactions	-	75 432 159	75 432 159
Cash and cash equivalents	105 677 729	-	105 677 729
	105 677 729	**241 753 508**	**347 431 237**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	315 314 762	315 314 762

43. Events after the reporting date

During 2024/2025 the municipality table to Council dated 16 August 2024 Resolution C21 of 2024 the unallocated deposit for the past five years to be recognised as own - revenue after several attempt to identified those unidentified deposit. An amount of R23 696 054.07 was disclosed in the statement of financial perfomance as at 30 June 2024.

44. Accounting by principals and agents

The entity is a party to principal agent arrangemnet. CHDM is a principal to CHDA

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

44. Accounting by principals and agents (continued)

Details of the arrangment(s) is|are as follows:

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

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

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

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 2024)	3 262 348	7 584 196

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 , 2024, the municipality had an accumulated surplus (deficit) of R 5 665 208 895 and that the municipality's total assets exceed its liabilities by R 6 308 710 713.

Figures in Rand	2024	2023

46. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Total
Other provisions	81 475 475	81 475 475

Reconciliation of provisions - 2023

	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) / Payable	37 006 384	34 029 903
VAT Reconciliation		
VAT Control	60 706 416	115 842 239
Output VAT	312 702 427	131 474 823
Input VAT	(336 402 459)	(213 287 159)
	37 006 384	**34 029 903**

48. Prepayments

Prepayments	1 004 075	1 707 796

49. Impairment of assets

Impairments

Property, plant and equipment	566 234	(32 117 226)

The impairment loss is evaluated at reporting date which in this instance is the 30 June 2024. 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 R566 234 (2023 June: R32 117 226) was recognised as impairment loss. The recoverable amount of these assets was based on their value in use. This includes vehicle and other assets

50. Segment information

General information

Figures in Rand	2024	2023

50. Segment information (continued)

Identification of segments

A segment is an activity of an entity:

.

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

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

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

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

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

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

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

Aggregated segments

The municipality operates throughout the 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.

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

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Water	Sanitstion	Total
Revenue			
Revenue from exchange transactions	286 103 852	57 190 594	343 294 446
Revenue from non-exchange transactions	616 387 000	73 083 717	689 470 717
Interest revenue-on Debtors	153 553 217	30 447 150	184 000 367
Total segment revenue	**1 056 044 069**	**160 721 461**	**1 216 765 530**
Entity's revenue			**1 216 765 530**
Expenditure (Non Cash items and material items			
Depreciation and Amortisation	152 303 238	12 463 446	164 766 684
Impairment Loss	-	1 244 983	1 244 983
Employee Related Cost	163 989 436	24 746 273	188 735 709
Inventory Water-consumed	160 753 927	-	160 753 927
Debt Impairment	891 996 441	141 222 522	1 033 218 963
Bad debts	(941 008 408)	(285 723 643)	(1 226 732 051)
Other expense	126 167 089	24 149 526	150 316 615
Total segment expenditure	**554 201 723**	**(81 896 893)**	**472 304 830**
Total segmental surplus/(deficit)	**501 842 346**	**242 618 354**	**744 460 700**
Assets (Current and Non-current)			
Inventories	22 346 190	-	22 346 190
Receivables from exchange transactions	414 696 250	26 237 128	440 933 378
Receivables from non-exchange transactions	112 590 373	8 109 965	120 700 338
Property Plant and Equipment	4 957 374 856	549 380 839	5 506 755 695
Total segment assets	**5 507 007 669**	**583 727 932**	**6 090 735 601**
Total assets as per Statement of Financial Position			**6 090 735 601**

	Water	Sanitstion	Total
50. Segment information (continued)			
Liabilities			
Payables from exchange transactions	99 527 159	-	99 527 159
Consumer deposit	1 079 583	-	1 079 583
Unspent Condtional Grants	17 651	-	17 651
Total segment liabilities	**100 624 393**	**-**	**100 624 393**
Total liabilities as per Statement of financial Position			**100 624 393**

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

2023

	Water	Sanitation	Total
Revenue			
Revenue from exchange transactions	347 461 616	58 172 851	405 634 467
Revenue from non-exchange transactions	753 050 242	86 697 665	839 747 907
Interest revenue on debtors	134 199 164	28 547 970	162 747 134
Total segment revenue	**1 234 711 022**	**173 418 486**	**1 408 129 508**
Entity's revenue			**1 408 129 508**
Expenditure (Non cash items and material items)			
Depreciation & Amortisation	140 482 063	10 744 892	151 226 955
Impairment Loss	29 753 159	1 192 188	30 945 347
Debt Impairment	571 753 754	-	571 753 754
Bad debts	86 657 478	-	86 657 478
Inventory water-consumed	127 348 149	-	127 348 149
Employee related cost	110 615 718	-	110 615 718
Other expense	96 361 000	4 503 505	100 864 505
Total segment expenditure	**1 162 971 321**	**16 440 585**	**1 179 411 906**
Total segmental surplus/(deficit)	**71 739 701**	**156 977 901**	**228 717 602**

Notes to the Annual Financial Statements

Figures in Rand

50. Segment information (continued)

Assets (Current and Non-current)			
Inventories	13 343 001	-	13 343 001
Receivables from exchange transaction	246 858 462	2 423 589	249 282 051
Receivables from non-exchange transactions	66 311 601	-	66 311 601
Property, Plant and Equipment	4 712 794 799	447 793 413	5 160 588 212
Total segment assets	**5 039 307 863**	**450 217 002**	**5 489 524 865**
Total assets as per Statement of financial Position			**5 489 524 865**
Liabilities			
Payables from exchange transactions	46 615 027	-	46 615 027
Consumer deposits	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**

Figures in Rand	2024	2023

51. Prior-year errors

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

Financial Position

1. Receivables from non-exchange transactions

The analysis was done on R903 646.99 that was identified as an overstatement on WSIG debtor and the journal passed to reduce the debtor. Sakhisizwe local municipality requested to set- off the debt amounting to R2,000,000.00 with the amount owed by CHDM

2.Receivables from exchange transactions -

Billing and Tariffs

Management obtained a download of all accounts on the billing system and performed the following analysis:

. Compared the property usage category to the tariffs to ensure that the tariffs match the category as per valuation roll.

. Using Excel analytical tools, Management identified accounts that were being charged at the incorrect tariffs and corrected the billing retrospectively to years. Journals were passed to this effect.

. Management identified accounts and/or stands in which duplicates existed and had incorrectly been charged. The duplicated services were de-linked from the debtors' accounts and correction journals were passed.

. Management selected random samples thereafter to ensure that accounts were correctly billed for the correct services at the correct tariffs in the correct period until no exceptions were noted in the greater population.

Accounts not billed for the correct number of periods.

Management did an analysis and noted that while there were accounts that were not billed for the correct number of periods, a significant number of them are incorrectly identified as such due to the following reasons.

- A new occupant using the property and their subsequent migration to a new account. In this case the property would have been billed under two different account numbers in the same financial period. Both accounts were frequently identified incorrectly as having been billed an incorrect number of times.

- Accounts which were opened or terminated in the current year.

- Except for the above, Management investigated the remaining population and corrected all instances where the billing periods were not in line with expectations. Management notes that these instances were not indicative of a systemic error in the billing system but rather a result of isolated instances of error.

- Management selected random samples thereafter to ensure that accounts were correctly billed for the correct services at the correct tariffs in the correct period until no exceptions were noted in the greater population.

Application of the on estimates policy

Management created a decision guide to help ensure there is appropriateness and consistency in determining whether to use actual reading obtained, estimate based on average consumption or flat rate.

Accounts with long outstanding credit balances.

Management obtained the debtors ageing as at 30 March 2024 and filtered for accounts with credit balances. Each account was analysed, and it was noted that a significant amount from the initial population was a result of errors which were subsequently corrected per procedures above.

Management also performed the procedures below

Figures in Rand	2024	2023

51. Prior-year errors (continued)

Reviewed the Ledger Entries:

- Management started by examining the aged debtor ledger to identify accounts with long outstanding credit balances. Management verified the accuracy of the entries and checked for any errors in posting or allocations.

Communicated with the Debtors:

- Management communicated the with the debtor to confirm their understanding of the account balance. Management discussed any discrepancies and gathered explanations or supporting documentation for any unresolved credits.

Investigated Unapplied Credits:

- Management identified any unapplied or misallocated credits that may have been posted to the account. Management checked for duplicate payments, discounts taken in error, or returns not recorded.

Reasonability of the usage of the flat rate.

To ensure the reasonability and correct application of the flat rate for accounts with no meter readings, and to verify the use of average consumption for those with three or more consecutive months of readings, the following procedures can be performed:

Identified Eligible Accounts

Management generated a list of accounts with no meter readings to verify that they were correctly identified for flat rate billing. Management ensured that accounts with three or more consecutive months of meter readings were excluded from the flat rate application.

Verified the Flat Rate Policy and ensured that all employees were informed:

Management reviewed the municipality's policy documents to ensure Management clearly understood the flat rate application criteria. Management then confirmed that the flat rate was applied consistently across all accounts without consecutive meter readings using excel analytical tools.

Reviewed Meter Reading Data:

For accounts with meter readings, Management verified the accuracy and completeness of the recorded data. Management checked for any discrepancies or irregularities in the readings that might affect the calculation of average consumption. These generic tests on billing integrity were done as per procedures 1 and 2 above.

Re-calculated Average Consumption:

For accounts with three or more consecutive months of meter readings, Management calculated the average consumption accurately. Management ensured that the correct average was applied to these accounts instead of the flat rate.

Audited Billing Records:

Management conducted an audit of billing records to ensure the correct rates were applied to each account. Management verified that adjustments were made where necessary to reflect changes in consumption patterns or meter reading availability. These generic tests on billing integrity were done as per procedures 1 and 2 above.

Monitored Exceptions and Discrepancies:

Management identified and investigated any exceptions or discrepancies in billing. Management reviewed accounts with significant deviations from expected usage patterns to ensure that they were billed correctly.

Communicated with Customers:

Management provided clear communication to customers about how their bills were calculated, especially when switching from a flat rate to average consumption billing. Management addressed any customer inquiries or disputes promptly and accurately.

Reviewed and Updated Policies Regularly:

Figures in Rand	2024	2023

51. Prior-year errors (continued)

Management reviewed the flat rate policy and billing procedures for 2023/24 to ensure they remained relevant and effective. Management updated the policy as needed to address any changes in consumption patterns or municipal requirements. The net balance of R 179 380 089.00 on receivable from exchange transaction. During the audit, there were write-offs relate to water estimates that has been corrected as correction of error not as bad debt written-off amounting to R84 811 351.51 which affected receivables of the previous years. .

3. Property Plant and Equipment

3.1 WIP Register Verification and Reconciliation Findings

During the current financial year, a comprehensive review and reconciliation of the Opening Balance on the WIP register was conducted. This involves checking that all projects in the register meet the PPE recognition criteria and that any projects that do not qualify are either expensed or reclassified

During this review, we identified that certain expenditures previously capitalized under the WIP category did not meet the recognition criteria outlined in our accounting policies and relevant financial reporting standards. Specifically, these expenditures were recorded as capital assets under WIP but do not satisfy the necessary conditions for capitalization as outlined by our accounting framework.

The necessary adjustments amounting to R100 522 272.09 will be made to the WIP register to ensure compliance with our accounting policies.

3.2 During the current financial year, it was identified that certain assets with a total cost of R2 269 686.80 and accumulated depreciation of R 1 916 715.49 had been incorrectly classified under water asset catergory. These assets should have been classified under the sanitation asset catergory.

4. Inventory
During the year 2023/2024, the inventory error was idnetified on the opening balance and the decrease amounting to R2 193.00 was corrected

5. Payables from exchange transactions

The analysis was done on the opening balance as legacy suspense vote and was tabled to Council for write-off. The cut off for legal fees was also identified and the net balance of R 1 618 608 reduce the other payables.

6. VAT Payable

During the correction of Departmental Electricity opening balance, it was noted that an amount of R590 716 was included, the settlement of Sakhisizwe loan, the VAT was considered amounting to R253 364.06. and Retention amounting to net balance of (R8 495.62). The changes on the consumer debtors, bad debt write off and impairment has reflected the decrease on the vat payable. The presentation of VAT as per GRAP Standard 108 paragraph 35 and paragraph 39 of GRAP 1 is corrected in the Annual Financial Statements which affect 2023

7.Operating lease

The analysis was done on the previous year working and the error was identified that there is no operating liability that suppose to be recognised. The error corrected to reduce the current liabilities.

8. Statement of Changes in Net Assets

The analysis of receivables from exchange transactions that have resulted in the correction for 2020/2021 and 2021/2022 there were changes in the closing balance of June 2022 which was an opening balance of 01 July 2022 amounting to R18,592,250.75 for Sanitation, Water (-R50,986,261.22), Bad debts written off R84,811,351.51 and the other category like debtors for Sakhisizwe R2m, Property, Plant and Equipment contributed to R26,736,986.96 which is the net balance of R81,154,238.00. The movement from R5,083,759,683.00+R81,154,238.00=R5,164,913,921.00

9. Accumulated Surlpus

The correction of receivables from non-exchange transactions, receivables from exchange transactions, property, plant and

51. Prior-year errors (continued)
equipment and other categories resulting to a decrease of accumulated surplus when compared to audited annual financial statements 2023. The table below reflect R334m as a movement between 2023 audited annual financial statements and restated annual financial statements

Financial Performance

1. Service Charges

Billing and Tariffs

Management obtained a download of all accounts on the billing system and performed the following analysis:

. Compared the property usage category to the tariffs to ensure that the tariffs match the category as per valuation roll.
. Using Excel analytical tools, Management identified accounts that were being charged at the incorrect tariffs and corrected the billing retrospectively to years. Journals were passed to this effect. .
Management identified accounts and/or stands in which duplicates existed and had incorrectly been charged. The duplicated services were de-linked from the debtors' accounts and correction journals were passed.
.
Management selected random samples thereafter to ensure that accounts were correctly billed for the correct services at the correct tariffs in the correct period until no exceptions were noted in the greater population.

Accounts not billed for the correct number of periods.

Management did an analysis and noted that while there were accounts that were not billed for the correct number of periods, a significant number of them are incorrectly identified as such due to the following reasons.
- A new occupant using the property and their subsequent migration to a new account. In this case the property would have been billed under two different account numbers in the same financial period. Both accounts were frequently identified incorrectly as having been billed an incorrect number of times.
- Accounts which were opened or terminated in the current year.
- Except for the above, Management investigated the remaining population and corrected all instances where the billing periods were not in line with expectations. Management notes that these instances were not indicative of a systemic error in the billing system but rather a result of isolated instances of error.

Management selected random samples thereafter to ensure that accounts were correctly billed for the correct services at the correct tariffs in the correct period until no exceptions were noted in the greater population.

Application of the on estimates policy

Management created a decision guide to help ensure there is appropriateness and consistency in determining whether to use actual reading obtained, estimate based on average consumption or flat rate.

Accounts with long outstanding credit balances.

Management obtained the debtors ageing as at 30 March 2024 and filtered for accounts with credit balances. Each account was analysed, and it was noted that a significant amount from the initial population was a result of errors which were subsequently corrected per procedures above.

Management also performed the procedures below
Reviewed the Ledger Entries:

- Management started by examining the aged debtor ledger to identify accounts with long outstanding credit balances.
- Management verified the accuracy of the entries and checked for any errors in posting or allocations.

Communicated with the Debtors:

- Management communicated the with the debtor to confirm their understanding of the account balance.

Management discussed any discrepancies and gathered explanations or supporting documentation for any unresolved

51. Prior-year errors (continued)
credits.

Investigated Unapplied Credits:

.Management identified any unapplied or misallocated credits that may have been posted to the account. .
.Management checked for duplicate payments, discounts taken in error, or returns not recorded.

Reasonability of the usage of the flat rate.

To ensure the reasonability and correct application of the flat rate for accounts with no meter readings, and to verify the use of average consumption for those with three or more consecutive months of readings, the following procedures can be performed:

Identified Eligible Accounts

Management generated a list of accounts with no meter readings to verify that they were correctly identified for flat rate billing. Management ensured that accounts with three or more consecutive months of meter readings were excluded from the flat rate application.

Verified the Flat Rate Policy and ensured that all employees were informed:

Management reviewed the municipality's policy documents to ensure Management clearly understood the flat rate application criteria.
Management then confirmed that the flat rate was applied consistently across all accounts without consecutive meter readings using excel analytical tools.

2. Finance charges

Correction of Departmental Electricity interest charges that was included in the opening balance paid amounting to R44 490.26 and interest charged for Department of Water Affairs paid in the current year relating to previous year amounting to R1 768 003.60.

3. Contracted services

The adjustment is as a result of legal fees of R8 250.25 that were paid after year end and corrected to prior year and reclassification of sanitation - isd fees amounting to R98 565.75

4.Transfers and subsidies

Reclassification of R98 565.75 was identified from contracted service on contracted services caused the restated on the transfers and subsidies In 2023 financial year, CHDA reduced by R167 125.00 on Irrigation Scheme Products misallocation recognised to CHDA instead of separate line item.

5.General expenses

The below are the corrections of general expenses

4.1 Bank charges

Management analysed 2022/23 bank charges in the 2023/24 financial year and noted that there were amounts that were included as part of the bank charges whereas they were not bank charges. These amounts related to unauthorised debit deductions from municipalities account. These were disputed with the bank, and the bank managed to reverse the amounts per the municipalities instructions. Therefore the amounts had to be reversed as bank charges as they are not an expenditure for the municipality. These amounted to R192 223.00.

4.2 Electricity / Inventory Water Consumed

All the payment vouchers and the relevant invoices for the 2022/23 financial year were analysed and it was identified that expenditure for electricity was recorded inclusive of VAT and interest where there was an opening balance from the previous month. Opening balance in this case refers to a billing of the previous month that was not paid, for example, unpaid billing for March will reflect as opening balance for April. Therefore, in this case opening balance falls within the same financial year. It

51. Prior-year errors (continued)
was identified that the expenditure vote was overstated by a total amount of R635 205,77, VAT input understated by R590 715,51 and Interest expense understated by R44 490,26, though the error affected electricity, the changes reflected on inventory water consumed.

4.3 Consumables

During 2024 it was noted that there was a reclassification of Woman Caucus event amounting to R3 234.78.

Disclosures

Commitments

During 2023/24 financial year, management performed a full population analysis for commitments for the 2022/23 financial year. The process undertook is as follows:

Requested all the payments certificates from project managers

Requested all the completion certificates for projects completed before 30 June 2023.

Revised the commitment register based on the above updated information in line with GRAP 17, para 86

Compared the original register with the updated register and noted the following differences per the original commitment register, that were corrected in the revised register:

1. Inconsistences in treatment of retention amount.

2. Completed projects included in the register

3. Inconsistence in payment certificates

This resulted to the following restatements:

The correction of infrastructure was understated by R38 405 572,79

The correction of CHDA projects was understated by R33 946 952

Statement of financial position

2024

	Note	As previously reported	Correction of error	Restated
Receivables from non-exchange transactions		78 044 103	(2 611 944)	75 432 159
Receivables from exchange transactions		428 698 419	(262 377 070)	166 321 349
Property,Plant and Equipment		5 445 906 059	(95 238 022)	5 350 668 037
Inventory		13 638 893	(2 193)	13 636 700
Payables from exchange transactions		347 125 024	(1 618 608)	345 506 416
VAT Payables		60 296 695	(26 266 792)	34 029 903
Operating lease		178 532	(178 532)	-
		6 373 887 725	**(388 293 161)**	**5 985 594 564**

		As previously reported	**Correction of error**			**Restated**
Net Changes		- 5 474 159 262	(334 737 337)	-	-	5 139 421 925
Accumulated Surplus		- 5 474 159 262	(334 737 337)	-	-	5 139 421 925
Subtotal		- 10 948 318 524	(669 474 674)	-	-	10 278 843 850
		- 10 948 318 524	**(669 474 674)**	**-**	**-**	**10 278 843 850**

Figures in Rand	2024	2023

51. Prior-year errors (continued)

Statement of financial performance and Disclosure

2024

	Note	As previously reported	Correction of error	Restated
Service charges		425 660 540	(20 026 073)	405 634 467
Finance costs		(491 909)	(1 812 494)	(2 304 403)
Debt Impairment		(405 017 000)	(166 736 754)	(571 753 754)
Contracted services		(220 818 477)	(106 816)	(220 925 293)
Transfers and Subsidies		(65 447 271)	98 565	(65 348 706)
General expenses		(112 868 713)	18 615	(112 850 098)
Inventory consumed - water		(127 839 324)	491 175	(127 348 149)
Surplus for the year		**(506 822 154)**	**(188 073 782)**	**(694 895 936)**

52. Budget differences

Classification	
Service Charges	This is due to the billing corrections that were made during the year where incorrect data were used The analysis of data cleansing included the following: • Comparing the property usage category to the tariffs to ensure that the tariffs match the category as per valuation roll. • There were accounts that were not billed for the correct number of periods, a significant number of them are incorrectly identified. Accounts with credit balances where analysed and it was noted that a significant amount from the initial population was a result of errors which were subsequently corrected per procedures above. Further reperformed revenue for current and previous financial years based on the corrected customer data.
Other Income	The variance is cause by the municipality budget on the vote used the previous year actual vat refund and also use the vote for suspense on vat on conditional grant. Vat on conditional grant is reversed at the end of the financial year and the vat refund is linked under the statement of financial position. The R24m is for unclaimed deposits that the council took a resolution of recognised as other revenue.
Interest Income	The increase on Outstanding Debtors has resulted into an increase on additional interest charges due to non-payments of accounts. The varience in interest income was mainly caused by interest on receivables from water. The other categories within the interest income account (Interest on receivables from sanitation, interest from investments and bank balance) underperformed when compared to budget as compared to interest from receivables from water, this was caused by non-payment by customers which resulted in overdue accounts attracting interest at prime rate.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

52. Budget differences (continued)

Gains and Disposal of Assets	There were fewer sales revenue from auction than anticipated. There were no disposals during the current financial year as anticipated. There were also few assets which was computer equipment written off in the current financial year when compared to the previous financial year
Total Revenue from Exchange	
Transfer Revenue	
Government Grants & Subsidies	The overperformance is due to the overcommittment in conditional grants such as MIG, RBIG and WSIG.
Total Revenue	
Expenditure	
Employee Related Costs	The increase was caused by more employment in beefing up Engineering unit , however it reflect the decrease under employment related cost as the portion for operator move to inventory consumed - water.
Remuneration of Councillors	Not Material
Depreciation and Amortisation	There were lesser assets that were depreciated than anticipated. This is due to an amount of around R12 million that was capitalised to inventory and not expensed to due inventory methodology adopted by the municipality.
Debt Impairment	There were more debt write offs than anticipated due to the radical data cleansing exercise that was implemented during the year which identified a number of old debt with no prospect of recovery. The municipality also applied prescription act that resulted to the write off of the old debts.
Finance Costs	Not material.
Inventory Water - Consumed	This is due to the inventory methodology adopted by the municipality where all the input costs related to purification of water such as water purchases, electricity purchases, depreciation, chemicals and employee related costs WTW are capitalised in inventory balance and realised to this account based on water usage by customers. Meaning that the actual expenditure is influanced by all the meantioned costs.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

52. Budget differences (continued)

Contracted Services	The overperformance is due to overcommittment on Consultancy and Professional Fees, CSPS and Security Costs. The municipality is also investing in maintaining its infrastructure assets to ensure a continued and uninterupted service delivery.
Transfers and Subsidies	This is due to the entity management fees that was dependent on the capital projects that were implemented.
General Expenses	The decrease is due to the Departmental Electricity and Agency Fees that were capitalized. Management also embarked on a cost containment process where certain costs are being managed. This include entertainment costs, motor vehicle expenses, fuel and oil and travelling which resulted to the municipality realising savings.
Total Expenditure	
Loss on Disposal of assets & liabilities	This is due to lesser assets that were impaired than anticipated. There were no disposals during the current financial year as anticipated. There were also few assets which was computer equipment written off in the current financial year when compared to the previous financial year
Surplus	