



SEKHUKHUNE
District Municipality

Sekhukhune District Municipality
Financial statements
for the year ended 30 June 2023
Auditor General (SA)

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act 11 of 1998 read with section 155(1) of the Constitution of the Republic of South Africa, Act 108 of 1996.

Nature of business and principal activities

The provision of services (water and sanitation) to communities in asustainable manner, to promote social and economic development; and to promote a safe and healthy environment.

Mayoral committee

Executive Mayor

Cllr Mathebe JL (Executive Mayor: 1st July 2022 - 30 November 2022)

Cllr Mokganyetji MJ (Executive Mayor: 1st December 2022 - 30th June 2023)

Councillors

Cllr Chego KS (Council Speaker)

Cllr Phokane K (Chief Whip of Council)

Cllr Kupa CR

Cllr Sefala RE

Cllr Ratau MF

Cllr Nkosi SM

Cllr Malatji MN

Cllr Lekwatsipa LR

Cllr Mafefe O

Cllr Leshaba B

Cllr Mohlala MJ

Cllr Mabatane MC

Cllr Ramaila KS

Cllr Mogofe A

Cllr Tladi MD

Cllr Maloba AM

Cllr Machai MJ

Cllr Maelane KM

Cllr Letsela NS

Cllr MagatlaLN

Cllr Lekoatsipa LR

Cllr Makobe PA

Cllr Mashegoana MC

Cllr Thokwane KZ

Cllr Mokomane ML

Cllr Mosoane E

Cllr Rankoe TP

Cllr Leokana MD

Cllr Matsomane SD

Cllr Sithole ME

Cllr Nkosi SB

Cllr Maibelo LS

Cllr Mohlamonyane TE

Cllr Mashilo MS

Cllr Malau TS

Cllr Makofane IT

Cllr Ngwatle AT

Cllr Mabelane JM

Cllr Molapo WS

Cllr Tlape MM

Sekhukhune District Municipality

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General Information

	Cllr Thobejane LM Cllr Mokgoto K Cllr Mgiba NP Cllr Mathipa MP Cllr Makutu TS Cllr Makofane T Cllr Magabe MS Cllr Senong MR Cllr Mosotho MT Cllr Matsetela ML Cllr Komane LM Cllr Kgwedi JL Cllr Tshivhula MP Cllr Mogotji FM
Grading of local authority	Grade 4 Municipality
Accounting Officer	Ms. Ntshudisane MJ (1st July 2022 - 30th October 2022) Mr. Matumane ND (Acting) (1st November 2022 - 31st March 2023) Ms. Rampedi MN(Acting) (1st April 2023 - 30th June 2023)
Chief Finance Officer (CFO)	Mr. Nkadimeng HL
Registered office	03 West Street Groblersdal 0470
Postal address	Private Bag X8611 Groblersdal 0470
Bankers	Standard Bank
Auditors	Auditor General (SA)

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

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Abbreviations used:

MFMA	Municipal Finance Management Act
GRAP	Generally Recognised Accounting Practices
IAS	International Accounting Standards
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
RBIG	Regional Bulk Infrastructure Grant
WSIG	Water Services Infrastructure Grant
RRAMS	Rural Road Asset Management System
SALGA	South African Local Government Association

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and were given unrestricted access to all financial records and related data.

The 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 financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors. 7.

The financial statements set out on page 5 to 70, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

Accounting Officer

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2023.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year the term for the previous audit committee expired on the 31st of March 2023, the new audit committee took effect from the 1st of April 2023 and the number of meetings held by the both committees are listed here under:

Name of member	Number of meetings attended
Ms. Ndhlovu M (Chairperson) (1st July 2022 - 31st March 2023)	7
Ms. Mothelesi M (1st July 2022 - 31st March 2023)	8
Adv. Thubakgale L (1st July 2022 - 31st March 2023)	8
Mr. Mathabathe M (1st July 2022 - 31st March 2023)	7
Mr. Mofokeng LS (Chairperson) (1st April 2023 - 30 June 2023)	3
Ms. Ngoetjana S (1st April 2023 - 30th June 2023)	1
Adv. Thubakgale L (1st April 2023 - 30th June 2023)	3
Ms. Manyisana V (1st April 2023 - 30th June 2023)	2
Mr. Mathabathe M (1st April 2023 - 30th June 2023)	2

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the Municipal Finance Management Act. .

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of financial statements

The audit committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Audit Committee Report

Date: _____

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

Net surplus of the municipality was 268 450 699 as at 30 June 2023: (2022 299 078 496).

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 4 777 842 289.00

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the municipality to ensure that all matters of compliance are adhered to so as to ensure that all the conditional and unconditional grants allocated to the municipality are received in full as the municipality is currently grant dependent to fund its operations. The municipality is currently implementing the revenue strategy that is aimed at enhancing its revenue base over time to ensure that there is financial sustainability without having to rely heavily on government grants and subsidies.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The financial statements prepared in accordance with the prescribed standards of Generally Accepted Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standard Board as prescribed by the Municipal Finance Management Act.

5. Bankers

The Standard Bank South Africa is the primary banker of the municipality for a period of five years.

6. Auditors

Auditor General (SA) will continue in office for the next financial period.

7. Provincial and National Treasury

The municipality is required, in terms of section 126(1)(a) of the MFMA, to submit its annual financial statements and those of the Sekhukhune Development Agency to the Auditor General South Africa within two months of the end of the annual financial year.

The financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2023 and were signed on its behalf by:

Accounting Officer

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	9	18 154 154	18 898 982
Other financial assets	4	1 000	1 000
Receivables from non-exchange transactions	10	2 577 805	2 695 049
VAT receivable	11	128 425 149	95 381 884
Prepayments	8	5 105 341	4 481 840
Receivables from exchange transactions	12	60 845 045	60 138 616
Cash and cash equivalents	13	732 695 367	395 918 102
		947 803 861	577 515 473
Non-Current Assets			
Property, plant and equipment	3	4 713 927 030	4 603 695 441
Total Assets		5 661 730 891	5 181 210 914
Liabilities			
Current Liabilities			
Operating lease liability	5	483 598	419 703
Payables from exchange transactions	6	574 983 395	565 685 462
Consumer deposits	7	5 213 578	4 876 358
Taxes and transfers payable (non-exchange)	14	254 103 032	48 759 800
Provisions	15	23 995 000	20 902 000
		858 778 603	640 643 323
Non-Current Liabilities			
Provisions	15	25 110 000	31 176 000
Total Liabilities		883 888 603	671 819 323
Net Assets		4 777 842 288	4 509 391 591
Accumulated surplus		4 777 842 289	4 509 391 596
Total Net Assets		4 777 842 289	4 509 391 596

* See Note 40 & 39

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	104 342 357	94 213 108
Interest received - Debtors		26 068 995	16 324 673
Other income	20	1 404 470	996 456
Interest - Investments	21	57 878 945	21 517 320
Actuarial gains		10 290 979	4 136 237
Total revenue from exchange transactions		199 985 746	137 187 794
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	23	1 282 065 599	1 349 458 204
Fines, Penalties and Forfeits	18	4 428	4 217
Total revenue from non-exchange transactions		1 282 070 027	1 349 462 421
Total revenue	16	1 482 055 773	1 486 650 215
Expenditure			
Employee related costs	24	(391 822 556)	(403 889 686)
Remuneration of councillors	25	(17 649 118)	(15 631 493)
Depreciation and amortisation	26	(129 806 551)	(119 905 926)
Impairment loss	27	(7 804 285)	(2 535 868)
Finance costs	28	(6 834 076)	(4 546 324)
Lease rentals on operating lease	19	(51 858 861)	(59 923 819)
Debt Impairment	30	(83 091 600)	(49 637 037)
Bulk purchases	32	(194 129 214)	(167 797 563)
Contracted services	33	(81 131 695)	(136 394 336)
Transfers and Subsidies	22	(3 217 479)	(3 205 267)
Loss on disposal of assets and liabilities		(254 480)	(1 077 398)
Inventories losses/write-downs		(1 482 021)	(2 601 687)
General Expenses	31	(202 022 658)	(171 098 174)
Repairs and maintenance		(42 500 480)	(49 327 141)
Total expenditure		(1 213 605 074)	(1 187 571 719)
Surplus for the year		268 450 699	299 078 496

* See Note 40 & 39

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	4 251 947 788	4 251 947 788
Adjustments		
Prior year adjustments 40	(41 634 688)	(41 634 688)
Balance at 01 July 2021 as restated*	4 210 313 100	4 210 313 100
Changes in net assets		
Surplus for the year	299 078 496	299 078 496
Total changes	299 078 496	299 078 496
Restated* Balance at 01 July 2022	4 509 391 590	4 509 391 590
Changes in net assets		
Surplus for the year	268 450 699	268 450 699
Total changes	268 450 699	268 450 699
Balance at 30 June 2023	4 777 842 289	4 777 842 289
Note(s)		

* See Note 40 & 39

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		52 712 473	45 621 253
Grants		1 483 803 690	1 367 902 645
Interest income		57 734 127	21 517 320
Other receipts		1 404 470	996 456
		1 595 654 760	1 436 037 674
Payments			
Employee costs		(391 822 556)	(403 889 686)
Suppliers		(618 958 061)	(540 329 479)
		(1 010 780 617)	(944 219 165)
Net cash flows from operating activities	34	584 874 143	491 818 509
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(248 096 878)	(333 302 495)
Net increase/(decrease) in cash and cash equivalents		336 777 265	158 516 014
Cash and cash equivalents at the beginning of the year		395 918 102	237 402 088
Cash and cash equivalents at the end of the year	13	732 695 367	395 918 102

The accounting policies on pages 17 to 36 and the notes on pages 37 to 83 form an integral part of the financial statements.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	103 570 014	-	103 570 014	104 342 357	772 343
Interest received (Outstanding debtors)	15 221 206	-	15 221 206	26 068 995	10 847 789
Other Income	2 174 811	-	2 174 811	1 404 470	(770 341)
Interest received - investment	21 659 405	-	21 659 405	57 878 945	36 219 540
Actuarial gains	430 021	-	430 021	10 290 979	9 860 958
Total revenue from exchange transactions	143 055 457	-	143 055 457	199 985 746	56 930 289

* See Note 40 & 39

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	1 087 843 560	(35 751 249)	1 052 092 311	1 041 030 788	(11 061 523)
Fines, Penalties and Forfeits	50 132	-	50 132	4 428	(45 704)
Total revenue from non-exchange transactions	1 087 893 692	(35 751 249)	1 052 142 443	1 041 035 216	(11 107 227)
Total revenue	1 230 949 149	(35 751 249)	1 195 197 900	1 241 020 962	45 823 062

Expenditure

Personnel	(459 428 896)	4 847 883	(454 581 013)	(391 822 556)	62 758 457
Remuneration of councillors	(18 422 108)	-	(18 422 108)	(17 649 118)	772 990
Depreciation	(106 884 864)	12 070 000	(94 814 864)	(129 806 551)	(34 991 687)
Impairment of assets	-	-	-	(7 804 285)	(7 804 285)
Finance costs	(509 411)	409 511	(99 900)	(6 834 076)	(6 734 176)
Lease rentals on operating lease	-	-	-	(51 858 861)	(51 858 861)
Debt Impairment	(11 309 600)	6 000 000	(5 309 600)	(83 091 600)	(77 782 000)
Inventory consumed - Bulk Water Supply	(191 075 226)	24 081 642	(166 993 584)	(194 129 214)	(27 135 630)
Contracted Services	(239 331 123)	39 367 417	(199 963 706)	(81 131 695)	118 832 011
Transfers and Subsidies	-	-	-	(3 217 479)	(3 217 479)
Inventory write-down	-	-	-	(1 482 021)	(1 482 021)
General expenses	(183 894 508)	(25 890 977)	(209 785 485)	(202 022 658)	7 762 827
Repairs and maintenance	-	-	-	(42 500 480)	(42 500 480)
Total expenditure	(1 210 855 736)	60 885 476	(1 149 970 260)	(1 213 350 594)	(63 380 334)
Operating surplus	20 093 413	25 134 227	45 227 640	27 670 368	(17 557 272)
Loss on disposal of assets and liabilities	-	-	-	(254 480)	(254 480)
Transfers and subsidies - Capital	469 076 440	98 246 708	567 323 148	241 034 811	(326 288 337)
	469 076 440	98 246 708	567 323 148	240 780 331	(326 542 817)
Surplus before taxation	489 169 853	123 380 935	612 550 788	268 450 699	(344 100 089)
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	489 169 853	123 380 935	612 550 788	268 450 699	(344 100 089)

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Revenue - Material variances

1. Service Charges - No material variances on service charges for the 2022/23 financial year.
2. Fines & penalties - Non-implementation of the by-laws contributed largely to the material variance in the actual revenue amount recognized for the current year.
3. Interest on outstanding debtors - Interest is charged on all overdue accounts of more than 90 days as per the credit control policy, the policy also applies an interest rate that is linked to the prime rate to charge for the outstanding debts, the rate was increased several times during the 2022/23 financial year resulting in a higher charge interest charges on all outstanding debts of more than 90 days. .
4. Other income - collection on revenue from other income sources was materially below the annual budget due to low sales of tender documents, contractors do have an option to download documents free of cost on the e-tender portal than buying it from the municipality.
5. Government grants and subsidies - The material variances on government grants and subsidies was due to the underspending on the Water Services Infrastructure Grant, Rural Asset Management Management Grant and Municipal Infrastructure Grant.

Expenditure - Material variances

1. Employee related cost - No material variances on employee related cost in terms of the total cost to company, however there was a huge reduction on overtime, shift and standby allowance during the 2022/23 financial year as the municipality implemented new control measures around the three allowances which were become more expensive for the municipality.
2. Remuneration of councillors - Upper limits on council remuneration were implemented during the 2022/23 financial year.
3. Finance costs - The finance costs on the actuarial calculations were under budgeted for in the 2022/23 financial year.
4. Operating lease rentals - Operating lease expenditure budgeted for as part of the general expenditure in the 2022/23 financial year.
5. Inventory consumed (Bulk Water Purchases) - No material variance on bulk water purchases for the 2022/23 financial year.
6. Contracted services - The contracted services expenditure was materially lower in the 2022/23 financial year due to the VIP toilets program which was discontinued in the 2022/23 financial year.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	184 437 555	24 081 642	208 519 197	18 154 154	(190 365 043)
Other financial assets	-	-	-	1 000	1 000
Prepayments	-	-	-	5 105 341	5 105 341
Consumer debtors	94 223 040	-	94 223 040	60 845 045	(33 377 995)
VAT Receivables	92 568 313	-	92 568 313	128 425 149	35 856 836
Receivables from non-exchange transaction	100 001 000	232 770 831	332 771 831	2 577 805	(330 194 026)
Cash and cash equivalents	171 870 583	(54 918 725)	116 951 858	732 695 367	615 743 509
	643 100 491	201 933 748	845 034 239	947 803 861	102 769 622

Non-Current Assets

Property, plant and equipment	3 772 526 586	121 872 043	3 894 398 629	4 713 927 030	819 528 401
Intangible assets	-	1 500 000	1 500 000	-	(1 500 000)
	3 772 526 586	123 372 043	3 895 898 629	4 713 927 030	818 028 401

Total Assets

4 415 627 077 325 305 791 4 740 932 868 5 661 730 891 920 798 023

Liabilities

Current Liabilities

Operating lease liability	-	-	-	483 598	483 598
Payables from exchange transactions	274 289 515	122 815 376	397 104 891	574 983 395	177 878 504
Taxes and transfers payable (non-exchange)	-	-	-	254 103 032	254 103 032
Provisions	-	-	-	23 995 000	23 995 000
Consumer Deposits	4 314 762	-	4 314 762	5 213 578	898 816
	278 604 277	122 815 376	401 419 653	858 778 603	457 358 950

Non-Current Liabilities

Provisions	51 802 526	-	51 802 526	25 110 000	(26 692 526)
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Total Liabilities

330 406 803 122 815 376 453 222 179 883 888 603 430 666 424

Net Assets

4 085 220 274 202 490 415 4 287 710 689 4 777 842 288 490 131 599

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	4 085 220 274	202 490 415	4 287 710 689	4 777 842 288	490 131 599
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Current Assets

1. Inventory - The material variance between the annual budgeted inventory balance at year end and the actual inventory balance was due to the over-budgeting on the inventory items at year end for the 2022/23 financial year.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

2. Receivables from exchange transactions - The material variance on the receivables from exchange transactions was due to the budgeted amounts at year end which were meant for the spending on the capital projects funded through the Regional Bulk Infrastructure Grant while awaiting the refund from the Department of Water and Sanitation.
3. VAT receivables - The variance was due to the omission of the budget on VAT receivable in the 2022/23 financial year. The budget amount was erroneously included in the inventory budget for the 2022/23 financial year.
4. Pre-payments - The material variance on pre-payments was due to the omission of the budget in the 2022/23 financial year. The budget was amount erroneously included in the inventory budget for the 2022/23 financial year.
5. Cash and cash equivalents - The material variance on cash and cash equivalents was due to the unspent conditional grants and some of the operational projects which could not be implemented as budgeted for in the 2022/23 financial year.

Non-current assets

1. Property, plant and equipment - The variance on property, plant and equipment was due to the under-budgeting on the on the basis of the prior period errors which were expected to be processed in addressing the historical cost issues around the fixed assets of the municipality.

Current Liabilities

1. Operating lease liability - The variance on operating lease liability was due to the lease contracts which expired during the 2022/23 financial year.
2. Payables from exchange transactions - The variance on payables from exchange transactions was due to the large amounts of accrual invoices as at the 30th of June 2023.
3. Unspent conditional grants - The municipality did not plan to have any unspent conditional grants as at the 30th of June 2023. The material variance was due to the fact that there was no budget provision as the intention was to achieve 100% spending on conditional grants by end of the financial year.
4. Provisions (Current year) - There was no budget provision for the current portion of the provisions in the current financial year.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	62 142 009	-	62 142 009	52 712 473	(9 429 536)	
Grants	1 556 920 000	62 495 460	1 619 415 460	1 483 803 690	(135 611 770)	
Interest income	21 659 404	-	21 659 404	57 734 127	36 074 723	
Other receipts	2 109 611	-	2 109 611	1 404 470	(705 141)	
	1 642 831 024	62 495 460	1 705 326 484	1 595 654 760	(109 671 724)	

Payments

Suppliers and employees	(1 092 661 272)	42 815 376	(1 049 845 896)	(1 010 780 617)	39 065 279	
Net cash flows from operating activities	550 169 752	105 310 836	655 480 588	584 874 143	(70 606 445)	

Cash flows from investing activities

Purchase of property, plant and equipment	(489 206 441)	(123 372 043)	(612 578 484)	(248 096 878)	364 481 606	
Proceeds from sale of property, plant and equipment	430 021	-	430 021	-	(430 021)	
Decrease (Increase) in non-current investment	(239 925 390)	239 925 390	-	-	-	
Net cash flows from investing activities	(728 701 810)	116 553 347	(612 148 463)	(248 096 878)	364 051 585	

Cash flows from financing activities

Increase (Increase) in consumer deposits	105 582	-	105 582	-	(105 582)	
Net increase/(decrease) in cash and cash equivalents	(178 426 476)	221 864 183	43 437 707	336 777 265	293 339 558	
Cash and cash equivalents at the beginning of the year	310 372 585	128 360 555	438 733 140	395 918 102	(42 815 038)	
Cash and cash equivalents at the end of the year	131 946 109	350 224 738	482 170 847	732 695 367	250 524 520	

Reconciliation

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

Figures in Rand	Note(s)	2023	2022
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1. Presentation of Financial Statements

The 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 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.

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

1.4 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.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for those which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite lifespan
Community assets	Straight-line	15 to 30 years
Machinery and Equipment	Straight-line	2 to 19 years
Transport assets	Straight-line	5 to 15 years
Furniture and office equipment	Straight-line	3 to 10 years
IT equipment	Straight-line	2 to 17 years
Leasehold improvements	Straight-line	5 to 10 years
Infrastructure	Straight-line	5 to 80 years

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

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

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

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

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

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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

1.5 Financial instruments

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

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

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

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

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

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

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

- 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).

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Financial instruments (continued)

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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 unutilised 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;

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Financial instruments (continued)

- 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.

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.

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.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

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

Reclassification

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

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

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

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.

1.6 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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Leases (continued)

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.7 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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Inventories (continued)

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.8 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.9 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Cash and cash equivalents (continued)

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.10 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:

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Leases (continued)

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Leases (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.

1.11 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.

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.

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Accounting Policies

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

Useful life is either:

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

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

[Specify judgements made]

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

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.

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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

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

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.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

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

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.13 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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Provisions and contingencies (continued)

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

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

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

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

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

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

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

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

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

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

Sale of goods

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

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

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

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

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

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

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

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

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

1.16 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.

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

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

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

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Fines

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

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

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

1.17 Comparative figures

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

1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

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

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

1.21 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.22 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 accrual basis and presented by functional classification linked to performance outcome objectives.

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

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

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Accounting Policies

1.22 Budget information (continued)

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

1.23 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 financial statements.

1.24 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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand	2023	2022
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
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Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand

3. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	14 460 000	-	14 460 000	14 460 000	-	14 460 000
Plant and machinery	9 855 232	(5 140 340)	4 714 892	8 466 123	(3 369 275)	5 096 848
Furniture and office equipment	8 659 276	(5 661 600)	2 997 676	8 904 207	(5 036 888)	3 867 319
Transport assets	55 724 771	(19 139 678)	36 585 093	47 645 158	(12 973 744)	34 671 414
IT equipment	24 255 700	(12 725 395)	11 530 305	19 801 470	(8 872 998)	10 928 472
Leasehold improvements	7 309 495	(4 796 911)	2 512 584	7 309 495	(2 497 241)	4 812 254
Roads Infrastructure	65 704 027	(42 993 590)	22 710 437	65 704 027	(41 597 811)	24 106 216
Community assets	26 142 911	(21 201 785)	4 941 126	25 639 140	(20 857 516)	4 781 624
Wastewater network	107 225 528	(47 143 330)	60 082 198	105 671 527	(44 638 045)	61 033 482
Water network	4 730 154 240	(1 114 644 688)	3 615 509 552	4 506 233 252	(996 468 519)	3 509 764 733
Assets under construction (WIP)	948 536 808	(10 653 641)	937 883 167	940 826 720	(10 653 641)	930 173 079
Total	5 998 027 988	(1 284 100 958)	4 713 927 030	5 750 661 119	(1 146 965 678)	4 603 695 441

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received from work in progress	Transfers	Depreciation	Impairment loss	Total
Land	14 460 000	-	-	-	-	-	-	14 460 000
Plant and machinery	5 096 848	1 389 109	-	-	-	(1 398 998)	(372 067)	4 714 892
Furniture and office equipment	3 867 319	199 806	-	-	-	(1 015 371)	(54 078)	2 997 676
Transport assets	34 671 414	8 364 014	(254 480)	-	-	(6 190 328)	(5 527)	36 585 093
IT equipment	10 928 472	4 454 229	-	-	-	(3 732 937)	(119 459)	11 530 305
Leasehold improvements	4 812 254	-	-	-	-	(2 294 965)	(4 705)	2 512 584
Roads Infrastructure	24 106 216	-	-	-	-	(1 395 779)	-	22 710 437
Community assets	4 781 624	503 770	-	-	-	(344 268)	-	4 941 126
Wastewater network	61 033 482	1 554 000	-	-	-	(2 421 212)	(84 072)	60 082 198
Water network	3 509 764 733	16 311 775	-	207 610 087	-	(111 012 669)	(7 164 374)	3 615 509 552
Assets under construction (WIP)	930 173 079	215 320 175	-	-	(207 610 087)	-	-	937 883 167
	4 603 695 441	248 096 878	(254 480)	207 610 087	(207 610 087)	(129 806 527)	(7 804 282)	4 713 927 030

Sekhukhune District Municipality

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received from work in progress	Transfers	Depreciation	Impairment loss	Total
Land	14 460 000	-	-	-	-	-	-	14 460 000
Plant and machinery	6 812 736	321 833	(505 266)	-	-	(1 462 687)	(69 768)	5 096 848
Furniture and office equipment	4 550 195	444 737	(97 244)	-	-	(1 021 913)	(8 456)	3 867 319
Transport assets	36 563 442	3 389 711	(48 367)	-	-	(5 233 372)	-	34 671 414
IT equipment	10 754 474	4 024 511	(426 521)	-	-	(3 419 775)	(4 217)	10 928 472
Leasehold improvements	7 089 160	18 254	-	-	-	(2 295 160)	-	4 812 254
Roads Infrastructure	25 504 552	-	-	-	-	(1 398 336)	-	24 106 216
Community assets	5 130 426	-	-	-	-	(348 802)	-	4 781 624
Wastewater network	61 277 289	2 183 749	-	-	-	(2 427 505)	(51)	61 033 482
Water network	2 983 557 354	31 149 439	-	599 809 694	-	(102 298 378)	(2 453 376)	3 509 764 733
Assets under construction (WIP)	1 236 287 367	293 695 406	-	-	(599 809 694)	-	-	930 173 079
	4 391 986 995	335 227 640	(1 077 398)	599 809 694	(599 809 694)	(119 905 928)	(2 535 868)	4 603 695 441

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Figures in Rand	2023	2022
3. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure - Water	937 883 167	930 173 079
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
RBIG: Makgeru/Magnetheights to Schoonoord Bulk Water Supply. Delayed procurement of materials as well as community protesting activities by the ordinary community members and local business forums.	65 209 046	62 341 081
MIG: NKadimeng Regional Bulk Water Supply Scheme Phase Ext 2. Professional fees were not apportioned across the completed phase	2 624 910	1 259 160
WSIG: Rutseng Water Bulk Line. The water source was not sufficient to warrant the equipping of the boreholes.	5 599 423	5 214 083
WSIG: Mogoroane Water Supply. Construction works were suspended due to Covid 19 alert level 5 lockdown regulations as well as the protesting activities by members of the community.	-	5 668 674
Ga Maphopha Command Reservoir	41 554 265	41 364 057
Mahllokwenwa Water Supply	3 432 149	3 016 448
	118 419 793	118 863 503
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
RBIG: Mooihoek/Tubatse Bulk Water Supply Phase 4H, Only professional fees paid to date, the contractor is yet to be appointed.	2 429 695	2 429 695
WSIG: Rutseng Water Intervention, access to the water source was denied by the community leader.	2 254 728	2 254 728
WSIG: Equipping of borehole in Vlakfontein, only professional consulting fees incurred to date, the contractor is yet to be appointed.	132 835	132 835
WSIG: Mpita Water Source Development and Bulk Services, only professional consulting fees incurred to date, the contractor is yet to be appointed.	562 957	562 957
WSIG: Nkosini Water Supply and Package Plant, only professional fees incurred to date, the contractor was appointed but construction works not yet commenced.	500 322	500 322
Flag Boshielo: Letebejane Water Meter Installations. The project was delayed due to the escalation of prices and delayed approval of the variation order	10 846 498	10 846 498
WSIG: Mapodile Water Conservation and Demand Management. Only professional services were completed on the project.	433 319	433 319
MIG: NKadimeng Regional Bulk Water Supply Scheme Phase 9C1. The project was delayed due to contractor underpricing on the construction works, the project subsequently encountered cash flow challenges and the proposed options by the engineer and the contractor to complete the project not actioned by the municipality	6 080 944	6 080 944
Legolaneng Water Supply	767 925	767 925
MIG: Jane Furse to Lobethal Bulk Water Supply/De Hoop Augmentation North . The contractor withdrew from the project and there was also no sufficient funding for the project.	55 893 246	55 893 246
WSIG:UITSPANNING WATER SOURCE DEVELOPMENT only professional consulting fees incurred to date, the contractor is yet to be appointed.	604 623	604 623
FETAKGOMO HOTSPOTS PROJECTS	158 990	158 990
CRR PROJECTS -PUMPS	29 023	29 023
RBIG: Mooihoek/Tubatse Bulk Water Supply Phase 4H, Only professional fees paid to date, the contractor is yet to be appointed.	3 685 227	3 685 227
MAHLOKWENA WATER SUPPLY- MORWA MOLEKE TRADING	3 016 448	3 016 448
WSIG:NEBO PHASE 1A TESTING AND COMMISSIONING	5 059 945	5 059 945

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand	2023	2022
3. Property, plant and equipment (continued)		
MIG: Lebalelo south villages connector pipes and reticulation phase 2 Suspension of construction works due to interruptions by community members	42 375 612	42 375 612
	134 832 337	134 832 337
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 - Infrastructure Assets	42 500 480	49 327 141
4. Other financial assets		
Residual interest at cost		
Investment in Sekhukhune Development Agency	1 000	1 000
Current assets		
Residual interest at cost	1 000	1 000
Financial assets at cost		
Nominal value of financial assets at cost		
The municipality did contact an assessment as the 30th June 2023 on the whether there is an objective evidence that the residual interest in the Sekhukhune Development Agency should be impaired or not, the results of the assessment where not indicative of any objective evidence that there is impairment on the residual interest in the entity. Terms and conditions	1 000	1 000
5. Operating lease asset (liability)		
Current liabilities	483 598	419 703
6. Payables from exchange transactions		
Trade payables	351 512 959	324 633 716
Other payables	4 827 561	20 132 607
Retention and sessions	199 638 772	204 266 361
Deposits received	9 884 163	8 048 092
Bonus provision	9 119 940	8 604 686
	574 983 395	565 685 462
7. Consumer deposits		
Water	5 213 578	4 876 358

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Notes to the Financial Statements

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8. Prepayments		
The municipality is a member of the South African Local Government Association. An annual membership fee is payable in advance for each financial year at a rate of 1% of the total annual employee related cost budget. The municipality has paid an amount of R 5 105 341.00 as an annual membership fee for the 2023/2024 financial year, R 4 481 840 was the expenditure incurred in the 2021/22 financial year.		
9. Inventories		
Water inventory	1 583 349	1 887 413
Consumable stores	11 366 569	1 377 421
Maintenance materials	5 204 236	15 634 148
	18 154 154	18 898 982
Inventory reconciliation		
Opening balance	18 898 982	20 698 423
Issues (Inventory recognized as expenditure during the year)	(24 572 345)	(47 968 998)
Purchases	25 745 978	48 727 664
Write-down to net realizable value (Fair value less cost to sell)	(1 636 375)	(2 558 107)
Closing balance	18 436 240	18 898 982
10. Receivables from non-exchange transactions		
Sundry debtors	2 577 805	2 695 049
Receivables from non-exchange transactions pledged as security		
Receivables from non-exchange transactions were not pledged as security.		
11. VAT receivable		
VAT	128 425 149	95 381 884
Reconciliation		
Balance at the beginning of the year	95 381 884	69 182 671
Add: Net refunds as per VAT receivable	57 036 846	134 460 434
Add: Current year VAT suspense account	107 385 922	99 661 261
Less: Prior-year suspense account	(98 642 224)	(94 257 478)
Less: Payments received from SARS	(63 006 141)	(113 665 004)
Adjustment: Impairment of doubtful debts	30 268 862	-
	128 425 149	95 381 884
12. Receivables from exchange transactions		
Gross balances		
Water	407 267 558	325 666 002
Waste water	28 824 839	23 292 934
Other	2 964 134	2 628 358
Water consumption from the last readings	5 430 868	3 662 981
	444 487 399	355 250 275

Sekhukhune District Municipality

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Notes to the Financial Statements

Figures in Rand	2023	2022
12. Receivables from exchange transactions (continued)		
Less: Allowance for impairment		
Water	(370 588 702)	(274 771 907)
Waste water	(12 734 981)	(17 970 769)
Other	(318 671)	(2 368 983)
	(383 642 354)	(295 111 659)
Net balance		
Water	36 678 856	50 894 095
Waste water	16 089 858	5 322 165
Other	2 645 463	259 375
Water consumption from the last readings	5 430 868	3 662 981
	60 845 045	60 138 616
Water		
Current (0 -30 days)	49 696 362	10 130 820
31 - 60 days	11 066 319	6 865 357
61 - 90 days	5 890 920	6 869 770
91 - 120 days	6 786 232	6 186 110
121 days and above	321 439 706	295 613 944
Less: Allowance for impairment	(358 200 683)	(274 771 906)
	36 678 856	50 894 095
Waste water		
Current (0 -30 days)	1 332 853	1 227 979
31 - 60 days	923 407	787 392
61 - 90 days	800 386	881 521
91 - 120 days	770 094	512 284
121 days and above	35 017 135	19 883 758
Less: Allowance for impairment	(22 754 017)	(17 970 769)
	16 089 858	5 322 165
Other		
Current (0 -30 days)	41 660	36 643
31 - 60 days	21 841	16 968
61 - 90 days	121 030	15 492
91 - 120 days	24 336	16 060
121 days and above	5 124 250	2 543 195
Less: Allowance for impairment	(2 687 654)	(2 368 983)
	2 645 463	259 375
Water consumption from the last readings		
Current (0 -30 days)	5 430 868	3 662 981
Reconciliation of allowance for impairment		
Balance at beginning of the year	(295 111 659)	(270 942 820)
Contributions to allowance	(80 309 277)	(60 002 667)
Reversal of allowance	(8 221 418)	35 833 828
	(383 642 354)	(295 111 659)
13. Cash and cash equivalents		
Cash and cash equivalents consist of:		

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

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13. Cash and cash equivalents (continued)

Bank balances 732 695 367 395 918 102

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
Standard Bank Primary Cheque Account: 271149418	1 806 363	6 572 440	218 823 577	34 879 119	23 288 035	218 823 577
FNB Call Account: 62858613980	177 403 537	119 787 946	20 374 598	177 403 537	119 787 946	20 374 598
Standard Bank Call Account: 238890708008	151 855 260	75 092 576	-	151 855 260	75 092 576	-
ABSA Call Account: 9368456281	400 722 310	193 621 096	-	400 722 310	193 621 096	-
Nedbank Call Account: 03/7881071850/000019	907 897	844 044	-	907 897	844 044	-
Total	732 695 367	395 918 102	239 198 175	765 768 123	412 633 697	239 198 175

14. Taxes and transfers payable (non-exchange)

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	232 965 189	41 524 905
Expanded Public Works Program (EPWP)	19	-
Water Services Infrastructure Grant (WSIG)	19 670 308	4 897 603
Rural Roads Asset Management System Grant (RRAMS)	1 467 516	2 341 000
	254 103 032	48 763 508

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

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

See note for reconciliation of grants from National/Provincial Government

Sekhukhune District Municipality

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15. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Unused leave provision	29 535 000	3 363 000	(1 926 024)	3 073 000	(6 970 976)	27 074 000
Long service award provision	22 543 000	1 929 000	(1 446 997)	2 326 000	(3 320 003)	22 031 000
	52 078 000	5 292 000	(3 373 021)	5 399 000	(10 290 979)	49 105 000

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Unused leave provision	30 019 381	3 694 867	(2 831 619)	2 749 324	(4 096 953)	29 535 000
Long service award provision	20 839 000	1 876 000	(1 929 716)	1 797 000	(39 284)	22 543 000
	50 858 381	5 570 867	(4 761 335)	4 546 324	(4 136 237)	52 078 000

Non-current liabilities					25 110 000	31 176 000
Current liabilities					23 995 000	20 902 000
					49 105 000	52 078 000

Sekhukhune District Municipality

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15. Provisions (continued)

Long service provision

This is the present value of the total LSA expected to become payable under the employer's current arrangements and based on the assumptions made. This may be regarded as the amount of money that should be set aside in present-day terms to cover all expected LSA for current employees. The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service. In the month that each "Completed Service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/261th of annual earnings per day. In the month that each "Completed Service" milestone is reached, the employee is granted an LSA. Working days awarded are valued at 1/261th of annual earnings per day.

In estimating the unfunded liability for LSA of the Municipality a number of actuarial assumptions are required.

1. Key Financial Assumptions

Assumption	Value p.a
Discount rate	10.81%
General earnings inflation rate (long-term)	7.33%
Net effective discount rate	3.24%

The next general earnings increase was assumed to take place on 1 July 2023.

2. Key Demographic assumptions

Assumption	Value p.a		
Average retirement age	62		
Mortality during employment	SA 85-90(-1)		
Withdrawal from service (sample annual rates)	Age	Female	Male
	20	9%	9%
	30	6%	6%
	40	5%	5%
	50	3%	3%
	55	0%	0%

Sekhukhune District Municipality

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15. Provisions (continued)

Unused leave provision

This is the present value of the total Unused Leave benefit expected to become payable under the employer's current arrangements and based on the assumptions made. This may be regarded as the amount of money that should be set aside in present-day terms to cover all expected Unused Leave benefit for current employees. It is apparent that most employees accumulate a portion of their total annual leave allocation, in which case they become entitled to a benefit payable on withdrawal or retirement.

Employees are granted two days ordinary leave per month. This implies that a maximum of 24 days leave can be accumulated in any given year. Employees may accumulate Unused Leave up to a maximum of 48 days after which further leave is forfeited. All Unused Leave at the date of retirement or withdrawal is payable as a cash lump sum. The value of the Unused Leave (the benefit being valued) at the date of receipt is determined as follows:

- Estimated Unused Leave days at date of retirement or withdrawal; multiplied by
- Expected monthly salary at date of retirement or withdrawal; divided by
- 21.67

Employees' leave days are based on basic salary.

In estimating the unfunded liability for Unused Leave benefits of the Municipality a number of actuarial assumptions are required.

1. Key Financial Assumptions

Assumption	Value p.a
Discount rate	11.15%
General salary inflation (long term)	7.48%
Net effective discount rate	3.41%

2. Key Demographic Assumptions

Assumption	Value
Average retirement age	62
Mortality during employment	SA 85-90 (-1)
Rate of leave accumulation	Appendix 2.4 of the actuarial report
Withdrawal from service (sample annual rates)	Table A2.2 of the actuarial report

There were no expected reimbursements as at the 30th of June 2022.

16. Revenue

Service charges	104 342 357	94 213 108
Interest received (trading)	26 068 995	16 324 673
Other income	1 404 470	996 456
Interest received - investment	57 878 945	21 517 320
Government grants & subsidies	1 282 065 599	1 349 458 204
Fines, Penalties and Forfeits	4 428	4 217
Actuarial gains	10 290 979	4 136 237
	1 482 055 773	1 486 650 215

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

Service charges	104 342 357	94 213 108
Interest received (trading)	26 068 995	16 324 673
Other income	1 404 470	996 456
Interest received - investment	57 878 945	21 517 320
	189 694 767	133 051 557

Sekhukhune District Municipality

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Notes to the Financial Statements

Figures in Rand	2023	2022
16. Service concession arrangements (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	1 282 065 599	1 349 458 204
Fines, Penalties and Forfeits	4 428	4 217
Actuarial gains	10 290 979	4 136 237
	1 292 361 006	1 353 598 658
17. Service charges		
Sale of water	89 545 013	80 127 623
Sewerage and sanitation charges	14 797 344	14 085 485
	104 342 357	94 213 108
18. Fines, Penalties and Forfeits		
Building Fines	4 428	4 217
19. Lease rentals on operating lease		
Premises		
Contractual amounts	40 409 599	43 898 418
Equipment		
Contractual amounts	11 449 262	16 025 401
	51 858 861	59 923 819
The municipality did not enter into any sublease contracts with another party, as a result there were no future minimum sublease payments expected to be received under non-cancellable sublease payments as at the 30th of June 2023.		
Significant Leasing Arrangements		
(i) The contingent rentals are based on the variable units of consumables as per the rental agreement.		
(ii) The existence and terms of renewal or purchase options and escalations clauses.		
- Operating lease contracts exist for the duration of the lease term as per the lease agreement, unless otherwise terminated before expire date. Extensions on operating lease contracts are implemented within the provisions of the supply chain management regulations in applicable to local government. Escalations and purchase options on operating leases are implemented through the contract management of the municipality.		
Future minimum payments		
Not later than one year	22 255 961	9 432 230
Later than one year but not later than five years	24 448 219	10 732 450
	46 704 180	20 164 680
20. Other income		
Other income	1 404 470	996 456

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand	2023	2022
21. Investment revenue		
Interest revenue		
Short term investments	54 255 839	19 962 732
Primary bank account	3 623 106	1 554 588
	57 878 945	21 517 320
22. Transfer and subsidies		
Other subsidies		
Sekhukhune District Development Agency Grants	3 217 479	3 205 267

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand 2023 2022

23. Government grants & subsidies

Operating grants

Equitable share	989 171 905	878 833 464
Expanded Public Works Program	13 009 981	8 180 000
Finance Management Grant	2 400 000	2 300 000
RRAMS	983 484	-
LG SETA	2 790 804	1 598 416
	1 008 356 174	890 911 880

Capital grants

Municipal Infrastructure Grant	241 034 811	413 027 095
Regional Bulk Infrastructure Grant	22 885 825	36 898 058
Water Services Infrastructure Grant	9 788 789	8 621 171
	273 709 425	458 546 324
	1 282 065 599	1 349 458 204

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	273 709 425	458 546 324
Unconditional grants received	1 008 356 174	890 911 880
	1 282 065 599	1 349 458 204

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. R 989 171 905 was received by the municipality as the Equitable Share grant for the 2022/23 financial year.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	41 524 905	5 874 155
Current-year receipts	474 000 000	454 052 000
Conditions met - transferred to revenue	(241 034 810)	(413 027 095)
Unapproved roll-over funds	(41 524 905)	(5 374 155)
	232 965 190	41 524 905

Conditions still to be met - remain liabilities (see note 14).

The Municipal Infrastructure Grant aims to eradicate municipal infrastructure backlogs in within the Sekhukhune District to ensure the provision of basic services such as water and sanitation. R 474 000 000.00 was received as a Municipal Infrastructure Grant in the 2022/23 financial year, spending on the grant was 51% as at 30 June 2023.

Expanded Public Works Programme (EPWP)

Current-year receipts	13 010 000	8 180 000
Conditions met - transferred to revenue	(13 009 981)	(8 180 000)
	19	-

Conditions still to be met - remain liabilities (see note 14).

Sekhukhune District Municipality

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Notes to the Financial Statements

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23. Surrender of surpluses (continued)

The Expanded Public Works Programme is one of government's key programmes aimed at providing poverty and income relief through temporary work for the unemployed residents of the Sekhukhune District. The programme provides an important avenue for labour absorption and income transfers to poor households, in the short to medium-term. R 13 000 000.00 was received as a grant for the Expanded Public Works Program grant in the 2022/23 financial year, spending on the grant was 100% as at 30 June 2023.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	4 897 603	26 754 244
Current-year receipts	29 122 588	8 621 171
Conditions met - transferred to revenue	(9 788 589)	(8 621 171)
Unapproved rolled-over funds	(4 561 294)	(21 856 641)
	19 670 308	4 897 603

Conditions still to be met - remain liabilities (see note 14).

The main goal of the Water Services Infrastructure Grant is to assist the municipality as the water authority to reduce the backlogs faced by the municipality in the provision of water and sanitation services within the district. R 20 000 000.00 was received as a Water Services Infrastructure Grant during the 2022/23 financial year, spending on the grant was 49% as at 30 June 2023.

Finance Management Grant (FMG)

Current-year receipts	2 400 000	2 300 000
Conditions met - transferred to revenue	(2 400 000)	(2 300 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

The main purpose of the finance management grant is to promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act (MFMA). The Grant is meant specifically to capacitate the officials in the budget and treasury office of the municipality through various training programmes in financial management and also to maintain the systems of financial management employed by the municipality in managing its finances. R 2 400 000.00 was received as a Finance Management Grant in the 2022/23 financial year, spending on the grant was 100% as at 30 June 2023.

Rural Roads Assets Management System Grant (RRAMS)

Balance unspent at beginning of year	2 341 000	-
Current-year receipts	2 451 000	2 341 000
Conditions met - transferred to revenue	(983 484)	-
Unapproved rolled-over funds	(2 341 000)	-
	1 467 516	2 341 000

Conditions still to be met - remain liabilities (see note 14).

The Rural Roads Asset Management System Grant seeks to assist the municipality to set up rural roads asset management systems, and collect road, bridges and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa. R 2 451 000.00 was received during the 2022/23 financial year, 40% was the spending percentage as at 30 June 2023.

Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	22 885 828	36 898 058
Conditions met - transferred to revenue	(22 885 828)	(36 898 058)
	-	-

Sekhukhune District Municipality

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23. Surrender of surpluses (continued)

Conditions still to be met - remain liabilities (see note 14).

The main goal of the Regional Bulk Infrastructure Grant is to assist the municipality in facilitating the successful execution and implementation of bulk projects which are characterized by regional significance. The implementation of the grant is currently administered by the Department of Water and Sanitation on behalf of the municipality since the 2019/2020 financial year wherein the municipality will incur expenditure on projects funded through the grant and claim such expenditures from the department on a monthly basis. R 22 885 828.00 was the amount received during the 2022/23 financial year, same amount was spend and claimed from the Department of Water and Sanitation during the 2022/23 financial year.

National Department of Labour:SETA

Current-year receipts	2 790 804	1 598 516
Conditions met - transferred to revenue	(2 790 804)	(1 598 516)

Conditions still to be met - remain liabilities (see note 14).

The main aim of this grant is to encourage the municipality to contribute to skills development, address critical and scarce skills shortages, and create jobs and employment opportunities for its employees. R 2 790 804.00 was the amount received as the LG:SETA grant for the 2022/23 financial year, same amount was incurred as expenditure during the year.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand	2023	2022
24. Employee related costs		
Basic	275 475 231	274 178 834
Medical aid - company contributions	14 331 790	13 879 215
UIF	1 717 487	1 634 391
SDL	3 064 969	3 223 073
Bargaining council	210 879	121 706
Leave pay provision charge	205 449	689 356
Group life insurance	1 261 255	1 368 773
Pension Fund	40 200 295	39 016 077
Travel, motor car, accommodation, subsistence and other allowances	30 604 632	24 710 202
Overtime payments	12 399 534	28 032 029
Current service cost: Long service awards and unpaid leave provision expense	5 292 000	5 570 867
Transport allowance (bus coupons)	-	116 225
Housing benefits and allowances	2 529 927	3 016 238
Cellphone allowance	1 886 620	1 616 894
Shift and standby allowance	2 612 488	6 625 806
Uniform allowance	30 000	90 000
	391 822 556	403 889 686

Remuneration of municipal manager

Annual Remuneration	409 941	1 229 824
Travel Allowance	112 082	120 000
Cellphone allowance	10 400	31 200
Contributions to UIF, Medical and Pension Funds	6 570	15 819
Leave Payout	72 684	-
	611 677	1 396 843

Remuneration of chief finance officer

Annual Remuneration	729 489	-
Travel Allowance	26 347	-
Cellphone allowance	23 988	-
Contributions to UIF, Medical and Pension Funds	46 977	-
Acting allowance	13 900	83 118
	840 701	83 118

The chief financial officer position was vacant for the first four months of the 2022/23 financial year. The position was filled from the 1st of November 2022. The Deputy Chief Financial Officer of Makhuduthamaga Local Municipality did occupy the position on a secondment basis from 6th May 2021 till the 31st of May 2022.

Director - Community Services

Annual Remuneration	345 425	1 036 275
Travel Allowance	49 503	72 000
Performance bonus	66 497	-
Contributions to UIF, Medical and Pension Funds	5 941	13 517
Cellphone allowance	5 997	23 988
Travel claims	-	32 955
Leave payout	59 677	-
	533 040	1 178 735

The position became vacant during the second quarter of the 2022/23 financial year and it remains vacant as at 30 June 2023.

Director Infrastructure and Water Services

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand	2023	2022
24. Employee related costs (continued)		
Annual Remuneration	518 746	139 641
Travel Allowance	129 686	20 000
Performance Bonuses	-	116 225
Contributions to UIF, Medical and Pension Funds	8 242	28 341
Cellphone allowance	15 992	3 998
Acting allowance	-	8 144
	672 666	316 349

The position of the director for the Infrastructure and Water Services was vacant for the first four months of the financial year. The position was filled from the 1st of November 2022.

Director Planning and Economic Development

Annual Remuneration	246 810	968 990
Travel Allowance	-	156 000
Contributions to UIF, Medical and Pension Funds	55 309	129 026
Cellphone allowance	5 997	23 988
Travel claims	6 553	26 714
Leave payout	3 995	-
	318 664	1 304 718

The position remained vacant for the most part of the financial year, the position was filled during the 3rd quarter of the financial year.

Director Corporate Services

Annual Remuneration	729 486	-
Cellphone Allowance	17 991	-
Contributions to UIF, Medical and Pension Funds	9 127	-
Travel claims	7 295	-
Acting allowance	-	2 369
	763 899	2 369

Chief Operating Officer

Annual Remuneration	257 079	-
Travel Allowance	74 904	-
Cellphone allowance	7 996	-
Contributions to UIF, Medical and Pension Funds	3 945	-
	343 924	-

Acting Municipal Manager

Director Corporate Services

Acting allowance	-	9 474
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The position for the director in the corporate services department was vacant for the entire duration of the first four months of the financial year. The director for the department was appointed from the 1st of November 2022.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand	2023	2022
25. Remuneration of councillors		
Executive Mayor	676 040	705 598
Chief Whip of council	761 860	719 394
Mayoral Committee Members	6 701 296	6 481 082
Council Speaker	999 628	1 125 624
Other Councillors	8 510 294	6 599 795
	17 649 118	15 631 493
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.		
Executive Mayor: Cllr Mathebe JL		
Annual remuneration	327 398	256 532
Cellphone allowance	13 900	14 800
Contributions to UIF, Medical and Pension	74 104	71 976
	415 402	343 308
Executive Mayor: Cllr Mokganyetji MJ		
Annual remuneration	603 303	439 048
Cellphone allowance	30 900	29 600
Contribution to UIF, Medical and Pension	41 837	72 278
	676 040	540 926
Council Speaker: Cllr Chego DK		
Annual remuneration	901 953	399 168
Cellphone allowance	34 600	29 600
Contribution to UIF, Medical and Pension	61 167	34 701
Backpay	1 908	7 770
	999 628	471 239
Chief Whip: Cllr Phokane MJ		
Annual remuneration	652 555	373 952
Travel allowance	19 263	33 292
Cellphone allowance	41 100	29 600
Contribution to UIF, Medical and Pension	48 942	32 698
Other	-	148
	761 860	469 690
Mayoral Committee Members		
Annual remuneration	4 726 192	3 672 603
Travel allowance	985 044	2 150 605
Cellphone allowance	356 300	222 000
Contribution to UIF, Medical and Pension	542 138	353 521
	6 609 674	6 398 729
26. Depreciation and amortisation		
Property, plant and equipment	129 806 551	119 905 926

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand	2023	2022
27. Impairment loss		
Impairments		
Property, plant and equipment	7 804 285	2 535 868
During the physical verification of asset evidence of damage was noted which led to the change in the condition of the assets and assessment of impairment, this could also be evident by the verification report and the picture taken during verification. The recoverable amount of the asset could not be determined		
28. Finance costs		
Interest on overdue accounts	1 435 076	-
Discounting of provisions	5 399 000	4 546 324
	6 834 076	4 546 324
29. Auditors' remuneration		
Fees	8 020 486	7 874 194
30. Debt impairment		
Debt impairment	83 091 600	49 637 037
31. General expenses		
Advertising	2 404 477	1 202 954
Auditors remuneration	8 020 486	7 874 194
Bank charges	2 556 096	3 005 923
Cleaning	941 444	369 981
Computer expenses	199 530	124 800
Consulting and professional fees	25 111 004	21 282 781
Audit committee expenses	1 222 707	636 254
IT support	3 350 854	2 096 497
Entertainment	219 828	438 697
Town planning expenses	154 331	2 585 371
Accommodation	1 443 032	473 474
Hire charges	5 006 579	1 572 971
Insurance	5 838 241	3 278 463
Workman Compensation fund	10 024 773	2 284 077
Fuel and oil	25 872 418	22 099 859
Printing and stationery	3 247 469	2 709 053
Protective clothing	229 368	327 734
Software expenses	5 916 706	4 440 264
Staff welfare	403 967	29 783
Subscriptions and membership fees	4 481 840	3 977 058
Telephone and fax	4 224 576	3 128 102
Transport and freight	841 449	298 189
Training	601 915	309 711
Travel - local	1 748 339	819 920
Electricity	65 130 066	57 351 545
Other expenses	12 394 549	16 974 404
Catering services	3 913 124	2 204 630
Staff recruitment	500 698	169 727
Meter reading	1 150 308	2 630 763
Bursaries	354 820	619 584
Audio-visual services	4 517 664	5 781 411
	202 022 658	171 098 174

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand	2023	2022
32. Bulk purchases		
Water	194 129 214	167 797 563
33. Contracted services		
Presented previously		
Other Contractors	81 131 695	136 394 336
Contracted services per the service		
Security services	48 050 901	44 229 644
VIP Toilets: MIG	9 648 400	91 944 045
VIP Toilets: WSIG	3 993 633	-
Tankering expenses	19 669 410	-
	81 362 344	136 173 689
34. Cash generated from operations		
Surplus	268 450 699	299 078 496
Adjustments for:		
Depreciation and amortisation	129 806 551	119 905 926
Loss on disposal of assets	254 480	1 077 398
Impairment loss	7 804 285	2 535 868
Debt impairment	83 091 600	49 637 037
Movements in operating lease assets and accruals	63 895	382 116
Movements in provisions	(2 973 000)	4 546 324
Actuarial gains	(10 290 979)	(4 136 236)
Finance cost: Actuarial	5 399 000	-
Inventory losses or write-downs	(1 482 021)	(2 601 687)
Current year service cost	5 292 000	5 570 867
Accrued interest income	(144 817)	-
Loss on sale of assets and liabilities	1 060 092	-
Asset write-off	254 480	-
Changes in working capital:		
Inventories	683 642	(802 246)
Receivables from exchange transactions	(84 688 147)	(61 050 989)
Receivables from non-exchange transactions	(2 665 080)	(10 134 377)
Prepayments	(623 501)	(504 782)
VAT Receivables	(26 424 421)	2 954 192
Payables from exchange transactions	9 297 933	60 651 279
Taxes and transfers payable (non-exchange)	205 343 232	18 444 441
Consumer deposits	337 220	251 979
Provisions	(2 973 000)	6 012 903
	584 874 143	491 818 509
35. Financial instruments disclosure		
Categories of financial instruments		
2022		
Financial assets		
	At amortised cost	Total
Cash and cash equivalents	732 695 367	732 695 367
Receivables from exchange transactions	60 845 046	60 845 046
Receivables from non-exchange transactions	36 330 619	36 330 619

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand	2023	2022
35. Financial instruments disclosure (continued)		
Residual interest in Sekhukhune Development Agency	1 000	1 000
Other receivables from non-exchange transactions	5 105 341	5 105 341
	834 977 373	834 977 373

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	(351 512 959)	(351 512 959)

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand 2023 2022

35. Financial instruments disclosure (continued)

2023

Financial assets

	At amortised cost	Total
Cash and cash equivalents	398 717 988	398 717 988
Receivables from exchange transactions	48 502 028	48 502 028
Receivables from non-exchange transactions	45 749 649	45 749 649
Residual interest in Sekhukhune Development Agency	1 000	1 000
	492 970 665	492 970 665

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	(279 005 326)	(279 005 326)

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	384 798 195	202 428 610
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Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	6 900 000	-
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Total capital commitments

Already contracted for but not provided for	384 798 195	202 428 610
Not yet contracted for and authorised by accounting officer	6 900 000	-
	391 698 195	202 428 610

Authorised operational expenditure

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand	2023	2022
37. Contingent Liabilities		
Total commitments		
IMATU OBO Titus Maroga: Litigation is in progress against the municipality relating to a claim of unfair labour practice by IMATU OBO on behalf of Mr Titus Maroga, the financial effect of the claim was estimated at about R 264 178.05 as at 30th June 2023. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months. The arbitration award did order that the suspension of Mr Maroga Titus be uplifted and he be compensated financially. The municipality did lodge and application to review the award, and a contempt of court for non-compliance with court order was issued to the municipality and it was defended successfully. The municipality is yet to file their affidavit to review the application.	264 178	264 178
Ms Seponkane Paulina Nkadimeng vs Sekhukhune District Municipality Litigation is in progress against Ms Seponkane Paulina Nkadimeng whereby the municipality dispute a claim by the supplier of services which the supplier claim to have rendered to the municipality. The financial effect of the claim as at 30th June 2023 could be estimated at about R 726 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as highly unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months	726 000	726 000
• Makone Consulting Engineers vs Sekhukhune District Municipality Litigation is in progress against Makone Consulting Engineers whereby the municipality dispute a claim by the consultant that they have rendered services to the municipality. The financial effect of the claim as at 30th June 2023 could be estimated at about R 573 298.62. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as highly unlikely with about 70% probability of no success, and the case should be resolved within the next twelve months.	573 298	573 298
• Lebaka Construction (pty) Ltd vs Sekhukhune District Municipality Litigation is in progress against Lebaka Construction whereby the municipality dispute a claim by the contractor of interest on a claim for works which the contractor claims to have done for the municipality. The financial effect of the claim as at 30th June 2023 could be estimated at about R 167 735.66. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as highly unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months. The company is also claiming an amount of R 10 419 385.20 in retentions from the municipality on the Lebalelo South project, the municipality did file an application to review the arbitration award and the court is yet to rule on the application by the municipality. The R 4.8 million claim on the variation order was paid and the interest amounts remain disputed by the municipality. As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.	10 587 120	167 735

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand	2023	2022
37. Contingent Liabilities (continued)		
<ul style="list-style-type: none"> <p>• Dynamic Integrated Geoydro Environmental Services vs Sekhukhune District Municipality Litigation is in progress against Dynamic Integrated Geoydro Environmental Services whereby the municipality dispute a claim by the supplier for works which the supplier claims to have done for the municipality. The financial effect of the claim as at 30th June 2023 could be estimated at about R 911 543.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months. The company is also claiming an amount of R 23 256 465.27 in services rendered to the municipality and the municipality has submitted the required discovery documents to defend the matter, as at 30 June 2023 it was uncertain as to when the ruling on the matter will be provided. The plaintiff served notices and the municipality has entered a defence. The date of finalization of the matter was uncertain as at 30th June 2023 as the municipality is to submit more discovery documents on the matter. As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.</p> 	24 168 008	911 543
<ul style="list-style-type: none"> <p>• LBM Consulting vs Sekhukhune District Municipality Litigation is in progress against LBM Consulting whereby the municipality dispute a claim by the consultant for works which the supplier claims to have done for the municipality. The financial effect of the claim as at 30th June 2023 could be estimated at about R 973 835.97. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four month.</p> <p>The plaintiff served the municipality with summons and a notice to defend was served by the municipality. Opposing affidavit and counter claim are to be served by the municipality. A date to conclude on the proceedings of this matter is yet to be provided by the court.</p> 	973 835	973 835
<ul style="list-style-type: none"> <p>• Mr Tumelo Modisane vs Sekhukhune District Municipality Litigation is in progress against Mr Tumelo Modisane whereby a claim in delict was submitted Mr Modisane. The financial effect of the claim as at 30th June 2023 could be estimated at about R 1 000 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months. The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A date to finalize the matter is yet to be provided by the court.</p> 	1 000 000	1 000 000
<ul style="list-style-type: none"> <p>• Mothoa vs Sekhukhune District Municipality Litigation is in progress against Mothoa whereby a claim in delict was submitted. The financial effect of the claim as at 30th June 2023 could be estimated at about R 1 648 133.70. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the case should be resolved within the next twenty-four months. The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A pre-trial conference was held and a date to finalize the matter is yet to be provided by the court.</p> 	1 648 133	1 648 133
<ul style="list-style-type: none"> <p>• Mr Solomon Phasha vs Sekhukhune District Municipality Litigation is in progress against Mr Solomon Phasha whereby a claim in delict was submitted. The financial effect of the claim as at 30th June 2023 could be estimated at about R 2 000 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the case should be resolved within the next twenty-four months. The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A date to finalize the matter is yet to be provided by the court.</p> 	2 000 000	2 000 000

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand	2023	2022
37. Contingent Liabilities (continued)		
<ul style="list-style-type: none"> Hexagon Technologies and Projects vs Sekhukhune District Municipality Litigation is in progress against Hexagon Technologies and Projects whereby the municipality dispute a claim of a consumer price index adjustment on their contract with the municipality. The financial effect of the claim as at 30th June 2022 could be estimated at about R 7 421 365.80. The plaintiff transmitted a letter of demand and issued summons to the municipality. The municipality continues to dispute the matter though the municipal account was attached for about R 6 000 000 with 9% interest from 2015 in the current year 	7 421 365	7 421 365
<ul style="list-style-type: none"> Ms Julia Dibilong vs Sekhukhune District Municipality Litigation is in progress against Ms Julia Dibilong whereby a claim in delict was submitted. The financial effect of the claim as at 30th June 2023 could be estimated at about R 1 500 000.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the case should be resolved within the next twenty-four months. The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A date to finalize the matter is yet to be provided by the court. 	1 500 000	1 500 000
<ul style="list-style-type: none"> Ethokga Consulting and Projects vs Sekhukhune District Municipality Litigation is in progress against Ethokga Consulting Services whereby the municipality dispute a claim by the company of services which the company claim to have rendered to the municipality. The financial effect of the claim as at 30th June 2023 could be estimated at about R 20 490 616.12. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the case should be resolved within the next twenty-four months. The plaintiff transmitted a letter of demand and issued summons to the municipality. A court date is yet to be provided to conclude for the municipality to defend the matter. 	20 490 616	20 490 616
<ul style="list-style-type: none"> Mr Kgopane MM vs Sekhukhune District Municipality Litigation is in progress against Mr Kgopane MM whereby a claim in delict was submitted. The financial effect of the claim as at 30th June 2023 could be estimated at about R 3 713 183.00. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the case should be resolved within the next twenty-four months. The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A date to finalize the matter is yet to be provided by the court. 	3 713 183	3 713 183
<ul style="list-style-type: none"> Litigation is in progress against Mr Tladi SJ whereby a claim in delict was submitted. The financial effect of the claim as at 30th June 2023 could be estimated at about R 10 345.22. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months. The plaintiff served summons to the municipality. The municipality entered defence and filed pleadings. A date to finalize the matter is yet to be provided by the court. 	10 345	10 345
<ul style="list-style-type: none"> Ratale Mashifane Attorneys vs Sekhukhune District Municipality Litigation is in progress against Ratale Mashifane Attorneys whereby the company claims three amounts (R 202 561.91, 172 047.50 & 52 331.45) from the municipality for services which they allege to have rendered. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twelve months. Summons were issued to the municipality and municipal attorneys are currently defending all three matters 	426 941	426 941
<ul style="list-style-type: none"> SGL Engineering Projects (pty) Ltd vs Sekhukhune District Municipality Litigation is in progress against SGL Engineering (pty) Ltd for consulting services, the company alleges to have rendered to the municipality consulting engineering services amounting to R 2 304 545.94 for the design and management of the Zaaiplaas bulk water and reticulation project. 	2 304 545	2 304 545

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand	2023	2022
37. Contingent Liabilities (continued)		
• Zutari (pty) Ltd vs Sekhukhune District Municipality Litigation is in progress against Zutari (pty) Ltd for consulting services, the company alleges to have rendered to the municipality consulting engineering services amounting to R 875 570.73 for the De Hoop/Nebo Plateau/Mampuru bulk water project. Summons received on the 2nd of June 2023 and municipality did serve and file the intention to defend.	875 570	875 570
• GZ Services (pty) Ltd vs Sekhukhune District Municipality Litigation is in progress against GZ Services for an amount of R 125 000.00. The municipality is disputing the over priced order which was issued with an error on the order amount resulting in supply of goods at prices which were very inflated, the error was communicated to the supplier who responded quite positively with full understanding of the error but refused to amend the unit prices. Summons were served to the municipality. The municipality did file and serve an intention to defend with an offer to settle the matter presented to the company as the complainant.	125 000	125 000
	78 808 137	45 132 287

Rapodu and Others vs Sekhukhune District Municipality

Litigation is in the progress against the municipality relating to a claim of unfair labour practice by Mr Rapodu and other employees of the municipality, it was impracticable to determine the financial effect of the claim as at 30th June 2023. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success and the case should be resolved within the next twenty-four months. The municipality did defend successfully the contempt of court case brought by the applicants. The applicants have filed a petition to the SCA for leave to appeal the judgement by the labour court. As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

Mr Andries Mokgotho vs Sekhukhune District Municipality

Litigation is in progress against Mr Andries Mokgotho relating to a charge of gross misconduct by the municipality, it was impracticable to determine the financial effect of the claim as at 30th June 2023. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four months.

Arbitration was enrolled for the 19th and 20th June 2023, the municipality did make an application to amend the date on the charge and ruling is expected after applicant objected.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

Mr Rupert Matabane vs Sekhukhune District Municipality

Litigation is in progress against Mr Rupert Matabane relating to a charge of gross misconduct by the municipality, it was impracticable to determine the financial effect of the claim as at 30th June 2023. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twelve months. The proceedings were postponed to allow the cross-examination of the final witness.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

Ms Busisiwe Matjie vs Sekhukhune District Municipality

Litigation is in progress against Ms Busisiwe Matjie relating to a charge of gross misconduct by the municipality, it was impracticable to determine the financial effect of the claim as at 30th June 2023. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twelve months.

The chairperson of the hearing postponed the hearing subject to confirmation of a future date to finalize the matter.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

Kabane Andries Makola vs Sekhukhune District Municipality

Litigation is currently in progress against Kabane Andries Makola, an employee of the municipality for injuries he sustained to his body during a protest by the community members. A reliable estimate of the expenses on his injuries could not be determined as at 30th June 2023.

More information is yet to be provided by the complainant.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter..

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Figures in Rand

2023

2022

37. Contingent Liabilities (continued)

PK Financial Services vs Sekhukhune District Municipality

Litigation is in progress against PK Financial Services whereby the municipality dispute a claim by the consultant for an award of a bid to another consultant that was competing with PF Financial Services in a same bidding process. It was impracticable to determine the financial effect of the claim as at the 30th of June 2023. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twelve months.

The review was held on 30th of August 2022 and the municipality has commenced the arbitration proceedings for the counter claim.

As at the reporting date, there was no indication of any possibility of a reimbursement on this matter.

Contingent assets

Sekhukhune District Municipality vs Maadima (pty) Ltd Litigation is in the progress regarding a claim by the municipality to Maadima (pty) Ltd as an underwriter of a guarantee to a contractor, the contractor did fail to complete the construction works on behalf of the municipality as per its appointment and the guarantee monies were due to complete the remaining works. The financial effect of the claim as at 30th June 2023 could be estimated at about R 4 714 054.73. The municipality's lawyers and management consider the likelihood of the action against the Maadima (pty) Ltd with 80% chances of success for the municipality, and the case should be resolved within the next twenty-four months. The letter of demand already served. Municipal attorney instructed to issue summons while the complainant intends to defend, the matter is currently on discovery phase.	4 714 054	4 714 054
<ul style="list-style-type: none">• Sekhukhune District Municipality vs Betrams & Standard Bank Litigation is in the progress regarding a claim by the municipality to Betrams (pty) Ltd and Standard Bank on guarantess issued by the Standard Bank SA on behalf of Betrams (pty) Ltd. The financial effect of the claim as at 30th June 2023 could be estimated at about R 25 080 622.05. The municipality's lawyers and management consider the likelihood of the action against Betrams (pty) Ltd and Standard Bank SA with 80% chances of success for the municipality, and the case should be resolved within the next twenty-four months. Summons served on defendents. Notice of exception received and plea amended. Defendant served Rule 35(12 & 14) and the municipality provided the required documentation.	25 080 622	25 080 622
Sekhukhune District Municipality vs Advocate Ngutshane Litigation is in the progress regarding a claim by the municipality to Advocate Ngutshane on a payment erroneously paid into his bank account by the municipality. The financial effect of the claim as at 30th June 2023 could be estimated at about R 239 131.55. The municipality's lawyers and management consider the likelihood of the action against with 80% chances of success for the municipality, and the case should be resolved within the next twelve months. Summons served to the defendant. Plea received from the defendant. The municipality also lodged a claim with the legal practice council.	239 131	239 131
<ul style="list-style-type: none">• Sekhukhune District Municipality vs Ndamakho Trading (Mapondo Tanks) Litigation is in the progress regarding a claim by the municipality to Ndamakho Trading (Mapondo Tanks) for an advance payment on the installation of water tanks which were never installed valued at around R 6 500 000.00. The municipality's lawyer's and management consider the likelihood of the action against Ndamakho Trading (Mapondo Tanks) with around 80% probability of success. Summons were issued to Ndamakho Trading (Mapondo Tanks) and company is yet to respond to the summons as at 30th June 2023	6 500 000	6 500 000

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

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37. Contingent Liabilities (continued)		
<ul style="list-style-type: none">Sekhukhune District Municipality vs Officials Litigation is in progress regarding a total of R 12 084 011 in voices which were incorrectly and fraudulently paid into an incorrect bank account by officials of the municipality. The invoices were meant to pay the monthly instalments towards the cumulative debt on occupational health and safety membership with the department of labour. The matter is currently handled by the South African Police Service and it is expected to be concluded in the next twenty-four months. The municipality's lawyer's and management consider the likelihood of the action against the officials with around 80% probability of success. As at the 30th June 2023 the municipality was awaiting a report from the South African Police Service on how the matter is to be concluded.	12 084 011	12 084 011
	48 617 818	48 617 818

Sekhukhune District Municipality

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38. Related parties

Relationships

Accounting Officer	Municipal Manager
Controlled entities	Sekhukhune Development Agency
Local Government Controlling Body	South African Local Government Association
Members of the municipal council	Refer to note 44
Members of key management	Refer to note 20

Related party balances

Annual membership fees

South African Local Government Association	4 481 840	3 977 058
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Transfers and subsidies

Sekhukhune Development Agency	3 217 479	3 205 267
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Members of key management

Municipal Manager	611 676	1 396 843
Director: Corporate Services	763 899	-
Director: Infrastructure and Water Services	672 666	308 205
Director: Community Services	533 039	1 178 735
Director: Planning and Economic Development	314 688	1 304 718
Chief Operating Officer	343 924	-
Chief Financial Officer	844 834	83 118
Acting Director: Corporate Services	-	9 474
Acting Chief Audit Executive	-	2 369
Acting Director: Infrastructure and Water Services	-	8 144
Acting Director: Planning and Economic Development (Backpay)	3 995	-

Remuneration of councillors 2022/23

	Annual remuneratio n	Travel allowance	Cellphone allowance	Pension, Medical, UIF & SDL	Sitting allowance & travel claims	Total
Cllr Mokganyetji MJ (Executive Mayor)	744 400	22 770	41 100	104 730	-	913 000
Cllr Mathebe JL (Executive Mayor)	327 398	-	13 900	74 104	-	415 403
Cllr Chego DK (Council speaker)	682 565	-	41 100	72 155	-	795 819
Cllr Phokane MJ (Chief Whip) (Council speaker)	640 165	51 456	41 100	67 834	-	800 554
Cllr Ramaila KS	39 514	-	3 700	39 055	-	82 269
Cllr Malatji MN	298 611	153 987	34 000	25 562	-	512 160
Cllr Mafefe OH	524 552	95 133	41 100	114 745	-	775 260
Cllr Kupa CR	640 149	279 949	41 100	68 821	-	1 030 020
Cllr Ratau MF	640 149	144 104	41 100	68 310	-	893 662
Cllr Mabatane	621 755	132 923	41 100	56 333	-	852 101
Cllr Mohlala MJ	861 185	213 235	57 400	56 747	-	1 188 567
Cllr Leshaba MB	640 335	248 486	41 100	66 465	-	996 386
Cllr Sefala KR	304 191	170 561	40 800	85 062	-	600 614
Cllr Mogofe A	48 559	11 646	7 400	4 040	-	71 645
Cllr Tladi MD	48 559	2 790	7 400	541	-	59 291
Cllr Maloba AM	48 559	-	7 400	560	-	56 519
Cllr Mathebe JL	169 958	-	23 800	43 078	-	236 836
Cllr Nkosi SM	273 264	178 956	33 600	39 109	-	524 929
Cllr Machai MA	10 440	52 354	20 400	483	-	83 677
Cllr Maelane KM	10 440	39 261	20 400	386	-	70 488
Cllr Letsela NS	10 440	81 098	20 400	337	-	112 275
Cllr Magatla LN	10 440	51 822	20 400	417	-	83 079
Cllr Lekoatsipa LR	83 666	84 747	17 000	1 019	-	186 432
Cllr Makobe PA	10 440	-	20 400	308	-	31 148

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

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Figures in Rand			2023	2022	
38. Related parties (continued)					
Cllr Mashegoana MC	10 440	62 740	20 400	422	- 94 002
Cllr Thokoane KZ	13 399	36 624	20 400	380	- 70 803
Cllr Mokomane ML	10 440	91 888	20 400	486	- 123 214
Cllr Mosoane E	13 399	68 803	20 400	518	- 103 120
Cllr Rankoe TP	2 820	43 591	20 400	242	- 67 052
Cllr Lekoana MD	10 440	83 063	20 400	446	- 114 349
Cllr Matsomane ST	-	16 494	20 400	363	31 718 68 975
Cllr Sithole ME	-	46 346	20 400	456	34 023 101 225
Cllr Nkosi SB	80 147	35 135	20 400	1 006	- 136 688
Cllr Maabelo LS	-	15 619	20 400	308	20 420 56 748
Cllr Mohlamonuanane TE	-	12 673	20 400	278	14 739 48 090
Cllr Mashilo MS	80 147	65 029	20 400	1 189	- 166 765
Cllr Malau TS	-	52 610	20 400	518	58 956 132 484
Cllr Makofane IT	-	163 027	20 400	1 129	52 172 236 727
Cllr Ngwatle AD	-	11 957	20 400	306	16 978 49 641
Cllr Mabelane JM	-	122 811	20 400	615	27 206 171 032
Cllr Molapo WS	-	121 403	20 400	616	30 581 173 000
Cllr Tlape MM	80 147	48 984	20 400	1 070	- 150 600
Cllr Thobejane ML	-	103 638	20 400	645	41 945 166 628
Cllr Mokgotho K	-	179 686	20 400	892	45 453 246 431
Cllr Mgiba NP	80 147	110 147	20 400	1 015	- 211 709
Cllr Mathipa MP	-	100 867	20 400	710	47 725 169 702
Cllr Makutu TS	-	98 495	20 400	761	36 230 155 887
Cllr Makofane T	-	155 366	20 400	342	52 172 228 564
Cllr Magabe MS	80 147	78 785	20 400	1 181	- 180 513
Cllr Senong	224 944	75 719	34 300	23 615	- 358 578
Cllr Mosotho MT	214 079	92 910	34 300	18 641	- 359 929
Cllr Matsetela ML	270 002	374 607	41 100	30 430	- 716 138
Cllr Komane LM	230 135	63 763	34 300	6 473	- 334 670
Cllr Kgwedi JL	270 115	13 121	41 100	27 149	- 351 485
Cllr Tshivhula MP	270 115	39 939	41 100	27 142	- 378 296
Cllr Mogotji FM	290 649	10 960	41 100	7 020	- 349 729
Cllr Matseke RT	-	-	-	1 645	- 1 645
Cllr Mnisi SP	-	-	-	2 565	- 2 565
	9 921 446	4 612 078	1 454 500	1 150 775	510 318 17 649 118

Remuneration of councillors 2021/22	Annual remuneration	Travel allowance	Cellphone allowance	Pension, Medical, UIF & SDL	Sitting allowance	Total
Cllr Ramaila KS (Executive Mayor)	256 532	-	14 800	71 976	-	343 308
Cllr Mathebe JL (Executive Mayor)	439 048	-	29 600	72 278	-	540 925
Cllr Manamela MM (Council speaker)	236 982	-	14 800	25 806	-	277 587
Cllr Chego DK (Council Speaker)	399 168	-	29 600	34 702	7 770	471 239
Cllr Mokganyetji MJ (Chief Whip)	174 897	57 619	14 800	13 822	6 519	267 657
Cllr Phokane MJ (Chief Whip)	373 952	33 291	29 600	32 698	148	469 690
Cllr Mahlangu MF	274 897	57 619	14 800	14 143	114 507	475 966
Cllr Matlal MA	274 897	57 619	14 800	13 839	15 208	376 357
Cllr Nkosi SM	298 877	81 841	14 800	14 088	70 141	431 546
Cllr Mmakola SM	234 211	31 841	14 800	15 714	31 190	327 756
Cllr Ramaila KS	336 387	-	29 600	111 223	7 883	485 093
Cllr Kupa CR	372 839	63 492	29 600	37 106	7 384	510 422
Cllr Mokganyetji MJ	377 001	20 756	29 600	32 897	148	460 404
Cllr Ratau MF	377 001	18 015	29 600	32 944	21 859	479 568
Cllr Mabatane E	323 426	23 447	29 600	28 401	6 964	411 837
Cllr Leshaba MB	331 178	63 764	29 600	29 182	6 282	460 007
Cllr Sefala RE	162 738	53 778	14 800	22 656	27 854	281 826
Cllr Maila SM	74 873	23 157	14 800	6 144	51 755	170 728
Cllr Matsetela LA	74 873	23 157	14 800	6 492	126 770	246 092

Sekhukhune District Municipality

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Figures in Rand					2023	2022
38. Related parties (continued)						
Cllr Moimana MT	74 873	23 157	14 800	6 026	27 873	146 729
Cllr Mtsweni BW	74 873	23 157	14 800	5 995	-	118 825
Cllr Phala ML	-	17 382	6 800	143	12 136	36 461
Cllr Motlae MG	-	16 879	6 800	-	9 929	33 726
Cllr Mehlaphe SH	-	29 072	6 800	194	16 291	52 355
Cllr Mahlangu SJ	-	6 863	6 800	112	8 826	22 001
Cllr Makeke GM	-	21 966	6 800	129	33 654	62 549
Cllr Mosotho MT	-	-	6 800	68	-	6 868
Cllr Mabatane MC	4 466	-	6 800	113	-	11 379
Cllr Rankoe TP	30 196	8 567	6 800	370	-	45 932
Cllr Dolamo MF	3 480	17 688	6 800	116	-	28 083
Cllr Thokoane MJ	3 480	-	6 800	103	-	10 383
Cllr Madutlela KK	3 480	5 173	6 800	-	112	15 564
Cllr Diale MH	3 480	26 122	6 800	197	7 596	44 195
Cllr Nkadimeng LR	3 480	28 889	6 800	143	-	39 313
Cllr Matlala FM	4 466	-	6 800	112	-	11 379
Cllr Ranoto P	4 466	4 934	6 800	110	-	16 320
Cllr Sebothoma RG	3 480	30 204	6 800	257	-	57 294
Cllr Phaladi RC	105 930	23 157	14 800	8 433	27 603	179 923
Cllr Mabelane MM	26 716	35 054	6 800	373	-	68 942
Cllr Mamogale MF	-	74 546	6 800	458	28 684	110 488
Cllr Maisela RP	26 716	-	6 800	335	-	33 851
Cllr Kgaphola MA	26 716	16 806	6 800	376	8 379	59 076
Cllr Radingoana MR	26 716	28 437	6 800	335	-	62 287
Cllr Mokgotho LL	-	43 342	6 800	270	22 065	72 476
Cllr Malapane SS	-	28 052	6 800	208	23 247	58 307
Cllr Mamokgopa LD	-	29 645	6 800	206	17 231	53 882
Cllr Makola JV	-	59 640	6 800	473	21 121	88 033
Cllr Makofane IT	-	74 885	6 800	537	18 754	100 977
Cllr Makua MJ	-	10 839	6 800	173	29 879	47 690
Cllr Motseni NL	3 480	40 227	6 800	208	-	50 715
Cllr Maloka MF	3 480	6 004	6 800	110	3 227	19 622
Cllr Moloko MK	74 873	23 157	14 800	6 006	14 232	133 068
Cllr Mashabela MN	-	36 351	6 800	184	15 445	58 781
Cllr Ramautswa KJ	74 873	23 157	14 800	-	5 995	118 825
Cllr Matsepe CD	-	-	-	11	2 207	2 217
Cllr Matseke RT	74 873	23 157	14 800	6 081	45 984	164 894
Cllr Mogotji FM	179 878	1 253	29 600	2 245	149	213 124
Cllr Tshivhula MP	166 720	15 618	29 600	15 150	149	227 238
Cllr Kgwedi JL	166 721	-	29 600	15 150	4 307	215 778
Cllr Komane LM	173 299	21 330	29 600	8 739	2 297	235 266
Cllr Matsetela ML	166 721	-	29 600	15 168	4 467	215 956
Cllr Mosotho MT	166 721	37 901	29 600	15 231	41 700	253 251
Cllr Senong MR	166 721	-	29 600	15 350	41 162	252 832
Cllr Magabe MS	40 073	-	11 900	538	8 424	60 935
Cllr Makofane T	-	-	11 900	410	102 213	114 523
Cllr Masuku TS	-	-	11 900	464	90 017	102 381
Cllr Mathipa MP	-	-	11 900	368	88 901	101 223
Cllr Mgiba NP	40 073	-	11 900	525	52 825	105 324
Cllr Mokgotho K	-	-	11 900	488	112 026	124 414
Cllr Thobejane LM	-	-	11 900	372	84 344	96 616
Cllr Tlape MM	40 073	-	11 900	538	22 556	75 078
Cllr Molapo WS	-	-	11 900	230	48 558	60 688
Cllr Mabelane SS	-	-	11 900	301	75 453	87 654
Cllr Ngwatle AD	-	-	11 900	190	20 999	33 089
Cllr Makofane IT	-	-	11 900	709	118 448	131 057
Cllr Malau TS	-	-	11 900	264	45 533	57 697
Cllr Mashilo MS	40 073	-	11 900	594	25 879	78 446
Cllr Mohlamonyane TE	-	-	11 900	202	39 020	51 122
Cllr Maibelo LS	-	-	11 900	207	25 783	37 891

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2023

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38. Related parties (continued)						
Cllr Nkosi SB	40 074	-	11 900	525	17 636	70 134
Cllr Sithole ME	-	-	11 900	249	40 475	52 624
Cllr Matsomane ST	-	-	11 900	235	29 029	41 164
Cllr Leokana MD	6 090	-	11 900	195	14 927	33 112
Cllr Rankoe TP	2 280	-	11 900	146	27 037	41 363
Cllr Mosoane E	7 570	-	11 900	262	27 379	47 110
Cllr Molokoane ML	6 090	-	11 900	214	9 663	27 868
Cllr Thokwane KZ	7 570	-	11 900	208	11 883	31 562
Cllr Mashegoana MC	6 090	-	11 900	222	25 697	43 909
Cllr Makobe PA	6 090	-	11 900	180	-	18 170
Cllr Lekoatsipa LR	46 164	-	11 900	758	42 274	101 095
Cllr Magatla LN	6 090	-	11 900	209	19 038	37 237
Cllr Letsela SS	6 090	-	11 900	188	21 990	40 167
Cllr Maelane KM	6 090	-	11 900	207	19 675	37 871
Cllr Machai MJ	6 090	-	11 900	237	18 490	36 717
Cllr Manganeng ML	97 851	31 841	13 600	7 914	97 662	248 869
Cllr Mnisi SP	97 851	31 841	13 600	7 780	44 762	195 834
Cllr Mafefe HO	162 533	57 619	14 800	26 237	22 190	283 379
Cllr Mogofe ME	74 873	23 157	14 800	5 995	17 750	136 575
Cllr Malatji MN	216 165	-	29 600	19 370	74 478	339 613
Cllr Mafefe HO	235 323	-	29 600	50 147	55 407	370 478
Cllr Mohlala MJ	216 165	-	29 600	19 551	82 078	347 393
Cllr Sefala KRE	228 486	-	29 600	57 073	71 090	386 248
	8 881 068	1 666 465	1 458 500	946 611	2 748 672	15 631 493

39. Prior period errors

Receivables from exchange transactions

The municipality did effect a prior period error correction on the consumer debtors in the 2021/22 financial year, the error was an omission of some of the amounts on the provision for doubtful consumer debts calculation and as such the total provision for the doubtful debts was understated by R 11 636 588.72, the debt impairment expenditure was understated by the same amount in the prior year. The prior period error was corrected by increasing both the opening accumulated surplus and receivables from exchange transactions by the same amount.

Receivables from non-exchange transactions

The municipality did also effect a prior period error correction on the receivables from non-exchange transactions in the 2021/22 financial year, the error was a derecognition of the debt on a fraudulent transaction in which R 12 084 110.00 that was meant for payment to the Department of Labour was fraudulently paid into an incorrect bank account. The amount was derecognized as a debtor and disclosed under contingent assets given the new developments into the investigation proceedings. The error was corrected by reducing both the opening balances on the accumulated surplus and receivables from non-exchange

Property, Plant and Equipment

During the year under review Water Net work projects relating to 2020/2021 financial year were identified as completed, the total transfer from WIP to Infrastructure assets for these projects is R 68 017 089.85 and R1 136 148.83 was transferred from WIP to accumulated surplus since is relating to the meter box. There was a contractor cost for R727 00 that was not added on the WIP register.

Two projects were impaired in the prior years amounting R685 791.26. These were studies that there were identified that there was no source and these studies are awaiting for council approval to be written off from the WIP register.

Furthermore projects to the value of R 275 310 889.45 were identified as completed in 2021/2022 financial year, these water projects were transferred from work in progress to infrastructure assets as prior period error for 2021/2022 financial year

Accumulated depreciation amounting to R 12 032 319.39 was corrected as a result of the capitalisation of prior year completed projects

Sekhukhune District Municipality

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39. Prior period errors (continued)

An error was identified in the prior year as that resulted to review the useful lives of assets which were still in use, during the year under review an assessment of useful lives relating to prior year was performed and the following depreciation reversals were made to address the prior year issue

Road Transport Infrastructure -R52 933.85

Buildings- R47 961.82

Sewerage Treatment Infrastructure-R480 335.00

Water Network Infrastructure-R3 488 463.94

Depreciation and amortisation

A correction of a prior period error was effected on the depreciation amount in the 2021/22 financial year to an amount R3 535 438.07 being a depreciation of an item of property, plant and equipment that was completed and not capitalized as a complete asset, the asset was disclosed as work in progress during the 2021/22 financial year. The correction of the error was to effected by recognizing a depreciation amount in the current prior year.

Debt Impairment

A correction of three prior period errors was also effected on the debt impairment amount in the 2021/22 financial year to correct the both the miscalculation on provision for doubtful debts which understated the debt impairment by R 11 636 588.72, R 12 084 110.00 as the impairment of doubtful debts on the fraudulent payments processed into incorrect baking details and R 30 970 490 impairment of the Regional Bulk Infrastructure Grant debt by the Department of Water and Sanitation, all errors were corrected by increasing the debt impairment expenses and the receivables from both the exchange and non-exchange transactions.

Employee related cost

A prior period error correction was effected on the employee related cost in the 2021/22 financial year to an amount of R 14 078.00, the amount was incorrectly classified as transfers and subsidies. The error was corrected by reducing the transfers and subsidies and increasing the employee related cost by the same amount.

Transfers and subsidies

A prior period error correction was effected on the disclosed transfers and subsidies amount in the 2021/22 financial year to an amount of R 14 078.00, the amount was incorrectly classified as transfers and subsidies. The error was corrected by reducing the transfers and subsidies and increasing the employee related cost by the same amount.

General expenses

The correction of an error on the amount disclosed as general expenses was effected in the 2021/22 financial year, R 44 229 644 for security services was incorrectly disclosed as general expenses in the prior year, the error was corrected by reducing the general expenses and increasing the contracted services by the same amount.

Repairs and maintenance

An amount of R 534 204.00 for general expenses was incorrectly disclosed as repairs and maintenance in the 2021/22 financial year, the error was corrected by reducing the repairs and maintenance and increasing the general expenses by the same amount in the prior year.

Contracted services

The correction of an error on the amount disclosed as general expenses was effected in the 2021/22 financial year, R 44 229 644 for security services was incorrectly disclosed as general expenses in the prior year, the error was corrected by reducing the general expenses and increasing the contracted services by the same amount.

Commitments

The municipality has disclosed an amount of R 3 660 110.00 as operational commitments in the 2021/22 financial year, the amount was disclosed erroneously and the correction effected was to completely remove the disclosure on operational commitments.

Sekhukhune District Municipality

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39. Prior period errors (continued)

Irregular expenditure

A prior period error correction was effected on the irregular expenditure amount disclosed in the 2021/22 financial year, the amount disclosed by management was R 76 787 198.00, an additional R 66 062 128.00 was identified by the Auditor General SA as irregular expenditure for the 2021/22 financial year, the expenditure disclosed in the prior year was adjusted to R 142 849 326.00.

Basic salary

A prior period error correction was effected on the basic salary cost in the 2021/22 financial year to an amount of R 50 113.00, the amount was incorrectly classified into medical aid, long service awards and long pay provision charge. The error was corrected by reallocating the amounts into the various accounts.

Medical Aid

A prior period error correction was effected on the medical aid cost in the 2021/22 financial year to an amount of R 28 049.00, the amount was incorrectly classified into basic salary, long service awards and long pay provision charge. The error was corrected by reallocating the amounts into the various accounts.

Leave Pay Provision Charge

A prior period error correction was effected on the basic salary cost in the 2021/22 financial year to an amount of R 3 658 725.00, the amount was incorrectly classified as into medical aid, long service awards and basic salary. The error was corrected by reallocating the amounts into the various accounts.

Long Service Awards

A prior period error correction was effected on the basic salary cost in the 2021/22 financial year to an amount of R 3 694 867.00, the amount was incorrectly classified into medical aid, long service provision charge and basic salary. The error was corrected by reallocating the amounts into the various accounts.

Cash and Cash Equivalents

A prior period error correction was effected on the cash and cash equivalents amount disclosed in the 2021/22 annual financial statements under note. 13. The closing balance for the cash book was erroneously disclosed as R 412 634 595, while the closing balance for the bank statements was erroneously disclosed as R 398 717 988, both errors were retrospectively corrected by disclosing the cash book balance for the 2021/22 financial year as R 395 918 102 and bank statements as R 412 634 595.

40. Prior-year adjustments

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:

Statement of financial position

2022

	Note	Audited	Correction of error	Restated
Receivables from exchange transactions		48 502 028	(11 636 588)	60 138 616
Receivables from non-exchange transactions		45 749 649	(43 054 600)	2 695 049
VAT Receivable		96 497 333	(1 115 449)	95 381 884
Property, plant & equipment		4 616 094 238	(12 448 797)	4 603 695 441
Cash and cash equivalents		398 717 988	(2 799 886)	395 918 102
Payables from exchange transactions		(563 428 035)	(2 257 428)	(565 685 463)
Accumulated surplus		(4 559 381 166)	31 678 060	(4 509 391 596)
		82 752 035	(41 634 688)	82 752 033

Sekhukhune District Municipality

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40. Prior-year adjustments (continued)

Statement of financial performance

2022

	Note	Audited	Correction of error	Restated
Depreciation and amortization		116 366 974	3 538 954	119 905 928
Debt Impairment		47 918 557	1 718 480	49 637 037
Basic salary		274 228 947	(50 113)	274 178 834
Medical Aid		13 851 166	28 049	13 879 215
Leave pay provision charge		4 348 081	(3 658 725)	689 356
Long service awards		1 876 000	3 694 867	5 570 867
Transfers and subsidies		3 219 346	(14 078)	3 205 267
General expenses		212 862 344	(41 764 169)	171 098 175
Repairs and maintenance		47 918 557	1 718 480	49 327 141
Contracted services		91 994 045	44 400 291	136 394 336
Debt Impairment		47 918 557	1 718 480	49 637 037
Advertising		558 043	644 911	1 202 954
Insurance premiums		3 253 376	2 606 908	5 860 284
Accommodation		440 035	33 439	473 474
Catering services		1 998 804	205 826	2 204 630
		57 212 270	499 970	57 712 240
Surplus for the year		925 965 102	15 321 570	940 976 775

Cash flow statement

2023

	Note	Audited	Correction of error
Cash flow from operating activities			
Suppliers and employees		941 419 279	2 799 886

41. Risk management

Financial risk management

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

Liquidity risk

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

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments 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 evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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41. Risk management (continued)

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

42. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 4 777 842 289

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note of these financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

43. Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date the financial statements are authorized for issue. The two types of events can be identified, (i) those that provide evidence of events that existed at the reporting date being the adjusting events after the reporting date and (ii) those that are indicative of conditions that arose after the reporting date as the non-adjusting events after the reporting date.

Management was not aware of any events after the reporting date, those which provided evidence of events that existed at the reporting date being the adjusting events and/or those that were indicative of conditions that arose after the reporting date being non-adjusting events after the reporting date.

44. Unauthorised expenditure

Opening balance as previously reported	410 590 826	410 085 215
Add: Unauthorised expenditure - current	-	505 611
Closing balance	410 590 826	410 590 826

The municipality did not incur any unauthorized expenditure during the 2022/23 financial year.

45. Fruitless and wasteful expenditure

Opening balance as previously reported	58 456 147	46 425 661
Add: Fruitless and wasteful expenditure identified - current	13 969 339	10 166 818
Add: Fruitless and wasteful expenditure identified - prior period	-	1 863 668
Closing balance	72 425 486	58 456 147

Fruitless and wasteful expenditure is presented inclusive of VAT

The municipality did incur in total R 13 133 562.00 in fruitless and wasteful expenditure during the 2022/23 financial year, the amount includes R 1 143 362.46 interest charges on the historical debt with the Department of Labour on compliance with occupational health and safety membership, R 11 692 723.17 was an attachment through Sherrif on a transaction that the municipality considers to be fraudulent and was being investigated at the time of the attachment, R 297 476.60 was the expenditure incurred on Sheriff costs and interest on a disputed invoice dating back to 2019/20 financial year.

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45. Fruitless and wasteful expenditure (continued)

Amount recovered

No amounts of fruitless and wasteful expenditure were recovered during the 2022/23 financial year, investigations by MPAC were not yet concluded.

Amount written-off

No amounts of fruitless and wasteful expenditure were written-off during the 2022/23 financial year, investigations by MPAC were not yet concluded.

46. Irregular expenditure

Opening balance as previously reported	1 344 599 237	1 201 749 911
Add: Irregular expenditure - current	34 370 659	142 849 326
Closing balance	1 378 969 896	1 344 599 237

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46. Irregular expenditure (continued)		
The municipality did report the following instances of irregular expenditure during the 2022/23 financial year, in comparison to the 2021/22 financial year		
Non-compliance with the minimum functionality requirements	898 546	-
Municipal rates of the awarded company was in arrears	4 530 449	-
Non-compliance with the minimum functionality requirements	668 069	-
Non-compliance with the minimum functionality requirements	339 871	-
Non-compliance with the minimum functionality requirements	211 705	-
Non-compliance with the minimum functionality requirements	954 130	-
No evaluation criteria specified in the bid document	4 497 582	-
No evaluation criteria specified in the bid document	433 950	-
No evaluation criteria specified in the bid document	2 248 980	-
No evaluation criteria specified in the bid document	988 931	-
No evaluation criteria specified in the bid document	880 617	-
No evaluation criteria specified in the bid document	2 984 745	-
No evaluation criteria specified in the bid document	1 289 780	-
Company director investigated for financial misconduct	7 843 260	-
Competitive bid advertised for less than 30 days	515 643	-
Non-compliance with the minimum functionality requirements	5 084 400	-
Non-compliance with the minimum functionality requirements	-	15 913 313
Evaluation criteria not fully complied with during the evaluation process	-	348 670
Evaluation criteria not fully complied with during the evaluation process	-	7 735 643
Evaluation criteria not fully complied with during the evaluation process	-	3 672 772
Director of the company investigated for financial misconduct	-	24 292 095
Evaluation criteria not fully complied with during the evaluation process	-	4 628 486
Evaluation criteria not fully complied with during the evaluation process	-	3 495 288
Evaluation criteria not fully complied with during the evaluation process	-	3 609 563
Evaluation criteria not fully complied with during the evaluation process	-	2 527 000
Evaluation criteria not fully complied with during the evaluation process	-	3 850 770
Evaluation criteria not fully complied with during the evaluation process	-	324 631
Evaluation criteria not fully complied with during the evaluation process	-	27 255
Evaluation criteria not fully complied with during the evaluation process	-	484 380
Evaluation criteria not fully complied with during the evaluation process	-	2 292 008
Evaluation criteria not fully complied with during the evaluation process	-	285 775
Evaluation criteria not fully complied with during the evaluation process	-	521 356
Evaluation criteria not fully complied with during the evaluation process	-	52 184
Director of the company in the service of state	-	2 726 010
Company municipal rates in arrears	-	1 438 800
Evaluation criteria not fully complied with during the evaluation process	-	5 330 380
Evaluation criteria not fully complied with during the evaluation process	-	5 855 940
Evaluation criteria not fully complied with during the evaluation process	-	47 744 745
Evaluation criteria not fully complied with during the evaluation process	-	112 174
Evaluation criteria not fully complied with during the evaluation process	-	408 472
Evaluation criteria not fully complied with during the evaluation process	-	80 343
Evaluation criteria not fully complied with during the evaluation process	-	86 250
Evaluation criteria not fully complied with during the evaluation process	-	157 928
Evaluation criteria not fully complied with during the evaluation process	-	154 266
Deviations not approved by designated official	-	1 306 128
Company director in the service of state	-	2 051 043
Non-compliance with the minimum functionality requirements	-	1 335 658
Person in service of state	156 400	-
Person in service of state	29 250	-
Person in service of state	2 013 045	-
Non-compliance with the minimum functionality requirements	4 227 746	-
Evaluation criteria not fully complied with during the evaluation process	1 496 956	-
	42 294 055	142 849 326

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46. Irregular expenditure (continued)

Amount srecoverable

All amounts reported as irregular expenditure in both in the current year and the prior periods were reported to council, council did refer alla mounts to the MPAC for investigatio, as at 30th June 2023 all investigations were not concluded on the reported amounts. A determination as to whether the amounts were recoverable or not was not available as at year end.

Amount written-off

No amounts of reported irregular expenditure were written off during the 2022/23 financial year as investigations were ongoing.

Recoverability steps taken/criminal proceedings

MPAC investigations were not concluded as at 30 June 2023, as a result no steps or criminal proceedings were taken yet.

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	4 481 840	3 977 058
Amount paid - current year	(4 481 840)	(3 977 058)
	-	-

Material losses (Water distribution)

Current year loss in Kilolitres	9 407 844	11 347 063
Amount paid: current year	59 310 437	54 908 483
Total - amount paid in current year	-	-

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47. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Current year subscription / fee	8 024 739	7 874 194
Amount paid - current year	(8 020 486)	(7 874 194)
	4 253	-
PAYE, UIF and SDL		
Current year subscription / fee	64 588 007	90 608 762
Amount paid - current year	(64 605 723)	(90 324 224)
	(17 716)	284 538
Pension and Medical Aid Deductions		
Current year subscription / fee	84 999 817	83 881 476
Amount paid - current year	(84 992 793)	(83 913 247)
	7 024	(31 771)
VAT		
VAT receivable	914 783 881	839 932 583
VAT payable	(786 358 732)	(744 550 699)
	128 425 149	95 381 884

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

Councillors' arrear consumer accounts

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

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Phokane MJ	72	-	72
Cllr Matsetela M	1 412	-	1 412
Cllr Matsetela ML	2 685	3 897	6 582
Cllr Ratau MF	318	3 308	3 626
	4 487	7 205	11 692

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Matsetela ML	2 315	12 230	14 545
Cllr Phokane MJ	158	-	158
Cllr Matsetela M	704	2 286	2 990
	3 177	14 516	17 693

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2022	Highest outstanding amount	Aging (in days)
Cllr Matsetela ML	12 230	-
Cllr Matsetela M	2 286	-
	14 516	-

Supply chain management regulations

Section 36 of the Municipal Supply Chain Management Regulations states that the accounting officer may dispense with the official procurement processes established by the applicable supply chain policy and procure any required goods or services through any convenient process which may include direct negotiations, but only (i) In an emergency, (ii) if such goods or services are produced or available from a single service provider, (iii) for the acquisition of special works of art or historical objects where specifications are difficult to complete, (iv) acquisitions of animals for zoos or (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes.

Description

Deviation as per section 36(1)(i) of the municipal supply chain regulations	-	697 227
Deviation as per section 36(1)(ii) of the municipal supply chain regulations	13 531 018	5 693 274
Deviation as per section 36(1)(v) of the municipal supply chain regulations	4 647 010	603 036
	18 178 028	6 993 537

48. Segment information

General information

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48. Segment information (continued)

Identification of segments

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

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

Aggregated segments

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

Types of goods and/or services by segment

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

Reportable segment	Goods and/or services
Finance and Administration	Financial management & sustainability
Economical and Environmental Services	Economic development & environmental management services
Roads	Roads construction & maintenance
Community and public safety	Social and safety management services
Water management	Water provision and conservation

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48. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Finance and Administratio n	Economical and Environmental Services	Roads	Cmunnunity and Public Safety	Water Management	Total
Revenue						
Revenue from non-exchange transactions	- 104 342 357	-	-	-	-	104 342 357
Interest received - Debtors	- 26 068 995	-	-	-	-	26 068 995
Other Income	- 1 404 470	-	-	-	-	1 404 470
Interest - Investments	- 57 878 945	-	-	-	-	57 878 945
Actuarial Gains	- 10 290 979	-	-	-	-	10 290 979
Government Grants and Subsidies	- 994 362 709	13 009 981	983 484	-	273 709 425	1 282 065 599
Other Income	-	-	-	4 428	-	4 428
Total segment revenue	- 1 194 348 455	13 009 981	983 484	4 428	273 709 425	1 482 055 773
Total revenue						1 482 055 773

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		Finance and Administratio n	Economical and Environmental Services	Roads	Cmunnunity and Public Safety	Water Management	Total
48. Segment information (continued)							
Expenditure							
Employee related cost	51 758 346	90 474 307	7 780 276	-	63 423 679	178 385 948	391 822 556
Remuneration of councillors	17 649 118	-	-	-	-	-	17 649 118
Depreciation and amortisation	-	17 297 176	-	-	-	112 509 375	129 806 551
Impairment loss	-	-	-	-	-	7 804 285	7 804 285
Finance cost	-	6 834 076	-	-	-	-	6 834 076
Lease rentals on operating lease	-	51 858 861	-	-	-	-	51 858 861
Debt Impairment	-	83 091 600	-	-	-	-	83 091 600
Bulk Purchases	-	194 129 214	-	-	-	-	194 129 214
Contracted services	-	81 131 695	-	-	-	-	81 131 695
Transfers and subsidies	-	3 217 479	-	-	-	-	3 217 479
General expenses	-	202 022 658	-	-	-	-	202 022 658
Loss on disposal of assets	-	254 480	-	-	-	-	254 480
Repairs and maintenance	-	42 500 480	-	-	-	-	42 500 480
Inventory write-down	-	1 482 021	-	-	-	-	1 482 021
Total segment expenditure	69 407 464	774 294 047	7 780 276	-	63 423 679	298 699 608	1 213 605 074
Total segmental surplus/(deficit)							268 450 699
Assets							
Water infrastructure	-	160 872 149	-	-	-	4 553 054 881	4 713 927 030
Total assets as per Statement of financial Position							4 713 927 030
Liabilities							
Trade and other payables	-	405 036 799	-	-	-	453 741 804	858 778 603
Provisions	-	25 110 000	-	-	-	-	25 110 000
Total segment liabilities	-	430 146 799	-	-	-	453 741 804	883 888 603
Total liabilities as per Statement of financial Position							883 888 603

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48. Segment information (continued)

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

The nature of differences between the measurements of the reportable segments' surplus or deficit and the entity's surplus or deficit and discontinued operations

Inter-segment transfers: segment revenue and segment expense include revenue and expense arising from transfers between segments. Such transfers are usually accounted for at cost and are eliminated on consolidation.

The nature and effect of any asymmetrical allocations to reportable segments

The municipality allocated depreciation expense to a segment without allocating the related depreciable assets to that segment.