



SEKHUKHUNE
District Municipality

Sekhukhune District Municipality
Financial statements
for the year ended 30 June 2022
Auditor General (SA)
Chartered Accountants (S.A.)
Registered Auditors

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (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 Ramaila KS
	Cllr Mathebe JL
Councillors	Cllr Manamela MM (Council speaker)
	Cllr Chego KS (Council speaker)
	Cllr Mokganyetji M (Chief Whip of council)
	Cllr Phokane K (Chief whip of council)
	MMC Manamela M
	MMC Mahlangu MF
	MMC Nchabeleng TL
	MMC Matlala MA
	MMC Mogofe M
	MMC Mnisi SP
	MMC Makola MY
	MMC Nkosi SM
	MMC Manganeng M
	MMC Mmakola SM
	MMC Kupa CR
	MMC Mokganyetji MJ
	MMC Ratau MF
	MMC Mabatane E
	MMC Leshaba MB
	MMC Sefala RE
Grading of local authority	Grade 4 Municipality
Accounting Officer	Ms Ntshudisane MJ
Chief Finance Officer (CFO)	Mr Nkadimeng HL (Acting)
Registered office	03 West Street Groblersdal 0470
Postal address	Private Bag X8611 Groblersdal 0470
Bankers	Standard Bank
Auditors	Auditor General (SA) Chartered Accountants (S.A.) Registered Auditors

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Index

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

	Page
Accounting Officer's Responsibilities and Approval	3
Audit Committee Report	4
Accounting Officer's Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	9 - 14
Appropriation Statement	15 - 14
Accounting Policies	15 - 33
Notes to the Financial Statements	34 - 77

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
SALGA	South African Local Government Association
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
WSIG	Water Services Infrastructure Grant
RBIG	Regional Bulk Infrastructure Grant

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the 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 2023 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 wholly dependent on the municipality 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. 5.

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 30th August 2022 and were signed on its behalf by:

Accounting Officer
Municipal Manager

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2022.

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 4 ordinary and 2 special audit committee meetings were held.

Name of member	Number of meetings attended
Mr Mokwele M (Chairperson)	4
Ms Ndlovu M CA(SA) - Member	4
Ms Mothelesi M - Member	6
Mr Mathabathe M - Member	6
Mr Thubakgale - Member	5

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

Date: _____

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2022.

The financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 01 March 1900 and were signed on its behalf by:

Accounting Officer
Municipal Manager

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	8	18 898 982	20 698 423
Other financial assets	3	1 000	1 000
Receivables from non-exchange transactions	10	45 749 649	43 291 823
VAT receivable	11	96 497 333	94 178 733
Prepayments	7	4 481 840	3 977 058
Receivables from exchange transactions	12	48 502 028	39 234 675
Cash and cash equivalents	13	398 717 988	237 402 088
		612 848 820	438 783 800
Non-Current Assets			
Property, plant and equipment	2	4 616 094 238	4 401 776 450
Total Assets		5 228 943 058	4 840 560 250
Liabilities			
Current Liabilities			
Operating lease liability	4	419 703	37 587
Payables from exchange transactions	5	563 428 035	502 776 756
Consumer deposits	6	4 876 358	4 624 379
Unspent conditional grants and receipts	14	48 759 800	30 315 359
Provisions	15	20 902 000	24 563 959
		638 385 896	562 318 040
Non-Current Liabilities			
Provisions	15	31 176 000	26 294 422
Total Liabilities		669 561 896	588 612 462
Net Assets		4 559 381 162	4 251 947 788
Accumulated surplus		4 559 381 166	4 251 947 789
Total Net Assets		4 559 381 166	4 251 947 789

* See Note 44 & 43

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	18	94 213 108	85 340 370
Interest received - Debtors		16 324 673	12 936 559
Other income		996 456	80 746 670
Interest - Investments	22	21 517 320	15 003 055
Actuarial gains		4 136 237	-
Total revenue from exchange transactions		137 187 794	194 026 654
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	24	1 349 458 204	1 515 621 876
Public contributions and donations	25	-	21 980 000
Fines, Penalties and Forfeits	19	4 217	3 834
Total revenue from non-exchange transactions		1 349 462 421	1 537 605 710
Total revenue	16	1 486 650 215	1 731 632 364
Expenditure			
Employee related costs	26	(403 875 608)	(407 232 659)
Remuneration of councillors	27	(15 631 493)	(15 042 796)
Depreciation and amortisation	29	(116 366 974)	(107 763 146)
Impairment loss	30	(1 495 919)	(39 654 158)
Finance costs	31	(4 546 324)	(3 618 972)
Lease rentals on operating lease	20	(59 923 819)	(63 123 780)
Debt Impairment	33	(47 918 557)	(33 444 880)
Bulk purchases	35	(167 797 563)	(162 186 318)
Contracted services	36	(91 994 045)	(76 969 790)
Transfers and Subsidies	23	(3 219 346)	(2 556 298)
Loss on disposal of assets and liabilities		(1 121 813)	(998 642)
Actuarial losses		-	(5 151 036)
Inventories losses/write-downs		(2 601 687)	-
Bad debts written off		-	(66 913)
General Expenses	34	(212 862 344)	(196 273 759)
Repairs and maintenance		(49 861 345)	(41 887 543)
Total expenditure		(1 179 216 837)	(1 155 970 690)
Surplus for the year		307 433 378	575 661 674

* See Note 44 & 43

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	3 359 482 146	3 359 482 146
Adjustments		
Prior year adjustments 44	316 803 969	316 803 969
Balance at 01 July 2020 as restated*	3 676 286 115	3 676 286 115
Changes in net assets		
Surplus for the year	575 661 674	575 661 674
Total changes	575 661 674	575 661 674
Opening balance as previously reported	4 217 676 889	4 217 676 889
Adjustments		
Correction of errors 43	34 270 899	34 270 899
Restated* Balance at 01 July 2021 as restated*	4 251 947 788	4 251 947 788
Changes in net assets		
Surplus for the year	307 433 378	307 433 378
Total changes	307 433 378	307 433 378
Balance at 30 June 2022	4 559 381 166	4 559 381 166

Note(s)

* See Note 44 & 43

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		45 621 253	65 142 814
Grants		1 367 902 645	1 464 029 796
Interest income		21 517 320	15 003 055
Other receipts		996 456	-
		1 436 037 674	1 544 175 665
Payments			
Suppliers		(941 419 279)	(911 900 712)
Net cash flows from operating activities	37	494 618 395	632 274 953
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(333 302 495)	(457 253 342)
Net increase/(decrease) in cash and cash equivalents		161 315 900	175 021 611
Cash and cash equivalents at the beginning of the year		237 402 088	62 380 477
Cash and cash equivalents at the end of the year	13	398 717 988	237 402 088

The accounting policies on pages 15 to 33 and the notes on pages 34 to 77 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	95 858 109	2 780 000	98 638 109	94 213 108	(4 425 001)
Interest received (Outstanding debtors)	13 996 387	500 000	14 496 387	16 324 673	1 828 286
Other income	3 076 248	(1 005 000)	2 071 248	996 456	(1 074 792)
Interest received - investment	17 485 844	4 000 000	21 485 844	21 517 320	31 476
Total revenue from exchange transactions	130 416 588	6 275 000	136 691 588	133 051 557	(3 640 031)

Revenue from non-exchange transactions

Transfer revenue

Government grants & subsidies	982 113 000	42 100 000	1 024 213 000	970 357 204	(53 855 796)
Fines, Penalties and Forfeits	107 745	(60 000)	47 745	4 217	(43 528)
Total revenue from non-exchange transactions	982 220 745	42 040 000	1 024 260 745	970 361 421	(53 899 324)

* See Note 44 & 43

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Total revenue	1 112 637 333	48 315 000	1 160 952 333	1 103 412 978	(57 539 355)
Expenditure					
Personnel	(433 126 807)	15 685 969	(417 440 838)	(403 875 608)	13 565 230
Remuneration of councillors	(18 330 456)	-	(18 330 456)	(15 631 493)	2 698 963
Debt Impairment	(10 615 000)	-	(10 615 000)	-	10 615 000
Depreciation and asset impairment	(102 514 292)	(40 000)	(102 554 292)	(116 366 974)	(13 812 682)
Impairment loss/ Reversal of impairments	-	-	-	(1 495 919)	(1 495 919)
Finance costs	(489 818)	-	(489 818)	(4 546 324)	(4 056 506)
Lease rentals on operating lease	(44 487 521)	(4 760 000)	(49 247 521)	(59 923 819)	(10 676 298)
Debt Impairment	-	-	-	(47 918 557)	(47 918 557)
Inventory consumed - Bulk Water Supply	(177 905 447)	3 997 998	(173 907 449)	(167 797 563)	6 109 886
Contracted Services	(158 942 839)	(52 386 719)	(211 329 558)	(91 994 045)	119 335 513
Transfers and Subsidies	(758 211)	(37 960)	(796 171)	(3 219 346)	(2 423 175)
General expenses	(156 361 907)	(9 804 999)	(166 166 906)	(212 862 344)	(46 695 438)
Other (taken out of General expenses)	-	-	-	(49 861 345)	(49 861 345)
Total expenditure	(1 103 532 298)	(47 345 711)	(1 150 878 009)	(1 175 493 337)	(24 615 328)
Operating deficit	9 105 035	969 289	10 074 324	(72 080 359)	(82 154 683)
Loss on disposal of assets and liabilities	-	-	-	(1 121 813)	(1 121 813)
Transfers and subsidies - Capital	415 901 000	(36 800 000)	379 101 000	379 101 000	-
Actuarial gains	409 544	-	409 544	4 136 237	3 726 693
Inventories losses/write-downs	-	-	-	(2 601 687)	(2 601 687)
	416 310 544	(36 800 000)	379 510 544	379 513 737	3 193
Surplus before taxation	425 415 579	(35 830 711)	389 584 868	307 433 378	(82 151 490)
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	425 415 579	(35 830 711)	389 584 868	307 433 378	(82 151 490)

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Revenue - Material variances

1. Service Charges - The actual billing was materially lower than the budgeted billing due to the water reticulation projects which were planned for completion in the current 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 - Non-payment of customer accounts on long outstanding debts in the current year contributed mainly to the increase in the interest on outstanding debtors.
4. Other income - collection on revenue from other income sources was materially below the annual budget due to low sales of tender documents which did not happen as anticipated, 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 actual revenue on government grants and subsidies was less than the budgeted amount due to the R 50 million reduction on the annual MIG allocation by the National Treasury on the basis that the interim spending targets were not achieved within the set target dates.

Expenditure - Material variances

1. Employee related cost - The vacant positions which were budgeted for in the current year were not filled as anticipated.
2. Remuneration of councillors - No implementation of the upper limits in the current financial year, the upper limits were processed retrospectively in the first quarter of the current financial year.
3. Finance costs - The finance costs on the actuarial calculations were under budgeted for in the 2021/22 financial year.
4. Operating lease rentals - The increase in the operating lease rentals expenditure was due to the 2020/21 accrual payments which were processed in July 2021 due to the unavailability of budget in the 2020/21 financial year. A provision for payment was made in the 2021/22 annual budget to cover the unpaid invoices.
5. Inventory consumed (Bulk Water Purchases) - The bulk water expenditure in the current year was materially more than the budgeted expenditure due to the 2020/21 accrual invoices which were processed in July 2021. A budget provision was made in the 2021/22 annual budget to cover the accrual invoices.
6. Contracted services - The actual contracted expenditure in the current year was materially lower than the budgeted expenditure as a result of some contracted services which were not implemented during the year as budgeted for.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	123 597 634	52 709 228	176 306 862	18 898 982	(157 407 880)	
Other financial assets	1 000	-	1 000	1 000	-	
Receivables from non-exchange transactions	92 568 313	-	92 568 313	45 749 649	(46 818 664)	
VAT receivable	-	-	-	96 497 333	96 497 333	
Prepayments	-	-	-	4 481 840	4 481 840	
Consumer debtors	120 558 740	(18 820 673)	101 738 067	48 502 028	(53 236 039)	
Cash and cash equivalents	236 446 215	74 116 625	310 562 840	398 717 988	88 155 148	
	573 171 902	108 005 180	681 177 082	612 848 820	(68 328 262)	
Non-Current Assets						
Property, plant and equipment	3 713 221 145	(35 703 292)	3 677 517 853	4 616 094 238	938 576 385	
Total Assets	4 286 393 047	72 301 888	4 358 694 935	5 228 943 058	870 248 123	
Liabilities						
Current Liabilities						
Operating lease liability	4 314 762	-	4 314 762	419 703	(3 895 059)	
Payables from exchange transactions	220 000 000	79 381 887	299 381 887	563 428 035	264 046 148	
Consumer deposits	-	-	-	4 876 358	4 876 358	
Unspent conditional grants and receipts	-	-	-	48 759 800	48 759 800	
Provisions	-	-	-	20 902 000	20 902 000	
	224 314 762	79 381 887	303 696 649	638 385 896	334 689 247	
Non-Current Liabilities						
Provisions	51 802 526	-	51 802 526	31 176 000	(20 626 526)	
Total Liabilities	276 117 288	79 381 887	355 499 175	669 561 896	314 062 721	
Net Assets	4 010 275 759	(7 079 999)	4 003 195 760	4 559 381 162	556 185 402	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	4 010 275 759	(7 079 999)	4 003 195 760	4 559 381 162	556 185 402	

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

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 2021/22 financial year.
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 2021/22 financial year. The budget amount was erroneously included in the inventory budget for the 2021/22 financial year.
4. Pre-payments - The material variance on pre-payments was due to the omission of the budget in the 2021/22 financial year. The budget was amount erroneously included in the inventory budget for the 2021/22 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 2021/22 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 2021/22 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 2022.
3. Unspent conditional grants - The municipality did not plan to have any unspent conditional grants as at the 30th of June 2022. 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 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	36 182 192	18 000 673	54 182 865	45 621 253	(8 561 612)	
Grants	1 398 110 002	5 203 998	1 403 314 000	1 367 902 645	(35 411 355)	
Interest income	19 056 438	2 429 406	21 485 844	21 517 320	31 476	
Other receipts	17 485 843	7 539 081	25 024 924	996 456	(24 028 468)	
	1 470 834 475	33 173 158	1 504 007 633	1 436 037 674	(67 969 959)	

Payments

Suppliers	(1 583 753 244)	549 894 527	(1 033 858 717)	(941 419 279)	92 439 438	
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Net cash flows from operating activities	(112 918 769)	583 067 685	470 148 916	494 618 395	24 469 479	
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Cash flows from investing activities

Purchase of property, plant and equipment	(424 001 000)	26 603 292	(397 397 708)	(333 302 495)	64 095 213	
Proceeds from sale of property, plant and equipment	409 544	-	409 544	-	(409 544)	
Decrease (Increase) in non-current investment	128 643 591	(128 643 591)	-	-	-	

Net cash flows from investing activities	(294 947 865)	(102 040 299)	(396 988 164)	(333 302 495)	63 685 669	
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Cash flows from financing activities

Increase (Increase) in consumer deposits	309 617	(309 617)	-	-	-	
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Net increase/(decrease) in cash and cash equivalents	(407 557 017)	480 717 769	73 160 752	161 315 900	88 155 148	
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Cash and cash equivalents at the beginning of the year	181 177 799	56 224 289	237 402 088	237 402 088	-	
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Cash and cash equivalents at the end of the year	(226 379 218)	536 942 058	310 562 840	398 717 988	88 155 148	
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Reconciliation

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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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.

These accounting policies are consistent with the previous period.

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 2022

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 X,X and X which is 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 is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the 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.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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.

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.

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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Financial instruments (continued)

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.

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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Accounting Policies

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.

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 .

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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Accounting Policies

1.7 Inventories (continued)

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

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

The cost of inventories is assigned using the 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 .

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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Accounting Policies

1.9 Cash and cash equivalents (continued)

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.

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 2022

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 2022

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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

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 2022

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

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.

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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Accounting Policies

1.13 Provisions and contingencies (continued)

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 41.

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, an 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.

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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Accounting Policies

1.14 Commitments (continued)

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.

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 .

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Accounting Policies

1.15 Revenue from exchange transactions (continued)

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.

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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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.

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).

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Accounting Policies

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

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

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

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:

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Accounting Policies

1.24 Events after reporting date (continued)

- 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 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2. Property, plant and equipment

	2022			2021		
	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	8 466 123	(3 369 275)	5 096 848	9 327 677	(2 514 941)	6 812 736
Furniture and office equipment	8 904 207	(5 036 888)	3 867 319	8 986 188	(4 435 993)	4 550 195
Transport assets	47 645 158	(12 973 744)	34 671 414	44 442 411	(7 878 969)	36 563 442
IT equipment	19 801 470	(8 872 998)	10 928 472	17 822 291	(7 067 817)	10 754 474
Leasehold improvements	7 309 495	(2 497 241)	4 812 254	7 291 241	(202 081)	7 089 160
Roads Infrastructure	65 704 027	(41 646 455)	24 057 572	65 704 027	(40 252 410)	25 451 617
Community assets	25 639 140	(20 901 790)	4 737 350	25 639 140	(20 556 676)	5 082 464
Wastewater network	105 671 527	(45 077 687)	60 593 840	103 487 777	(42 690 824)	60 796 953
Water network	4 162 905 343	(984 597 064)	3 178 308 279	3 807 253 874	(883 171 962)	2 924 081 912
Assets under construction (WIP)	1 284 518 740	(9 957 850)	1 274 560 890	1 316 091 347	(9 957 850)	1 306 133 497
Total	5 751 025 230	(1 134 930 992)	4 616 094 238	5 420 505 973	(1 018 729 523)	4 401 776 450

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	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	25 451 617	-	-	-	-	(1 394 045)	-	24 057 572
Community assets	5 082 464	-	-	-	-	(345 114)	-	4 737 350
Wastewater network	60 796 953	2 183 749	-	-	-	(2 386 811)	(51)	60 593 840
Water network	2 924 081 912	31 152 617	-	324 498 804	-	(98 808 097)	(2 616 957)	3 178 508 279
Assets under construction (WIP)	1 306 133 497	292 926 197	-	-	(324 498 804)	-	-	1 274 560 890
	4 401 776 450	334 461 609	(1 077 398)	324 498 804	(324 498 804)	(116 366 974)	(2 699 449)	4 616 094 238

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	14 460 000	-	-	-	-	-	-	14 460 000
Plant and machinery	4 502 549	3 742 910	(295 404)	-	-	(1 107 756)	(29 563)	6 812 736
Furniture and office equipment	5 828 427	41 288	(206 398)	-	-	(1 109 780)	(3 342)	4 550 195
Transport assets	16 749 103	24 804 715	(43 552)	-	-	(4 946 824)	-	36 563 442
IT equipment	7 840 631	5 531 539	(209 798)	-	-	(2 398 931)	(8 967)	10 754 474
Leasehold improvements	93 777	7 109 195	-	-	-	(113 812)	-	7 089 160
Roads Infrastructure	26 947 995	-	-	-	-	(1 493 620)	(2 758)	25 451 617
Community assets	6 457 066	-	-	-	-	(495 349)	(879 253)	5 082 464
Wastewater network	63 520 609	3 248 450	-	-	-	(2 686 734)	(3 285 372)	60 796 953
Water network	2 459 302 606	27 756 191	-	565 681 202	-	(93 410 340)	(35 247 747)	2 924 081 912
Assets under construction (WIP)	1 467 096 827	404 717 872	-	-	(565 681 202)	-	-	1 306 133 497
	4 072 799 590	476 952 160	(755 152)	565 681 202	(565 681 202)	(107 763 146)	(39 457 002)	4 401 776 450

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

2. Property, plant and equipment (continued)

Carrying amount of stagnant or slow moving projects

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
2. 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	1 995 855 684	1 767 933 393
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected.		
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	10 131 350
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.	62 341 081	62 341 081
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.	18 742 983	18 742 983
MIG Lebalelo South Villages Connector Pipes Reticulation Phase 1. Project delayed due to contractual disputes and interruptions by the sub-contractors.	403 258 494	384 404 872
MIG Lebalelo South Villages Connector Pipes Reticulation Phase 2. Suspension of construction works due to Covid 19 alert level 5 lockdown as well as interruptions by community members.	94 121 026	84 334 202
MIG: Lebalelo South Bulk Water Reticulation Phase 3. Suspension of construction works due to Covid 19 alert level 5 lockdown as well as interruptions by community members.	170 097 764	104 388 474
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
MIG: NKadimeng Regional Bulk Water Supply Scheme Phase 11A. 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.	43 857 290	43 857 290
MIG: NKadimeng Regional Bulk Water Supply Scheme Phase Ext 2. Professional fees were not apportioned across the completed phase	27 307 072	27 307 072
MIG: Olifantspoort South Regional Water Supply Scheme Professional Fees. Professional fees were not apportioned across the completed phases.	92 321 671	92 321 671
MIG: Olifantspoort South Regional Water Supply Scheme Contract 16. The scheme encountered financial challenges.	8 953 902	8 953 902
MIG: Olifantspoort South Regional Water Supply Scheme Contract 19. The scheme encountered financial challenges.	2 523 927	2 523 927
MIG: Olifantspoort South Regional Water Supply Scheme Contract 20. The scheme encountered financial challenges.	14 613 366	14 613 366
MIG: Olifantspoort South Regional Water Supply Scheme Contract 21. The scheme encountered financial challenges.	14 313 516	14 313 516
MIG: Roseenekal WWTW Upgrading. Slow progress on the part of the contractor as well as insufficient funding of the project.	19 382 770	19 382 770
RBIG: Moutse Bulk Water Supply Phases 3, 4 and 5. Contractor was terminated and the Department of Water and Sanitation took over to complete the project.	40 933 841	40 933 841
Refurbishment of Mapodile Sewerage/Oxidation Ponds. Project was negatively affected by the lack of funding to complete the construction works.	938 234	938 234

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
2. Property, plant and equipment (continued)		
Refurbishment of Penge WWTW. Project was negatively affected by the lack of funding to complete the construction works.	1 271 211	1 271 211
WSIG: Rutseng Water Intervention Phase 1. The community leader in the area denied the contractor access to the water source.	2 254 728	2 254 728
WSIG: Rutseng Water Intervention Phase 2. The water source was not sufficient to warrant the equipping of the boreholes.	416 031	416 031
WSIG: Rutseng Water Bulk Line. The water source was not sufficient to warrant the equipping of the boreholes.	4 233 131	3 081 085
WSIG: Motetema Sewerage. Completion certificate not issued as the project cannot be tested due to unavailability of electricity.	2 696 914	2 696 914
MIG: Zaaiplaas Connector Pipes. The project is physically completed but could not be commissioned as it is dependent on completion of another project for water source.	14 869 742	14 869 742
MIG: De Hoop/Malekane Regional Water Scheme . Construction works were suspended due to Covid 19 alert level 5 lockdown regulations as well as the protesting activities by members of the community during the 2020/21 financial year.	-	138 561 258
MIG: De Hoop/Nebo Plateu/Schoonoord Villages Water Scheme: Concrete Reservoir. Construction works were suspended due to Covid 19 alert level 5 lockdown regulations as well as the protesting activities by members of the community during the 2020/21 financial year.	-	81 733 167
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	5 668 674
WSIG: Nkosini Water Supply and Package Plant. Only professional services were completed on the project.	500 322	500 322
WSIG: Mapodile Water Conservation and Demand Management. Only professional services were completed on the project.	433 319	433 319
WSIG: Shakung Water Supply and Package Plant. Only professional services were completed on the project.	180 346	180 346
WSIG: Tukagomo Water Supply Intervention Phase 4. Only professional services were completed on the project.	-	2 290 129
Delayed appointment of contractors during the 2020/21 financial year.		
MIG: Covid-19 Projects. Delayed appointments of contractors [State the reasons for delay]	2 097 213	2 097 213
	1 065 256 010	1 191 623 634

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

	2 429 695	-
RBIG: Mooihoek/Tubatse Bulk Water Supply Phase 4H	2 254 728	-
WSIG: Rutseng Water Intervention Phase	604 623	-
WSIG:UITSPANNING WATER SOURCE DEVELOPMENT	132 835	-
WSIG:VLAKFONTEIN BOREHOLE EQUIPPING		
WSIG:MPITA WATER SOURCE DEVELOPMENT AND BULK SERVICES	562 957	-
MIG: Jane Furse to Lobethal Bulk Water Supply/De Hoop Augmentation North. The contractor withdrew from the project and there was no sufficient funding for the project.	-	18 742 983
MIG: NKadimeng Regional Bulk Water Supply Scheme Phase Ext 2. Professional fees were not apportioned across the completed phases.	-	27 307 072

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
2. Property, plant and equipment (continued)		
MIG: Olifantspoort South Regional Water Supply Scheme Professional Fees. Professional fees were not apportioned across the completed phases.	-	51 916 962
MIG: Olifantspoort South Regional Water Supply Scheme Contract 16. The scheme encountered financial challenges.	-	8 953 902
MIG: Olifantspoort South Regional Water Supply Scheme Contract 19. The scheme encountered financial challenges.	-	2 523 927
MIG: Olifantspoort South Regional Water Supply Scheme Contract 20. The scheme encountered financial challenges.	-	14 613 365
MIG: Olifantspoort South Regional Water Supply Scheme Contract 21. The scheme encountered financial challenges.	-	14 313 515
MIG: Roseenekal WWTW Upgrading. Slow progress on the part of the contractor as well as insufficient funding of the project.	-	19 382 769
RBIG: Mooihoek/Tubatse Bulk Water Supply Phase 4H. Only designs and drawings were completed on the project.	-	2 429 695
WSIG: NKOSINI WATER SUPPLY AND PACKAGE PLANT Refurbishment of Command Water Supply in Phiring. Project was negatively affected by the lack of funding to complete the construction works.	500 322	-
Refurbishment of Mapodile Sewerage/Oxidation Ponds. Project was negatively affected by the lack of funding to complete the construction works.	-	2 350 027
Refurbishment of Penge WWTW. Project was negatively affected by the lack of funding to complete the construction works.	-	1 078 064
WSIG: Rutseng Water Intervention Phase 1. The community leader in the area denied the contractor access to the water source.	-	1 271 211
WSIG: Motetema Sewerage. Completion certificate not issued as the project cannot be tested due to unavailability of electricity.	-	2 254 727
	-	2 696 914
	6 485 160	169 835 133
The expenditure on Carbonites to Zaaiplas project for an amount of R 8 760 719 was impaired fully during the 2021/22 financial year.		
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	49 861 345	41 887 543
A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.		
3. Other financial assets		
Residual interest at cost		
Investment in Sekhukhune Development Agency Terms and conditions	1 000	1 000
Current assets		
Residual interest at cost	1 000	1 000
4. Operating lease asset (liability)		
Current liabilities	(419 703)	(37 587)

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
5. Payables from exchange transactions		
Trade payables	322 376 289	280 711 363
Other payables	20 132 607	21 323 876
Retention and sessions	204 266 361	185 494 511
Deposits received	8 048 092	7 133 739
Bonus provision	8 604 686	8 113 267
	563 428 035	502 776 756
6. Consumer deposits		
Water	4 876 358	4 624 379
7. 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 4 481 726.00 as an annual membership fee for the 2022/2023 financial year, the payment was processed in May 2022.		
8. Inventories		
Water inventory	1 887 413	1 718 620
Consumable stores	10 730 568	11 049 460
Maintenance materials	6 281 001	7 930 343
	18 898 982	20 698 423
Inventory reconciliation		
Opening balance	20 698 423	31 439 502
Issues (Inventory recognized as expenditure during the year)	(47 968 998)	(38 026 892)
Purchases	48 727 664	26 733 575
Inventory Under investigation (Stolen)	35	-
Write-down to net realizable value (Fair value less costs to sell)	(2 558 107)	-
Closing balance	18 898 982	20 078 244
9. Receivables from exchange transactions		
10. Receivables from non-exchange transactions		
Government grants - RBIG Funds	30 970 490	30 070 490
Sundry debtors	14 779 159	13 221 333
	45 749 649	43 291 823
11. VAT receivable		
VAT	96 497 333	94 178 733

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
12. Receivables from exchange transactions		
Gross balances		
Water	325 666 002	267 508 414
Waste water	23 292 934	19 811 197
Other	2 628 358	2 489 575
Water consumption from the last readings	3 662 981	2 982 379
	355 250 275	292 791 565
Less: Allowance for impairment		
Water	(285 380 951)	(234 883 072)
Waste water	(18 943 498)	(16 385 679)
Refuse	(2 423 798)	(2 288 139)
	(306 748 247)	(253 556 890)
Net balance		
Water	40 285 051	32 625 342
Waste water	4 349 436	3 425 518
Other	204 560	201 436
Water consumption from the last readings	3 662 981	2 982 379
	48 502 028	39 234 675
Water		
Current (0 -30 days)	10 130 820	6 792 322
31 - 60 days	6 865 357	5 437 651
61 - 90 days	6 869 770	5 201 546
91 - 120 days	6 122 241	4 991 587
121 days and above	295 613 944	245 085 308
Less: Allowance for impairment	(285 317 081)	(234 883 072)
	40 285 051	32 625 342
Waste water		
Current (0 -30 days)	1 227 979	2 737 945
31 - 60 days	787 392	2 011 878
61 - 90 days	881 521	2 034 018
91 - 120 days	512 284	1 995 526
121 days and above	19 883 758	11 031 830
Less: Allowance for impairment	(18 943 498)	(16 385 679)
	4 349 436	3 425 518
Other		
Current (0 -30 days)	36 643	34 879
31 - 60 days	16 968	19 879
61 - 90 days	15 492	14 889
91 - 120 days	16 060	18 963
121 days and above	2 543 195	2 400 965
Less: Allowance for impairment	(2 423 798)	(2 288 139)
	204 560	201 436
Water consumption from the last readings		
Current (0 -30 days)	3 662 981	2 982 379

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand 2022 2021

12. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(253 556 898)	(216 537 389)
Contributions to allowance	(53 191 349)	(37 019 501)
	(306 748 247)	(253 556 890)

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	398 717 988	237 402 088
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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Standard Bank - Primary Account: 271149418	9 372 326	218 823 577	30 694 259	23 288 933	217 027 490	30 694 259
FNB Call Account: 62858613980	119 787 946	20 374 598	-	119 787 946	20 374 598	-
Standard Bank Call Account: 238890708008	75 092 576	-	31 686 218	75 092 576	-	31 686 218
ABSA Call Account: 9368456281	193 621 096	-	-	193 621 096	-	-
Nedbank Call Account: 03/7881071850/000019	844 044	-	-	844 044	-	-
Total	398 717 988	239 198 175	62 380 477	412 634 595	237 402 088	62 380 477

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	41 524 905	5 874 155
Water Services Infrastructure Grant (WSIG)	4 897 603	24 444 244
Rural Roads Asset Management System Grant (RRAMS)	2 341 000	-
	48 763 508	30 318 399

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.

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

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

15. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Actuarial (Gains)/Losses	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

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Actuarial (Gains)/Losses	Total
Unused leave provision	24 385 500	3 223 682	(2 663 699)	2 317 862	2 756 036	30 019 381
Long service award provision	17 687 000	1 579 000	(2 058 000)	1 236 000	2 395 000	20 839 000
	42 072 500	4 802 682	(4 721 699)	3 553 862	5 151 036	50 858 381
Non-current liabilities					31 176 000	26 294 422
Current liabilities					20 902 000	24 563 959
					52 078 000	50 858 381

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

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

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

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	94 213 108	85 340 370
Interest received (trading)	16 324 673	12 936 559
Other income	996 456	80 746 670
Interest received - investment	21 517 320	15 003 055
Government grants & subsidies	1 349 458 204	1 515 621 876
Public contributions and donations	-	21 980 000
Fines, Penalties and Forfeits	4 217	3 834
	1 482 513 978	1 731 632 364

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

Service charges	94 213 108	85 340 370
Interest received (trading)	16 324 673	12 936 559
Other income	996 456	80 746 670
Interest received - investment	21 517 320	15 003 055
	133 051 557	194 026 654

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
16. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	1 349 458 204	1 515 621 876
Public contributions and donations	-	21 980 000
Fines, Penalties and Forfeits	4 217	3 834
	1 349 462 421	1 537 605 710
17. Cost of sales		
Sale of goods		
Write down of inventories to net realisable value	-	66 913
18. Service charges		
Sale of water	80 127 623	72 887 805
Sewerage and sanitation charges	14 085 485	12 452 565
	94 213 108	85 340 370
19. Fines, Penalties and Forfeits		
Building Fines	4 217	3 834
20. Lease rentals on operating lease		
Premises		
Contractual amounts	43 898 418	47 742 052
Motor vehicles		
Contractual amounts	-	5 642 474
Equipment		
Contractual amounts	16 025 401	9 739 254
	59 923 819	63 123 780
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 2022.		
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	10 732 449	-
Later than one year but not later than five years	-	1 723 031
Later than five years	-	1 617 634
	10 732 449	3 340 665

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
21. Other revenue		
Other income	996 456	80 746 670
22. Investment revenue		
Interest revenue		
Short term investments	19 962 732	13 594 755
Primary bank account	1 554 588	1 408 300
	21 517 320	15 003 055
23. Transfer and subsidies		
Other subsidies		
Sekhukhune District Development Agency Grants	3 219 346	2 556 298

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
24. Government grants & subsidies		
Operating grants		
Equitable share	878 833 464	942 825 416
Expanded Public Works Program	8 180 000	6 294 000
Finance Management Grant	2 300 000	2 200 000
RRAMS	-	2 309 332
LG SETA	1 598 416	1 201 523
	890 911 880	954 830 271
Capital grants		
Municipal Infrastructure Grant	413 027 095	460 140 845
Regional Bulk Infrastructure Grant	36 898 058	71 616 837
Water Services Infrastructure Grant	8 621 171	29 027 423
Government grant (capital) 4	-	6 500
	458 546 324	560 791 605
	1 349 458 204	1 515 621 876

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	470 928 113	555 765 717
Unconditional grants received	878 530 091	942 825 416
	1 349 458 204	1 498 591 133

Equitable Share

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

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	5 874 155	47 086 615
Current-year receipts	454 052 000	466 015 000
Conditions met - transferred to revenue	(413 027 095)	(460 140 845)
Unapproved rolled over funds	(5 374 156)	(47 086 615)
	41 524 904	5 874 155

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.

Expanded Public Works Programme (EPWP)

Current-year receipts	8 180 000	6 294 000
Conditions met - transferred to revenue	(8 180 000)	(6 294 000)
	-	-

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

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.

Water Services Infrastructure Grant (WSIG)

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
24. Surrender of surpluses (continued)		
Balance unspent at beginning of year	24 444 244	21 353 651
Current-year receipts	8 621 171	53 471 000
Conditions met - transferred to revenue	(8 621 171)	(29 026 756)
Unapproved rolled over funds	(19 546 641)	(21 353 651)
	4 897 603	24 444 244

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.

Finance Management Grant (FMG)

Balance unspent at beginning of year	-	653
Current-year receipts	2 300 000	2 200 000
Conditions met - transferred to revenue	(2 300 000)	(2 200 000)
Unapproved rolled over funds	-	(653)
	-	-

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.

Rural Roads Assets Management System Grant (RRAMS)

Balance unspent at beginning of year	-	369 423
Current-year receipts	2 341 000	2 310 000
Conditions met - transferred to revenue	-	(2 310 000)
Unapproved rolled over funds	-	(369 423)
	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.

Municipal Disaster Grant

Balance unspent at beginning of year	-	127 074
Unapproved rolled over funds	-	(127 074)
	-	-

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

The Municipal Disaster Relief Grant seeks to assist the municipality in responding to all the immediate needs and requirements arising in the unfortunate events of disaster as described in terms of the Disaster Management Act 57 of 2002.

Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	36 898 058	50 506 249
Conditions met - transferred to revenue	(36 898 058)	(50 506 249)

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
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24. Surrender of surpluses (continued)

	-	-
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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.

National Department of Labour:SETA

Current-year receipts	1 598 516	1 201 523
Conditions met - transferred to revenue	(1 598 516)	(1 201 523)
	-	-

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..

25. Public contributions and donations

Donations received	-	21 980 000
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Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
26. Employee related costs		
Basic	274 228 947	266 601 242
Medical aid - company contributions	13 851 166	14 111 376
UIF	1 634 391	1 478 266
SDL	3 223 073	2 823 363
Bargaining council	121 706	102 880
Leave pay provision charge	4 348 081	3 270 417
Group life insurance	1 368 773	1 316 805
Pension Fund	39 016 077	39 615 200
Travel, motor car, accommodation, subsistence and other allowances	24 710 202	24 009 378
Overtime payments	28 032 029	32 763 849
Long-service awards	1 876 000	2 840 401
Transport allowance (bus coupons)	116 225	-
Housing benefits and allowances	3 016 238	2 273 271
Cellphone allowance	1 616 894	1 694 243
Shift and standby allowance	6 625 806	14 240 229
Uniform allowance	90 000	91 739
	403 875 608	407 232 659
Remuneration of municipal manager		
Annual Remuneration	1 229 824	1 019 446
Car Allowance	120 000	100 000
Cellphone allowance	31 200	26 000
Contributions to UIF, Medical and Pension Funds	15 819	17 153
Acting allowance	-	18 093
	1 396 843	1 180 692
Remuneration of chief finance officer		
Annual Remuneration	-	609 688
Car Allowance	-	56 000
Performance Bonuses	-	554 138
Contributions to UIF, Medical and Pension Funds	-	79 292
Cellphone allowance	-	15 992
Leave payout	-	76 728
Acting allowance	83 118	8 523
	83 118	1 400 361
The chief financial officer position was vacant for the entire duration of the 2021/22 financial year.		
Director - Community Services		
Annual Remuneration	1 036 275	282 625
Car Allowance	72 000	24 000
Performance Bonuses	-	70 656
Contributions to UIF, Medical and Pension Funds	13 517	22 552
Cellphone allowance	23 988	-
Travel claims	32 955	7 996
	1 178 735	407 829
Director Infrastructure and Water Services		
Annual Remuneration	139 641	698 165
Car Allowance	20 000	100 000
Lumpsum Payout	116 225	-

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
26. Employee related costs (continued)		
Contributions to UIF, Medical and Pension Funds	28 341	143 029
Cellphone allowance	3 998	19 990
Acting allowance	8 144	9 927
	316 349	971 111

The position of the director for the Infrastructure and Water Services became vacant from the 1st of September 2021 and it remained vacant till the end of the current financial year. The municipal council did appoint one of the managers within the department as the acting director of the department.

Director Planning and Economic Development

Annual Remuneration	968 990	968 990
Car Allowance	156 000	156 000
Contributions to UIF, Medical and Pension Funds	129 026	126 079
Cellphone allowance	23 988	25 843
Other	26 714	23 988
	1 304 718	1 300 900

Chief Audit Executive

Other	-	149
Leave payout	-	102 108
Acting allowance	2 369	9 474
	2 369	111 731

The position of the Chief Audit Executive remained vacant for the entire duration of the 2021/22 financial year. The manager for internal audit is currently acting as the Chief Audit Executive of the municipality.

Director Corporate Services

Acting allowance	9 474	14 196
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The position for the director in the corporate services department was vacant for the entire duration of the 2021/22 financial year. The human resources manager was acting the director for the financial year and an acting allowance was paid.

27. Remuneration of councillors

Executive Major	705 598	854 680
Chief Whip	719 394	276 591
Mayoral Committee Members	6 481 082	6 231 767
Speaker	1 125 624	759 478
Councillors	6 599 795	6 920 280
	15 631 493	15 042 796

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
27. Remuneration of councillors (continued)		
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 Ramaila KS		
Annual remuneration	256 532	694 573
Cellphone allowance	14 800	44 400
Contributions to UIF, Medical and Pension	71 976	206 233
	343 308	945 206
Executive Mayor: Cllr Mathebe JL		
Annual remuneration	439 048	-
Cellphone allowance	29 600	-
Contribution to UIF, Medical and Pension	72 278	-
	540 926	-
Council Speaker: Cllr Manamela MM		
Annual remuneration	236 982	645 384
Cellphone allowance	14 800	44 400
Contribution to UIF, Medical and Pension	25 805	75 217
	277 587	765 001
Council Speaker: Cllr Chego KS		
Annual remuneration	399 168	-
Cellphone allowance	29 600	-
Contribution to UIF, Medical and Pension	34 701	-
Other	7 770	-
	471 239	-
Chief Whip: Cllr Lepota TJ		
Annual remuneration	-	312 393
Car allowance	-	139 484
Cellphone allowance	-	44 400
Contributions to UIF, Medical and Pension	-	27 147
	-	523 424
Chief Whip: Cllr Mokganyetji		
Annual remuneration	174 897	-
Car allowance	57 619	-
Cellphone allowance	14 800	-
Contributions to UIF, Medical and Pension	13 822	-
Other	6 519	-
	267 657	-
Chief Whip: Cllr Phokane MJ		
Annual remuneration	373 952	-
Travel allowance	33 292	-
Cellphone allowance	29 600	-
Contributions to UIF, Medical and Pension	32 698	-
Other	148	-
	469 690	-

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
27. Remuneration of councillors (continued)		
Mayoral Committee Members		
Annual remuneration	3 672 603	3 485 729
Car allowance	2 150 605	2 124 547
Cellphone allowance	222 000	344 000
Contributions to UIF, Medical and Pension	353 521	341 112
	6 398 729	6 295 388
28. Administrative expenses		
29. Depreciation and amortisation		
Property, plant and equipment	116 366 974	107 763 146
30. Impairment loss		
Impairments		
Property, plant and equipment	1 495 919	39 654 158
31. Finance costs		
Discounting of provisions	4 546 324	3 618 972
32. Auditors' remuneration		
Fees	7 874 194	5 461 473
33. Debt impairment		
Debt impairment	47 918 557	33 444 880

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
34. General expenses		
Advertising	558 043	1 038 181
Auditors remuneration	7 874 194	5 461 473
Bank charges	3 005 923	380 588
Cleaning	369 981	543 840
Computer expenses	-	8 600
Consulting and professional fees	20 045 023	28 140 811
Audit committee expenses	636 254	545 338
IT support	2 096 497	3 080 995
Entertainment	438 697	90 296
Town planning expenses	2 585 371	-
Accommodation	440 035	297 376
Hire charges	491 127	64 814
Insurance	3 253 376	6 168 451
Workman Compensation fund	2 284 077	4 718 041
Fuel and oil	22 099 859	16 973 207
Printing and stationery	2 709 053	1 613 689
Protective clothing	327 734	4 362 986
Security (Guarding of municipal property)	44 229 644	41 688 937
Software expenses	4 440 264	4 347 968
Staff welfare	29 783	216 737
Subscriptions and membership fees	3 977 058	3 627 328
Telephone and fax	3 080 613	3 217 801
Transport and freight	144 370	302 148
Training	309 711	1 541 850
Travel - local	641 380	304 196
Electricity	57 212 270	53 158 155
Other expenses	16 103 957	9 110 628
Tankering costs	3 956 115	-
Catering services	1 998 804	1 189 904
Staff recruitment	169 727	23 689
Meter reading	2 630 763	1 892 081
Bursaries	983 886	235 083
Audio-visual services	5 722 811	1 928 567
	214 846 400	196 273 758
35. Bulk purchases		
Water	167 797 563	162 186 318
36. Contracted services		
Presented previously		
Other Contractors	91 994 045	76 969 790

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
37. Cash generated from operations		
Surplus	307 433 378	575 661 674
Adjustments for:		
Depreciation and amortisation	116 366 974	107 763 146
Gain on sale of assets and liabilities	1 121 813	998 642
Impairment loss	1 495 919	39 654 158
Debt impairment	47 918 557	33 444 880
Movements in operating lease assets and accruals	382 116	(3 284 890)
Movements in provisions	4 546 324	3 634 845
Donations	-	(21 980 000)
Actuarial gains	(4 136 237)	5 151 036
Inventory losses or write-downs	(2 601 687)	-
Revaluation loss	-	(100 000)
Settlement discount	-	(76 595 446)
Loss on sale of assets and liabilities	-	998 642
Bad debts written off	-	66 913
Changes in working capital:		
Inventories	(802 246)	10 741 079
Receivables from exchange transactions	(62 458 702)	(46 973 745)
Other receivables from non-exchange transactions	(2 457 826)	12 297 542
Prepayments	(504 782)	(349 730)
Payables from exchange transactions	60 651 279	(1 476 208)
VAT	2 954 192	30 988 468
Unspent conditional grants and receipts	18 444 441	(38 619 017)
Consumer deposits	251 979	252 964
Provision	6 012 903	-
	494 618 395	632 274 953

38. Operating leases

Operating lease charges

Premises		
• Contractual amounts	43 898 418	47 742 052
Motor vehicles		
• Contractual amounts	-	5 642 474
Equipment		
• Contractual amounts	16 025 401	9 739 254
	59 923 819	63 123 780

Loss on sale of property, plant and equipment	(1 121 813)	(998 642)
Impairment on property, plant and equipment	1 495 919	39 654 158
Depreciation on property, plant and equipment	116 366 974	107 763 146
Employee costs	419 507 101	422 275 455

Minimum lease payments

The disclosed payments also include payments for non-lease elements in the arrangement.

39. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

At amortised cost	Total
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Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
39. Financial instruments disclosure (continued)		
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	(563 428 035)	(563 428 035)

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

39. Financial instruments disclosure (continued)

2021

Financial assets

	At amortised cost	Total
Cash and cash equivalents	237 402 088	237 402 088
Receivables from exchange transactions	43 291 823	43 291 823
Receivables from non-exchange transactions	148 346 770	148 346 770
Residual interest in Sekhukhune Development Agency	1 000	1 000
	429 041 681	429 041 681

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	(328 628 171)	(328 628 171)

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	202 428 610	348 083 252
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Total capital commitments

Already contracted for but not provided for	202 428 610	348 083 252
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Authorised operational expenditure

Already contracted for but not provided for

• Purchase Orders	3 660 110	3 665 918
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Total operational commitments

Already contracted for but not provided for	3 660 110	3 665 918
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Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

41. Contingent Liabilities

Rapodu and Others vs Sekhukhune District Municipality

Litigation is in the process 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 2022. 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.

Court did order the applicant to conform to the directives and it was uncertain as at reporting date when will the court conclude the matter.

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 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

41. Contingent Liabilities (continued)

IMATU OBO Titus Maroga vs Sekhukhune District Municipality

Litigation is in the process 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 2022. 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 applicant did lodge a review of the order, and the request for security payment is to stay execution was also submitted..

The R 264 178.05 security payment is to be reimbursed to the municipality upon finalization of the matter.

Mr Andries Mokgotho vs Sekhukhune District Municipality

Litigation is in the process 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 2022. 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.

Mr Mokgotho did lodge an application for review at SLGBV and it is not known when will the hearing on the matter be concluded.

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

Mr Rubert Matabane vs Sekhukhune District Municipality

Litigation is in the process against Mr Rubert 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 2022. 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 last witness did appear to provide evidence and the proceedings were postponed to allow the cross-examination processes to unfold, a date has been secured to finalize the matter.

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 the process 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 2022. 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 did postpone 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.

Class A Trading vs Sekhukhune District Municipality

Litigation is in the process against a supplier of goods and services whereby the municipality dispute a claim by the supplier of services which the supplier claim to have rendered to the municipality. It was impracticable to determine the financial effect of the claim as at 30th June 2022. 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 has served the summons and the defendant initiated the mediation. The proposal received from the plaintiff for settlement subject to authorization.

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

Ms Seponkane Paulina Nkadimeng vs Sekhukhune District Municipality

Litigation is in the process 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 2022

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

41. Contingent Liabilities (continued)

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.

Additional reports of evidence requested by the court and it was unknown as at 30th June 2022 when will the court set up a new date to finalize the matter.

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

Makone Consulting Engineers vs Sekhukhune District Municipality

Litigation is in the process 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 2022 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 over 90% probability of no success, and the case should be resolved within the next twenty-four months.

The court awaits a submission of the additional evidence by the Infrastructure and Water Services department of the municipality and the date of finalization of the matter was unknown as at 30th June 2022.

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

Lebaka Construction (pty) Ltd vs Sekhukhune District Municipality

Litigation is in the process 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 2022 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 plaintiff secured the summary of the judgement on the payment of the variation order and the municipality has lodged a review of the judgement. A date of finalizing the matter is yet to be provided.

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

Dynamic Integrated Geoydro Environmental Services vs Sekhukhune District Municipality

Litigation is in the process 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 2022 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 plaintiff served notices and the municipality has entered a defence. The date of finalization of the matter was uncertain as at 30th June 2022.

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

Mr Tumelo Modisane vs Sekhukhune District Municipality

Litigation is in the process against Mr Tumelo Modisane whereby a claim in delict was submitted Mr Modisane. The financial effect of the claim as at 30th June 2022 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.

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

LBM Consulting vs Sekhukhune District Municipality

Litigation is in the process 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 2022 could be estimated at about R 973 835.97. The municipality's lawyers and management consider the likelihood of the action against the

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

41. Contingent Liabilities (continued)

municipality being successful as unlikely with over 90% probability of no success, and the case should be resolved within the next twenty-four month

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.

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

PK Financial Services vs Sekhukhune District Municipality

Litigation is in the process 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 2022. 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 date is set at 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.

Veolia Water Solutions and Technologies (pty) Ltd vs Sekhukhune District Municipality

Litigation is in the process against Veolia Water Solutions and Technologies (pty) Ltd 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 2022 could be estimated at about R 180 000.00. 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 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.

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

Mzamo V Group vs Sekhukhune District Municipality

Litigation is in the process against Mzamo V Group 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 2022 could be estimated at about R 831 378.65. 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.

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

Mothoa vs Sekhukhune District Municipality

Litigation is in the process against Mothoa whereby a claim in delict was submitted. The financial effect of the claim as at 30th June 2022 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 date to finalize the matter is yet to be provided by the court.

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

Matsemela Properties vs Sekhukhune District Municipality

Litigation is in the process against Matsemela Properties whereby the municipality dispute a claim by the company of a rental which the company claims the municipality is owing to them. The financial effect of the claim as at 30th June 2022 could be

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

41. Contingent Liabilities (continued)

estimated at about R 90 000.00. 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 company lodged an agent application to force a payment but the municipality obtained a favourable judgement. The company did serve a notice of appeal and a date is yet to be provided for the matter to be heard.

As at the reporting date, there was an indication of a possibility of a reimbursement by the company to the municipality of the costs incurred by the municipality.

Mr Solomon Phasha vs Sekhukhune District Municipality

Litigation is in the process against Mr Solomon Phasha whereby a claim in delict was submitted. The financial effect of the claim as at 30th June 2022 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 finaliza the matter is yet to be provided by the court.

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

Hexagon Technologies and Projects vs Sekhukhune District Municipality

Litigation is in the process 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 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. The municipality defended the matter. Pleadings were exchanged and a pre-trial also held. A date for the trial is yet to be provided..

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

Ms Julia Dibilong vs Selkhukhune District Municipality

Litigation is in the process against Ms Julia Dibilong whereby a claim in delict was submitted. The financial effect of the claim as at 30th June 2022 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 finaliza the matter is yet to be provided by the court.

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

Ethokga Consulting and Projects vs Sekhukhune District Municipality

Litigation is in the process 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 2022 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 defent the matter.

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

Mr Kgopane MM vs Sekhukhune District Municipality

Litigation is in the process against Mr Kgopane MM whereby a claim in delict was submitted. The financial effect of the claim as at 30th June 2022 could be estimated at about R 3 713 183.00. The municipality's lawyers and management consider the

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

41. Contingent Liabilities (continued)

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 finaliza the matter is yet to be provided by the court.

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

Mr Tladi SJ vs Sekhukhune District Municipality

Litigation is in the process against Mr Kgopane MM whereby a claim in delict was submitted. The financial effect of the claim as at 30th June 2022 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 finaliza the matter is yet to be provided by the court.

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

Mfumelelo Business Enterprise vs Sekhukhune District Municipality

Litigation is in the process against Mfumelelo Business Enterprise whereby the municipality dispute a claim by the company of retention monies that they claim are due to them. The financial effect of the claim as at 30th June 2022 could be estimated at about R 2 789 267.50. 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 issued summons to the municipality. The municipality has entered defence a date of the matter to be heard is to be provided.

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

Mr Selby Kobe vs Sekhukhune District Municipality

Litigation is in the process against Mr Selby Kobe whereby the municipality dispute a claim of a prohibitory interdict by Mr Kobe. The financial effect of the claim could not be determined as at the 30th of June 2022. 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 has entered defence and a date of the matter to be heard is to be provided.

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

Contingent assets

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

41. Contingent Liabilities (continued)

Sekhukhune District Municipality vs Maadima (pty) Ltd

Litigation is in the process 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 2022 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 attorneys currently preparing summons.

Sekhukhune District Municipality vs Betrams & Standard Bank

Litigation is in the process 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 2022 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 also received.

Sekhukhune District Municipality vs Advocate Ngutshane

Litigation is in the process 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 2022 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 twenty-four months.

Summons served to the defendent. Plea received from the defendent.

Sekhukhune District Municipality vs Letlakane Business Enterprise

Litigation is in the process regarding a claim by the municipality to Letlakane Business Enterprise on their failure to complete delivery of an order issued to them by the municipality. The order was for laptops which were initially delivered in total, however one laptop was not functional and did not pass the testing process by the municipality. Letlakane Business Enterprise was requested by the municipality to replace the laptop and they subsequently refused to replace it. The financial effect of the claim was not available as at the 30th June 2022. 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 twenty-four months.

The company finally agreed to replace the laptop though the cost of replacement could not be determined reliably as at the 30th of June 2022.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand 2022 2021

42. 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	3 219 346	2 592 581
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Members of key management

Municipal Manager	1 396 843	1 162 599
Chief Financial Officer	-	1 400 361
Senior Manager: Corporate Services	-	407 829
Senior Manager: Infrastructure and Water Services	308 205	962 112
Senior Manager: Community Services	1 178 735	1 150 832
Senior Manager: Planning and Economic Development	1 304 718	1 318 993
Chief Audit Executive	-	102 257
Acting Chief Financial Officer	83 118	13 438
Acting Director: Corporate Services	9 474	14 196
Acting Chief Audit Executive	2 369	9 474
Acting Director: Infrastructure and Water Services	8 144	-

Remuneration of councillors 2021/22

	Annual remuneration	Travel allowance	Cellphone allowance	Pension, Medical, UIF & SDL	Sitting allowance & travel claims	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 Matlala MA	274 897	57 619	14 800	13 839	15 208	376 357
Cllr Nkosi SM	298 877	31 841	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
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

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand				2022	2021	
42. Related parties (continued)						
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 Malapne SS	-	28 052	6 800	208	23 247	58 307
Cllr Mamogopa 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
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

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand			2022			2021
42. Related parties (continued)						
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
Subtotal	8 881 068	1 616 465	1 458 500	946 611	2 748 672	15 631 493
	8 881 068	1 616 465	1 458 500	946 611	2 748 672	15 631 493

Remuneration of councillors 2020/21	Annual remuneratio n	Travel allowance	Cellphone allowance	Pension, Medical, UIF & SDL	Sitting allowance	Total
Cllr Ramaila KS (Executive Mayor)	694 573	-	44 400	206 233	-	945 206
Cllr Manamela MM(Council speaker)	645 383	-	44 400	75 217	-	765 000
Cllr Mokganyetji M (Chief Whip)	312 393	139 484	44 400	27 147	-	523 424
Cllr Mahlangu B	462 817	384 214	44 400	40 220	-	931 651
Cllr Nchabeleng T	242 348	163 424	23 566	29 356	-	458 694
Cllr Matlala M	462 817	195 456	44 400	39 824	-	742 497
Cllr Nkosi S	462 817	364 654	44 400	40 361	-	912 232
Cllr Mmakola M	534 758	107 970	44 400	45 265	-	732 393
Cllr Mafefe O	307 533	183 332	44 400	65 282	-	600 547
Cllr Mogofe M	33 085	18 650	7 400	2 954	-	62 089
Cllr Sefela R	422 214	207 733	44 400	72 217	-	746 564
Cllr Manganeng M	259 038	283 523	40 800	22 495	-	605 856
Cllr Mnisi S	259 038	215 591	40 800	22 401	-	537 830
Cllr Maila S	198 511	171 533	44 300	17 513	-	431 857
Cllr Matsetela M	198 511	172 264	44 300	17 557	-	432 632
Cllr Moimana M	198 511	120 047	44 300	17 277	-	380 135
Cllr Mtshweni B	198 511	74 700	44 300	17 254	-	334 765
Cllr Phala M	-	37 027	20 400	334	34 197	91 958
Cllr Motlafe M	-	42 353	20 400	341	39 712	102 806
Cllr Mehlaphe S	-	52 542	20 400	402	41 920	115 264
Cllr Mahlangu J	-	30 093	20 400	297	29 784	80 574
Cllr Makeke G	-	74 190	20 400	358	41 919	136 867
Cllr Mosotho M	-	-	20 400	181	3 310	23 891
Cllr Mathebe C	-	14 826	10 200	98	9 927	35 051
Cllr Mabatane M	13 399	5 093	20 400	282	-	39 174
Cllr Rankoe T	90 587	33 955	20 400	925	-	145 867
Cllr Dolamo M	10 440	59 187	20 400	273	-	90 300
Cllr Thokoane M	10 440	-	20 400	257	-	31 097
Cllr Madutlela K	10 440	47 433	20 400	317	-	78 590
Cllr Diale M	10 440	117 344	20 400	520	-	148 704
Cllr Nkadimeng L	10 440	60 213	20 400	299	-	91 352
Cllr Matlala F	13 399	17 250	20 400	301	-	51 350
Cllr Ranoto P	13 399	10 577	20 400	291	-	44 667
Cllr Sebothoma R	10 440	90 651	20 400	491	-	121 982
Cllr Phaladi R	276 468	147 028	44 320	23 749	-	491 565
Cllr Mabelane M	80 147	122 950	20 400	881	-	224 378

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand			2022	2021		
42. Related parties (continued)						
Cllr Mamogale M	-	155 251	20 400	805	56 260	232 716
Cllr Maisela R	13 358	-	20 400	414	24 270	58 442
Cllr Kgapola M	80 147	50 513	20 400	859	-	151 919
Cllr Radingoana M	13 357	98 189	20 400	491	43 023	175 460
Cllr Mokgotho L	-	162 607	20 400	678	62 879	246 564
Cllr Malapane S	-	88 970	20 400	456	31 990	141 816
Cllr Mamogopa L	-	64 358	20 400	367	25 373	110 498
Cllr Makola J	-	79 762	20 400	644	34 198	135 004
Cllr Makofane I	-	183 196	20 400	1 174	60 673	265 443
Cllr Makua M	-	71 028	20 400	413	56 260	148 101
Cllr Motseni N	10 440	59 199	20 400	329	-	90 368
Cllr Maloka M	10 440	28 961	20 400	260	-	60 061
Cllr Moloko M	198 511	109 390	44 300	17 259	-	369 460
Cllr Mashabela M	-	79 270	20 400	412	47 435	147 517
Cllr Ramautswa K	198 511	69 470	44 400	17 252	-	329 633
Cllr Matsepe C	-	3 778	-	50	9 929	13 757
Cllr Matseke R	82 713	54 107	18 500	7 426	-	162 746
	7 050 374	5 123 336	1 463 086	838 459	653 059	15 128 314

43. Prior period errors

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

43. Prior period errors (continued)

Inventory

In the prior periods the inventory in the sub-stores of the municipality was not expensed to reflect the inventory issued from the main store to the sub-stores. Issues of inventory would be accounted for as an expense in the year they are issued for any use. The omission resulted in the overstatement of the inventory and the understatement of the expenditure. To account for the expenditure a prior period adjustment was made to the comparative periods by reducing the inventory balance and increasing the expense.

Consumer Debtors and VAT Receivable

It was noted in the current year that the credit and debt collection policy was not aligned with the requirements of the GRAP 104. A prior period error adjustment was effected to correct the error retrospectively. The effect of the adjusted was a decrease in the consumer debtors both in the current and prior years. The VAT receivables increased as a result of the adjustment in the prior period errors.

Property, Plant and Equipment

1. Work in progress.

- There were quite a number of slow moving projects which were previously reported as work in progress in the prior periods. No sufficient information was made available for management to establish the correct accounting treatment, such required information was discovered and made available in the current year as a result most projects were capitalized and moved out of the work in progress register. Most discovered information provided evidence that most projects were actually completed long ago hence the prior period adjustments were effected.

2. Completed projects.

There were quite a number of completed projects which were previously reported as work in progress in the prior periods. No sufficient information was made available for management to establish the correct accounting treatment, such required information was discovered and made available in the current year as a result most projects were capitalized and moved out of the work in progress register. Most discovered information provided did assist in capitalizing the projects and ultimately moving them out of the work in progress register.

Operating lease liability

In the prior periods accounting for the lease was not in line with GRAP 13 as the operating lease contracts with a fixed escalation clause were not smoothed for the period of the lease. The municipality recalculated the smoothing as per the requirements of GRAP 13 and the prior period adjustments were effected and the financial statements adjusted accordingly.

Payables from exchange transactions

It was discovered during the current financial year that a duplicate payment was processed in the 2019/20 financial year. The refund was incorrectly accounted for, the correction of which resulted in an increase in other payables and a decrease in other income.

Accumulated surplus

A number of prior period errors were effected to retrospectively correct the prior period errors around the property, plant and equipment, Inventory, trade and other payables. The correction of the prior period errors resulted in an adjustment of the accumulated surplus in the current year.

Other Income

It was discovered during the current financial year that a duplicate payment was processed in the 2019/20 financial year. The refund was incorrectly accounted for, the correction of which resulted in an increase in other payables and a decrease in other income.

Government grants and subsidies

Debt Impairment

It was noted in the current year that the credit and debt collection policy was not aligned with the requirements of the GRAP 104. A prior period error adjustment was effected to correct the error retrospectively. The effect of the adjusted was a decrease in the consumer debtors both in the current and prior years. The VAT receivables increased as a result of the adjustment in the prior period errors.

General Expenses

The invoices for the bulk water purchases do include the expenditure for the repairs and maintenance works done by the

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

43. Prior period errors (continued)

Lepelle Northern Water on behalf of the municipality. The reconciliation of the bulk water invoices is performed manually and the expenditure is passed into the system through journals.

44. 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	As previously reported	Correction of error	Restated
Inventories		32 325 619	(11 627 196)	20 698 423
VAT receivable		69 182 671	24 996 062	94 178 733
Other financial assets		1 000	-	1 000
Receivables from exchange transactions		171 682 891	(132 448 306)	39 234 585
Receivables from non-exchange transactions		43 291 823	-	43 291 823
Cash and cash equivalents		237 402 088	-	237 402 088
Prepayments		3 977 058	-	3 977 058
Property, plant and equipment		4 000 588 824	401 187 626	4 401 776 450
Operating lease liability		(3 822 340)	3 784 753	(37 587)
Payables from exchange transactions		(500 536 930)	(2 239 826)	(502 776 756)
Consumer deposits		(4 624 379)	-	(4 624 379)
Unspent conditional grants and receipts		(30 315 359)	-	(30 315 359)
Provisions		(24 563 959)	-	(24 563 959)
Provisions		(26 294 422)	-	(26 294 422)
Accumulated surplus		(3 968 294 585)	(283 653 113)	(4 251 947 698)
		-	-	-

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

44. Prior-year adjustments (continued)

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Restated
Service charges		85 340 370	-	85 340 370
Interest received - Debtors		12 936 559	-	12 936 559
Other income		82 986 496	(2 239 826)	80 746 670
Interest received		15 003 055	-	15 003 055
Government grants & subsidies	1	502 648 813	12 973 063	515 621 876
Public contributions and donations		21 980 000	-	21 980 000
Fines, Penalties and Forfeits		3 834	-	3 834
Employee related costs		(407 232 659)	-	(407 232 659)
Remuneration of councillors		(15 042 796)	-	(15 042 796)
Repairs and maintenance		(30 328 288)	-	(30 328 288)
Depreciation and amortisation		(94 331 387)	-	(94 331 387)
Impairment loss		(39 654 158)	-	(39 654 158)
Finance costs		(3 618 972)	-	(3 618 972)
Lease rentals on operating lease		(63 123 781)	-	(63 123 781)
Debt Impairment		-	(33 444 880)	(33 444 880)
Bad debts written off		(66 913)	-	(66 913)
Bulk purchases		(162 186 318)	-	(162 186 318)
Contracted service		(76 969 790)	-	(76 969 790)
Transfers and Subsidies		(2 556 298)	-	(2 556 298)
Loss on disposal of assets and liabilities		(998 642)	-	(998 642)
General Expenses		(196 273 758)	(11 559 256)	(207 833 014)
Actuarial gains/losses		(5 151 036)	-	(5 151 036)
Surplus for the year		623 364 331	(34 270 899)	589 093 432

Narration on prior period errors

Inventory

In the prior periods the inventory in the sub-stores of the municipality was not expensed to reflect the inventory issued from the main store to the sub-stores. Issues of inventory would be accounted for as an expense in the year they are issued for any use. The omission resulted in the overstatement of the inventory and the understatement of the expense. To account for the expense a prior period adjusted was made to the comparative periods by reducing the inventory balance and increasing the expense.

VAT receivable

The following prior period errors adjustments occurred:

45. 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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

45. Risk management (continued)

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.

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
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45. 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.

46. Going concern

We draw attention to the fact that at 30th June 2022, the municipality had an accumulated surplus of R 4 559 381 166

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 XX of these financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

47. 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.

48. Unauthorised expenditure

Opening balance as previously reported	410 085 215	398 303 183
Add: Unauthorised expenditure - current	505 611	11 782 032
Closing balance	410 590 826	410 085 215

49. Fruitless and wasteful expenditure

Opening balance as previously reported	46 566 914	46 222 760
Add: Fruitless and wasteful expenditure identified - current	10 166 818	344 154
Closing balance	56 733 732	46 566 914

Fruitless and wasteful expenditure is presented inclusive of VAT

50. Irregular expenditure

Opening balance as previously reported	1 201 749 911	987 512 656
Add: Irregular expenditure - current	76 787 198	214 237 255
Closing balance	1 278 537 109	1 201 749 911

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand	2022	2021
51. 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 kiloliters	11 347 063	12 224 655
Amount paid - current year	56 783 022	90 751 416
Total - amount paid in current year	56 783 022	90 751 416
Audit fees		
Current year subscription / fee	7 874 194	5 461 473
Amount paid - current year	(7 874 194)	(5 461 473)
	-	-
PAYE, UIF and SDL		
Current year subscription / fee	90 608 762	79 574 576
Amount paid - current year	(90 324 224)	(79 649 216)
	284 538	(74 640)
Pension and Medical Aid Deductions		
Current year subscription / fee	83 881 476	83 930 675
Amount paid - current year	(83 913 247)	(83 874 453)
	(31 771)	56 222
VAT		
VAT receivable	841 048 032	732 057 743
VAT payable	744 550 699	637 879 010
	1 585 598 731	1 369 936 753

Sekhukhune District Municipality

Financial Statements for the year ended 30 June 2022

Notes to the Financial Statements

Figures in Rand

2022

2021

51. 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 2022:

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

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Matsetela ML	3 391	1 618	5 009

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 ML	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 SCM regulations	-	1 799 750
Deviation as per section 36(1)(ii) of the SCM regulations	5 338 302	55 520
Deviation as per section 36(1)(v) of the SCM regulations	603 036	4 317 235
	5 941 338	6 172 505