



MAKHUDUTHAMAGA
LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended June 30, 2022

These annual financial statements were prepared by:
Acting Chief Financial Officer
Makhuduthamaga Local Municipality

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act 117 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 to communities in a sustainable manner, to promote social and economic development, and to promote a safe and healthy environment.

Executive committee

Municipal Mayor

Councillors

CLlr Maitula M

CLlr Mahlase N.E (Deputy Head of BTO Portfolio Committee)

CLlr Malaka M.S (Head of EDP Portfolio Committee)

CLlr Matjomane N.M (Head of Corporate Services Portfolio Committee)

CLlr Moretsele LP (Deputy Head of Corporate services Portfolio Committee)

CLlr Mohlala M.J (Head of Infrastructure Development Portfolio Committee)

CLlr Machaba M.G. (Deputy Head of EDP Portfolio Committee)

CLlr Mahlase M.M (Deputy Head of Infrastructure Development Portfolio Committee)

CLlr Phala M (Head of BTO Portfolio Committee)

CLlr Rankoe T.P (Head of Community Services Portfolio Committee)

Council Speaker

CLlr Mphelane M.J

Council Chief Whip

CLlr Thamaga M

Accounting Officer

Ms Rampedi M.N

Mr Moganedi R.M (Acting Municipal Manager)

Grading of local Authority

Grade 3

Chief Financial Officer

Mr. Moganedi R.M

Mr Moganedi R.M

Registered office

Makhuduthamaga Municipality

LIM473

No 1 Groblersdal Road

Next to Jane Furse Plaza

1085

Business address

No 1 Groblersdal road

Next to Jane Furse Plaza

Jane Furse

1085

www.makhuduthamaga.gov.za

Postal address

Private Bag x 434

Jane Furse

1085

Tel:013 265 8600

Fax:013 265 1975

Bankers

ABSA Bank Limited

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

General Information

Auditors

Auditor General South Africa

Attorneys

Malope Mahlaela & Associates

Marweshe attorneys

Preparer

The annual financial statements were compiled by:

Mr Mothapo K.T

Acting Chief Financial Officer

Makhuduthamaga Local Municipality

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
ME's	Municipal Entities
MEC	Member of the Executive Council
mSCOA	Municipal Standard Chart of Accounts
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GAMAP	Generally Recognised Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Standards
MIG	Municipal Infrastructure Grant (previously CMIP)
CRR	Capital Replacement Reserve
ANC	African National Congress
EFF	Economic Freedom Fighters
EDP	Economic Development Planning
EPWP	Expanded Public Works Programme
SMME	Small Medium and Macro Enterprises
BTO	Budget and Treasury Office
MM	Municipal Manager
CFO	Chief Financial Officer
JSE	Johannesburg Stock Exchange
CPI	Consumer Price Index
UIF	Unemployment Insurance Fund
SDL	Skills Development Levy
SALGBC	South African Local Government Bargaining Council

Makhuduthamaga Local Municipality

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LGSETA	Local Government Sector Education and Training Authority
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VAT	Value Added Tax
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Abbreviations used:

DLTC	Driving Licence and Testing Station
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Annual Financial Statements for the year ended June 30, 2022

Accounting Officer's Report

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

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

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

The municipality has a Council of 62 Councillors with ANC as the majority party, EFF as the official opposition and four (4) other opposition parties. The mayor of the municipality is Cllr Maitula M and the Council has elected (9) executive committee members to assist the mayor in the execution of her full time responsibilities as the political head of the municipality. All departments of the municipality have portfolio committees that meet on a monthly basis to review the reports on implementation of the approved IDP, Budget and SDBIP and for the year ended 30 June 2022, all portfolio committees were functional and managed to meet monthly. Council has appointed an Audit and performance Committee and Municipal Public Accounts Committee to assist the council on effective, efficient and high level of governance in the municipality and the committees were functional during the year ended 30 June 2022.

I, the Accounting Officer acknowledges that I am 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 me to meet these responsibilities, I set 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.

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

I have reviewed the municipality's cash flow forecast for the year to June 30, 2023 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality's operations.

I certify that the salaries, allowances and benefits of councillors disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

I further certify that the salaries, allowances and benefits of the Municipal Manager and Manager directly accountable to the Municipal Manager as disclosed in note 27 of these annual financial statements are within the upper limits as set out in the Upper Limits of total remuneration packages payable to Municipal Manager and Manager directly accountable to the Municipal Manager as issued by the Minister for Cooperative Governance and Traditional Affairs in March 2020.

The Auditor General of South Africa are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the municipality's external auditors and their report shall be presented to council when finalised and signed.

The annual financial statements set out on page 7 to 68 and appendixes as set out on pages 69 to 89, which have been prepared on the going concern basis, were approved by the accounting officers on 31 August 2022 and were signed on its behalf by:

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Officer's Report

Accounting Officer

Mr Moganedi R.M (Acting Municipal Manager)

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Audit and Performance 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 four times per annum as per its approved terms of reference. During the current year seven (07) meetings were held.

Name of member	Number of meetings attended
Manthata H.M Advocate (Chairperson) late as of 19th June 2022	7
Ngoetjana M.S CA(SA) (Member)	7
Maeyane A.K (Member)	7
Mpjane J.N CA(SA), RA (Member)	7

Audit committee responsibility

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

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 system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

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

Evaluation of annual financial statements, Risk Management & Performance Management

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General for external audit and the accounting officers and senior management of the municipality;
- reviewed the Auditor-General of South Africa's management report and management's response thereto; and discussed the progress on implementation of the management's remedial action plans on a quarterly basis for the year ended 30 June 2022
- reviewed the risk management registers and progress report for implementation of the action plans for all four quarters of the financial year ended 30 June 2022 and is satisfied with the functionality of the risk management committee and the risk management committee and the risk management unit of the municipality.;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed the quarterly performance management reports and annual performance reports for the year ended 30 June 2022 and discussed the reports with management on a quarterly basis.

The audit committee concur with and accept the annual financial statements of the municipality presented for external audit and are of the opinion that the unaudited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa after completion of the external audit.

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.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Audit and Performance Committee Report

Chairperson of the Audit Committee

Date: _____

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Position as at June 30, 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	4	986,807	1,114,718
Receivables from exchange transactions	6	1,808,348	1,205,755
VAT receivable	7	20,828,011	16,075,778
Receivables from non-exchange transactions	5	4,507,314	3,179,509
Cash and cash equivalents	3	104,971,637	14,360,310
		133,102,117	35,936,070
Non-Current Assets			
Investment property	9	209,500	209,500
Property, plant and equipment	10	331,924,160	317,725,860
Intangible assets	8	76,552	582,796
		332,210,212	318,518,156
Total Assets		465,312,329	354,454,226
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	45,872,564	41,579,305
Unspent conditional grants and receipts	13	-	113,350
Long service awards	12	60,000	63,010
		45,932,564	41,755,665
Non-Current Liabilities			
Post Employment Medical Aid Benefit	12	5,167,000	5,008,000
Long service Awards	12	4,332,000	3,629,990
Provision - Rehabilitation of Landfill Site	14	17,667,406	18,730,537
		27,166,406	27,368,527
Total Liabilities		73,098,970	69,124,192
Net Assets		392,213,359	285,330,034
Accumulated surplus		392,213,359	249,465,040
Total Net Assets		392,213,359	249,465,040

* See Note 50

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Refuse removal	19	150,252	134,867
Rental of facilities and equipment	15	106,779	114,166
Licences & permits	21	5,376,306	5,480,633
Other income	16	313,085	326,148
Interest received - investment	20	3,024,286	1,652,967
Gain on disposal of assets and liabilities	24	40,350	27,600
Actuarial gains	23	465,129	-
Total revenue from exchange transactions		9,476,187	7,736,381
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	44,418,356	41,315,231
Interest on outstanding debtors	17	38,354,991	40,171,417
Reversal of debt impairment loss	52	435,961,804	-
Traffic fines	18	287,450	-
Transfer revenue			
Government grants & subsidies	26	381,812,602	415,904,097
Total revenue from non-exchange transactions		900,835,203	497,390,745
Total revenue	22	910,311,390	505,127,126
Expenditure			
Employee related costs	27	(90,238,056)	(85,736,030)
Remuneration of councillors	28	(24,322,441)	(23,596,632)
Administration	31	(9,414,080)	(7,759,892)
Depreciation and amortisation	29	(32,338,548)	(33,688,066)
Finance costs	30	(2,034,557)	(1,516,943)
Debt Impairment	32	-	(71,808,037)
Bad debts written off	53	(374,764,157)	-
Contracted services	33	(54,904,212)	(53,759,390)
Transfers and Subsidies	34	(1,955,378)	(2,895,169)
Actuarial losses	23	-	(1,466,015)
General Expenses	35	(64,546,316)	(48,051,644)
Auditors remuneration	36	(4,283,087)	(4,429,665)
Repairs and maintenance	37	(72,517,236)	(68,876,161)
Capital expenditure write-off (D-Roads)		(52,942,675)	(65,678,489)
Transfer to Eskom (Electrification)	39	(19,169,721)	-
Total expenditure		(803,430,464)	(469,262,133)
Surplus for the year		106,880,926	35,864,993

* See Note 50

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening Accumulated Surplus/(Deficit) Restated (01 July 2020)	249,465,040	249,465,040
Changes in net assets		
Surplus/(Deficit) for the year as previously reported	35,791,105	35,791,105
Restated* Surplus/(Deficit) for the year	-	-
Opening Accumulated Surplus/(Deficit) as previously reported	285,256,145	285,256,145
Adjustments		
Prior period error (Depreciation)	73,889	73,889
Prior Period error (Traffic fines) 50	2,399	2,399
Restated* Balance at July 1, 2021 as restated*	285,332,433	285,332,433
Changes in net assets		
Surplus (deficit) for the year	106,880,926	106,880,926
Total changes	106,880,926	106,880,926
Balance at June 30, 2022	392,213,359	392,213,359
Note(s)		

* See Note 50

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Property rates, VAT and traffic fines		145,938,870	9,476,826
Cash received from consumers and other sources of revenue		5,674,653	6,121,386
Grants		381,699,252	415,993,875
Interest income		2,693,462	1,652,967
		536,006,237	433,245,054
Payments			
Employee costs		(89,048,264)	(85,180,045)
Suppliers		(211,439,530)	(229,356,229)
Finance costs		-	-
Capital expenditure written-off (D Roads)		(72,112,396)	(65,678,489)
Councillors' allowances	52	(24,322,441)	(23,596,633)
		(396,922,631)	(403,811,396)
Net cash flows from operating activities	40	139,083,606	29,433,658
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(48,562,076)	(26,392,491)
Proceeds from sale of property, plant and equipment	10	89,797	58,403
Net cash flows from investing activities		(48,472,279)	(26,334,088)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		90,611,327	3,099,570
Cash and cash equivalents at the beginning of the year		14,360,310	11,260,740
Cash and cash equivalents at the end of the year	3	104,971,637	14,360,310

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						

* See Note 50

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Budget and Actual comparison

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds Virement (i.t.o. s31 of the MFMA)	Final budget council approved policy)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2022										
Financial Performance										
Property rates	50,076,992	-	50,076,992	-	50,076,992	44,418,356		(5,658,636)	89 %	89 %
Refuse Removal	155,600	-	155,600	-	155,600	150,252		(5,348)	97 %	97 %
Investment revenue	1,650,000	-	1,650,000	-	1,650,000	3,024,286		1,374,286	183 %	183 %
Transfers recognised - operational	299,807,000	20,000,000	319,807,000	-	319,807,000	320,035,314		228,314	100 %	107 %
Other own revenue	49,132,676	(15,100,000)	34,032,676	-	34,032,676	480,905,894		446,873,218	1,413 %	979 %
Total revenue (excluding capital transfers and contributions)	400,822,268	4,900,000	405,722,268	-	405,722,268	848,534,102		442,811,834	209 %	212 %
Employee costs	(106,419,000)	6,355,857	(100,063,143)	-	(100,063,143)	(90,238,056)	-	9,825,087	90 %	85 %
Remuneration of councillors	(25,084,000)	1,163,778	(23,920,222)	-	(23,920,222)	(24,322,441)	-	(402,219)	102 %	97 %
Debt impairment	(41,872,876)	35,000,003	(6,872,873)		(6,872,873)	-	-	6,872,873	- %	- %
Depreciation and asset impairment	(29,199,000)	(6,287,078)	(35,486,078)		(35,486,078)	(32,338,548)	-	3,147,530	91 %	111 %
Finance charges	-	-	-	-	-	(2,034,557)	-	(2,034,557)	DIV/0 %	DIV/0 %
Inventory and bulk purchases	(3,500,000)	1,000,000	(2,500,000)	-	(2,500,000)	(4,270,076)	-	(1,770,076)	171 %	122 %
Transfers and grants	(5,200,000)	2,000,000	(3,200,000)	-	(3,200,000)	(1,955,378)	-	1,244,622	61 %	38 %
Other expenditure	(150,001,113)	(67,026,887)	(217,028,000)	-	(217,028,000)	(201,394,855)	-	15,633,145	93 %	134 %
Total expenditure	(361,275,989)	(27,794,327)	(389,070,316)	-	(389,070,316)	(356,553,911)	-	32,516,405	92 %	99 %
Surplus/(Deficit)	39,546,279	(22,894,327)	16,651,952	-	16,651,952	491,980,191		475,328,239	2,954 %	1,244 %

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds Virement (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	65,627,000	-	65,627,000	-	65,627,000	61,777,288		(3,849,712)	94 %	94 %
Bad debt written off	-	-	-	-	-	(374,764,157)		(374,764,157)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	105,173,279	(22,894,327)	82,278,952	-	82,278,952	178,993,322		96,714,370	218 %	170 %
Surplus/(Deficit) for the year	105,173,279	(22,894,327)	82,278,952	-	88,682,638	178,993,322		90,310,684	202 %	170 %
Capital expenditure and funds sources										
Total capital expenditure	(125,173,455)	(16,691,531)	(141,864,986)	-	(141,864,986)	(139,844,375)		2,020,611	99 %	112 %
Sources of capital funds										
Transfers recognised - capital	(125,173,455)	(16,691,531)	(141,864,986)	-	(141,864,986)	(139,844,375)		2,020,611	99 %	112 %
Cash flows										
Net cash from (used) operating	127,610,600	104,218,923	231,829,523	-	231,829,523	139,083,606		(92,745,917)	60 %	109 %
Net cash from (used) investing	(125,173,455)	(16,691,531)	(141,864,986)	-	(141,864,986)	(48,472,279)		93,392,707	34 %	39 %
Net increase/(decrease) in cash and cash equivalents	2,437,145	87,527,392	89,964,537	-	89,964,537	90,611,327		646,790	101 %	3,718 %
Cash and cash equivalents at the beginning of the year	49,112,000	(34,751,690)	14,360,310	-	14,360,310	14,360,310		-	100 %	29 %
Cash and cash equivalents at year end	51,549,145	52,775,702	104,324,847	-	104,324,847	104,971,637		(646,790)	101 %	204 %

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Summary of Significant Accounting Policies

Figures in Rand	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdraft are carried at amortised cost.

For the purpose of the cashflow statement, cash and cash equivalents comprise of cash on hand, deposits held on call with banks, net of bank overdrafts.

Impairment testing

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

1.5 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Makhuduthamaga Local Municipality

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Summary of Significant Accounting Policies

1.6 Investment property

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

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

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

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

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

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

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

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

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

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

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

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

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

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Summary of Significant Accounting Policies

1.7 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.

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.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Summary of Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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.

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
Buildings	Straight-line	25 years
Plant and machinery	Straight-line	5-10 years
Furniture and fixtures	Straight-line	7 years
Motor vehicles	Straight-line	8 years
Office equipment	Straight-line	5 years
IT equipment	Straight-line	3-5 years
Prime coat	Straight-line	15 years
Pavement layers	Straight-line	15 years
Double seal	Straight-line	15 years
Pitching, stonework and protection	Straight-line	15 years
Gabions	Straight-line	25 years
Guardrails	Straight-line	25 years
Road signs	Straight-line	15 years
Road markings	Straight-line	12 months
Concrete block paving for roads	Straight-line	15 years
Concrete for structures	Straight-line	15 years
Street lighting	Straight-line	15 years
High mast lights	Straight-line	15 years
capital work in progress	Straight-line	Not depreciated
Alphalt surface	Straight-line	15 years
Concrete kerbing, channeking, chutes and downpipes	Straight-line	40 years
Mass earthworks	Straight-line	80 years
Prefabrigated culverts	Straight-line	15 years
Loose tools	Straight-line	5 years
Bridges	Straight-line	15 years

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

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the 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.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Summary of Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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.

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

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.9 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Summary of Significant Accounting Policies

1.9 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 years

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

Intangible assets are derecognised:

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

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

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Summary of Significant Accounting Policies

1.10 Comparative of actual information to budgeted information

The annual budget figures have been prepared in accordance with the Municipal Budget and Reporting Regulations, 2009. A comparative of actual to budgeted amounts are reported in a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Statement giving motivations for over- or under spending on line items where it is found to be material. The budgeted figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is prepared and approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2021 to 30 June 2022.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

1.11 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. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The Municipality determines the classification of its financial instruments at initial recognition.

Initial recognition and measurement.

A financial instrument is recognised, when the Municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added or deducted from the fair value, as appropriate on initial recognition.

Subsequent measurement – financial assets.

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of Financial Performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of Financial Performance.

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably are subsequently measured at cost less any impairment. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any calculated impairment is recognised in the Statement of Financial Performance.

Subsequent measurement – financial liabilities.

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of Financial Performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

Fair value measurement considerations

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Summary of Significant Accounting Policies

1.11 Financial instruments (continued)

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

1.12 Current year comparatives

Current year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

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

1.13 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

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

Municipality as Lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

1.14 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.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Summary of Significant Accounting Policies

1.14 Inventories (continued)

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

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

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

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

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

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

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

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

1.15 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Recognition and measurement

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.16 Cash and cash equivalents

Unconditional Grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional Grants

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Summary of Significant Accounting Policies

1.16 Statutory receivables (continued)

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.17 Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.18 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.19 Accumulated Surplus

When the presentation or classification of items in the annual financial statements are amended, prior period comparative amounts are restated, the nature and reasons for the reclassification is disclosed, where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparative are restated accordingly.

1.20 Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Summary of Significant Accounting Policies

1.20 Employee benefits (continued)

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees.

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

1.21 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.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Summary of Significant Accounting Policies

1.21 Accumulated Surplus (continued)

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

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

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

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

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

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

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

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 42.

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.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Summary of Significant Accounting Policies

1.21 Accumulated Surplus (continued)

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.

1.22 Commitments

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

Commitments are not recognized in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

a) approved and contracted commitments.

b) Where the expenditure has been approved and the contract has been awarded at the reporting date, and

c) Where disclosure is required by a specific standard of GRAP.

1.23 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.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Summary of Significant Accounting Policies

1.23 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

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.

1.24 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.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Summary of Significant Accounting Policies

1.24 Revenue from non-exchange transactions (continued)

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

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.

A government grant is recognised only when there is reasonable assurance that the municipality will comply with any conditions if any attached to the grant and the grant will be received.

The grant is recognised as income over the period necessary to match it with related costs, for which they are intended to compensate on a systematic basis.

A grant received from conditional grant is recorded as a liability as unspent grant and grant recognised when expenditure is incurred.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect.

Subsequent to initial recognition and measurement, the Municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

1.25 Value Added Tax (VAT)

Initial recognition and measurement.

Value added Tax is accounted for on an invoice basis and a liability is recognised in the statement of Financial Position when VAT output is more than the VAT input. An asset is recognised in the statement of Financial Position when VAT input exceeds the VAT output. VAT receivable and VAT payable is initially measured at fair value.

Subsequent measurement .

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

1.26 Investment income

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

1.27 Borrowing costs

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

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

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Summary of Significant Accounting Policies

1.28 Unauthorised expenditure

Unauthorised expenditure means:

- any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:
- overspending of the total amount appropriated in the municipality's approved budget.
- Expenditure from a vote unrelated to the department or functional area covered by the vote.
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of allocation otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

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

A note with details of the incidences that resulted in the unauthorised expenditure is disclosed in the notes to the financial statements of the municipality.

1.29 Fruitless and wasteful expenditure

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

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

1.30 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 municipality's supply chain management policy

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	April 1, 2024	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	April 1, 2024	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	April 1, 2024	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	April 1, 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	April 1, 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	April 1, 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	April 1, 2023	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	52	775
Bank balances	104,971,585	14,359,535
	104,971,637	14,360,310

Balance of cash and cash equivalent did not include any amount pledged as security.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances	
	June 30, 2022	June 30, 2021		June 30, 2022	June 30, 2021
ABSA BANK-4050384145 (Primary Cheque Account)	103,782,111	13,298,999	-	- 103,834,153	13,278,846
ABSA BANK-4076690079 (Salaries)	36,903	12,241	-	- 36,903	12,241
ABSA BANK-2078073033 (Term Deposit Investment)	895,949	862,650	-	- 895,949	862,650
Municipal Covid 19 Solidarity fund	204,632	205,798	-	- 204,632	205,798
Total	104,919,595	14,379,688	-	- 104,971,637	14,359,535

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
4. Inventories		
Consumable stores	986,807	1,114,718
4.1 Reconciliation of Inventory		
Opening balance	1,114,718	1,127,543
Add: Receipts	4,142,165	2,574,469
Less: Issues	(4,270,076)	(2,587,294)
	986,807	1,114,718

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Receivables from non-exchange transactions		
Gross balances		
Rates	110,434,728	545,346,329
Traffic fines	1,441,497	1,166,447
	111,876,225	546,512,776
Less: Allowance for impairment		
Rates	(105,927,598)	(542,164,268)
Traffic fines	(1,441,313)	(1,166,447)
	(107,368,911)	(543,330,715)
Net balance		
Rates	4,507,129	3,179,509
Traffic fines	185	-
	4,507,314	3,179,509
Summary of debtors by customer classification		
Traffic Fines		
Current (0 -30 days)	55,650	-
31 - 60 days	10,550	40,800
61 - 90 days	40,800	63,250
91 - 120 days	23,800	9,350
121 - 365 days	1,310,698	1,096,397
	1,441,498	1,209,797
Less: Allowance for impairment	(1,441,313)	(1,168,997)
	185	40,800
Property rates - commercial		
Current (0 -30 days)	1,374,331	812,235
31 - 60 days	1,225,177	818,143
61 - 90 days	775,624	805,958
91 - 120 days	838,451	51,595,363
> 365 days	57,877,890	-
	62,091,473	54,031,699
Less: Allowance for impairment	(61,250,490)	(53,760,078)
	840,983	271,621
National and provincial government		
Current (0 -30 days)	2,675,161	5,589,981
31 - 60 days	2,929,806	5,759,533
61 - 90 days	4,348,019	5,621,692
91 - 120 days	3,224,374	474,343,422
> 365 days	35,165,895	-
	48,343,255	491,314,628
Less: Allowance for impairment	(44,677,109)	(488,447,538)
	3,666,146	2,867,090
Total		

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Receivables from non-exchange transactions (continued)		
Current (0 -30 days)	4,105,142	6,402,216
31 - 60 days	4,165,533	6,577,676
61 - 90 days	5,164,443	6,596,649
91 - 120 days	4,086,625	7,480,650
> 365 days	94,354,482	519,458,135
	111,876,225	546,515,326
Less: Allowance for impairment	(107,368,911)	(543,335,815)
	4,507,314	3,179,511
Reconciliation of allowance for impairment		
Balance at beginning of the year	(543,330,715)	(471,522,678)
Contributions to allowance - current year	-	(71,808,037)
Reversal of provision for debt impairment allowance	435,961,878	-
	(107,368,837)	(543,330,715)
6. Receivables from exchange transactions		
Insurance debtor	49,778	20,604
Accrued Income (Interest on Investment & Primedia)	431,311	100,487
SALGA Levy	1,305,495	1,062,900
Other debtors - Employee	21,764	21,764
	1,808,348	1,205,755
7. VAT receivable		
VAT	20,828,011	16,075,778
	20,828,011	16,075,778
Reconciliation		
Balance at the beginning of the year	16,075,778	16,062,400
Add: Net refunds as per VAT receivable	39,806,005	34,317,048
Add: current year VAT suspense - retention amount	3,965,961	4,028,602
Less: Prior year suspense- retention amount	(4,028,602)	(4,779,199)
Less: VAT Payments by SARS- Current year	(26,852,382)	(25,811,478)
Less: VAT payment by SARS - Previous year	(8,505,569)	(7,741,595)
Undefined difference	366,820	-
	20,828,011	16,075,778

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand

8. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	8,215,070	(8,138,518)	76,552	8,215,070	(7,632,274)	582,796
Total	8,215,070	(8,138,518)	76,552	8,215,070	(7,632,274)	582,796

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	582,796	(506,244)	76,552
	582,796	(506,244)	76,552

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	1,706,589	(1,123,793)	582,796
	1,706,589	(1,123,793)	582,796

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	209,500	-	209,500	209,500	-	209,500

Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	209,500	209,500
	209,500	209,500

Reconciliation of investment property - 2021

	Opening balance	Total
Investment property	209,500	209,500
	209,500	209,500

Pledged as security

No investment was pledged as a security for liabilities

Investment property was valued by Modhope valours, an independent professional valuer with registration number 1988/001677/07. The municipal valuer has experience in property within the jurisdiction of Makhuduthamaga Local Municipality. The valuation was based on an open market for existing use.

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. No revenue was earned from the investment property as the property is vacant land held for the long term capital appreciation.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand

10. 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	265,000	-	265,000	265,000	-	265,000
Buildings	58,339,619	(17,157,036)	41,182,583	52,286,492	(15,026,155)	37,260,337
Land (Landfill assets)	13,990,007	(9,222,178)	4,767,829	16,471,695	(6,838,263)	9,633,432
Motor vehicles	38,032,702	(28,826,978)	9,205,724	35,664,681	(25,138,133)	10,526,548
Office equipment	9,577,611	(7,111,285)	2,466,326	9,396,611	(6,364,782)	3,031,829
IT equipment	27,051,146	(20,727,000)	6,324,146	23,741,796	(17,345,936)	6,395,860
Infrastructure	371,468,635	(145,092,205)	226,376,430	351,837,287	(126,673,800)	225,163,487
Loose tools	4,437,816	(3,322,241)	1,115,575	3,611,961	(3,025,396)	586,565
Community assets	14,402,779	(3,415,208)	10,987,571	14,402,779	(2,728,038)	11,674,741
Capital work in progress	29,232,976	-	29,232,976	13,188,061	-	13,188,061
Total	566,798,291	(234,874,131)	331,924,160	520,866,363	(203,140,503)	317,725,860

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Disposal Accumulated depreciation	Other changes, movements	Depreciation	Total
Land	265,000	-	-	-	-	-	-	265,000
Buildings	37,260,337	-	-	6,053,127	-	-	(2,130,881)	41,182,583
Land (Landfill Asset)	9,633,432	-	-	-	-	(2,481,688)	(2,383,915)	4,767,829
Motor vehicles	10,526,548	2,368,021	-	-	-	-	(3,688,845)	9,205,724
Office equipment	3,031,829	230,900	(49,900)	-	49,900	-	(796,403)	2,466,326
IT equipment	6,395,860	3,407,907	(98,557)	-	49,110	-	(3,430,174)	6,324,146
Infrastructure	225,163,487	-	-	19,631,351	-	-	(18,418,408)	226,376,430
Loose tools	586,565	825,855	-	-	-	-	(296,845)	1,115,575
Community Assets	11,674,741	-	-	-	-	-	(687,170)	10,987,571
Capital work in progress	13,188,061	41,729,393	-	(25,684,478)	-	-	-	29,232,976
Capital Work in progress - Electricity infrastructure	-	19,169,721	-	(19,169,721)	-	-	-	-
	317,725,860	67,731,797	(148,457)	(19,169,721)	99,010	(2,481,688)	(31,832,641)	331,924,160

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers received	Revaluations	Other changes, movements	Depreciation	Prior period adjustment	Total
Land	265,000	-	-	-	-	-	-	-	265,000
Buildings	36,405,426	-	-	2,900,000	-	-	(2,045,378)	289	37,260,337
Land (Landfill Asset)	11,294,709	-	-	-	2,456,646	-	(4,117,923)	-	9,633,432
Furniture and fixtures	642,919	210,450	-	-	-	(853,369)	-	-	-
Motor vehicles	14,611,726	-	-	-	-	-	(4,085,178)	-	10,526,548
Office equipment	1,184,426	1,760,430	-	-	-	853,369	(766,396)	-	3,031,829
IT equipment	6,982,853	2,650,202	(90,850)	-	-	60,047	(3,216,894)	10,502	6,395,860
Infrastructure	215,499,688	-	-	27,045,177	-	-	(17,444,475)	63,097	225,163,487
Loose tools	857,207	46,000	-	-	-	-	(316,642)	-	586,565
Community Assets	12,320,009	-	-	-	-	-	(645,268)	-	11,674,741
Capital work in progress	21,407,828	21,725,410	-	(29,945,177)	-	-	-	-	13,188,061
	321,471,791	26,392,492	(90,850)	-	2,456,646	60,047	(32,638,154)	73,888	317,725,860

Deemed cost

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.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
11. Payables from exchange transactions		
Trade payables	5,539,911	5,206,407
Income received in advance	3,932,090	923,859
Creditor: Ward committee	13,201	13,201
Accrued: SDL	23,514	-
Accrued: Party levies	17,351	-
Leave provision	12,482,505	12,407,985
Accrued: PAYE	200,733	-
Accrued: Pension Fund	91,031	-
Accrued: Salary	647,399	-
Bonus provision	2,914,752	2,779,508
Unknown Deposits	274,463	32,481
Retentions	19,735,614	20,215,864
	45,872,564	41,579,305
12. Defined benefit obligations		
Post employment medical aid benefits liability		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	5,008,000	3,230,000
Current year service cost	467,000	482,000
Interest charges	252,000	167,000
Actuarial (Gain) loss	(560,000)	1,129,000
	5,167,000	5,008,000
Net expense recognised in the statement of financial performance		
Current year service cost	467,000	482,000
Interest cost	252,000	167,000
Actuarial gain (loss)	(560,000)	1,129,000
	159,000	1,778,000
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(5,167,000)	(5,008,000)
	(5,167,000)	(5,008,000)

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

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Figures in Rand	2022	2021
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12. Defined benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2022	2021
Expected retirement age	63	63

The nominal and real zero curves were used as at 30 June 2022 supplied by the JSE to determine the disclosed rates and CPI assumptions at each relevant prime period.

Long Service Awards

Long-service Awards Liability

Long-service Awards- current liability	60,000	63,010
Long-service Awards- Non-current liability	4,332,000	3,629,990
	4,392,000	3,693,000

Movements in the long service awards liability

Opening balance	3,693,000	2,984,000
Current year service cost	395,000	347,000
Interest cost	364,000	298,000
Benefits paid	(154,871)	(284,000)
Actuarial (gain)/loss	94,871	348,000
	4,392,000	3,693,000

Expense and income recognition in surplus for the year

Current service cost	395,000	347,000
Interest cost	364,000	298,000
Actuarial gain/(loss)	94,871	348,000
	853,871	993,000

Other assumptions

A percentage point change in the normal salary inflation assumption would have the following effects:

	+1% Normal salary inflation	-1% Normal salary inflation
Effect on the current service cost	422,000	364,000
Effect on the interest cost	499,000	337,000
Effect on the defined benefit obligation	4,094,000	3,427,000

Amounts for the current and previous four years are as follows:

Long service awards	4,392,000	3,693,000	2,984,000	2,844,000	-
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Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

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13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

LG SETA Discretionary Grant	-	113,350
	-	113,350

Movement during the year

Balance at the beginning of the year	113,350	23,572
Additions during the year	114,963	241,875
Income recognition during the year	(228,313)	(152,097)
	-	113,350

The municipality received a grant from LG SETA for their implementation of the learnership programme. Learners were deployed to the municipality under the learnership programme and the grant was utilized to pay for their monthly stipend.

14. Provision - Rehabilitation of Landfill Site

The Cost of rehabilitating the Landfill Site was determined to be R17 667 406.00 as at the 30th of June 2022 and was recognised as property, plant & equipment in the financial statement of the financial position of the municipality and a non-current liability of R17 667 406.00 was also recognised in the statement of the financial position for the year ended 30 June 2022

Reconciliation - Landfill Site Provision

Opening balance	18,730,537	15,221,948
Interest charge	1,418,557	1,051,943
Change in Landfill closure provision	(2,481,688)	2,456,646
	17,667,406	18,730,537

15. Rental of facilities and equipment

Advertising Billboards

Site Rentals	83,910	114,166
Venue hire	22,869	-
	106,779	114,166

The amount of site rentals is for the advertising billboards from Primedia around Makhuduthamaga municipal area

16. Other income

LG SETA	-	134,895
Tender Documents	74,992	158,262
Sale of goods and rendering of services	238,093	-
Other income	-	32,991
	313,085	326,148

In the total amount for sale of goods and rendering of services is the amount for approval of building plans, clearance certificates, LG SETA and approvals of Permission To Occupy.

Makhuduthamaga Local Municipality

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Notes to the Annual Financial Statements

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17. Interest on outstanding debtors		
Interest charged on trade and other receivables-Property rates	38,354,991	40,171,417
	38,354,991	40,171,417
18. Traffic Fines		
Traffic Fines	287,450	-
	287,450	-
19. Refuse removal		
Refuse removal	150,252	134,867
	150,252	134,867
20. Interest received (Investment revenue)		
Interest revenue		
Bank and investments	3,024,286	1,652,967
	3,024,286	1,652,967
21. Licenses and Permits		
Agency fee for Sekhukhune and Nebo DLTCs	5,376,306	5,480,633
	5,376,306	5,480,633
22. Revenue		
Refuse Removal	150,252	134,867
Rental of facilities and equipment	106,779	114,166
Licenses and Permits	5,376,306	5,480,633
Actuarial Gain	465,129	-
Other Income	313,085	326,148
Interest received	3,024,286	1,652,967
Property rates	44,418,356	41,315,231
Interest on outstanding debtors	38,354,991	40,171,417
Traffic Fines	287,450	-
Government grants & subsidies	381,812,602	415,904,097
Gain on disposal of assets	40,350	27,600
Reversal of debt impairment allowance	435,961,804	-
	910,311,390	505,127,126

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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22. Service concession arrangements (continued)

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

Refuse Removal	150,252	134,867
Rental of facilities and equipment	106,779	114,166
Licenses and permits	5,376,306	5,480,633
Gain on disposal of assets	40,350	27,600
Other income	313,085	326,148
Actuarial gains/losses	465,129	-
Interest received - investment	3,024,286	1,652,967
	9,476,187	7,736,381

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

Taxation revenue

Property rates	44,418,356	41,315,231
Property rates - Interest on outstanding debtors	38,354,991	40,171,417
Traffic fines	287,450	-

Transfer revenue

Government grants & subsidies	381,812,602	415,904,097
Reversal of debt impairment allowance	435,961,804	-
	900,835,203	497,390,745

23. Actuarial gain/(loss)

Long service awards - Actuarial (Gain)/loss	94,871	337,015
Post employment medical aid - Actuarial (Gain)/loss	(560,000)	1,129,000
	(465,129)	1,466,015

24. Gain/(Loss) on disposal of assets

Gains on the disposal of the stolen desktops and laptops. The desktops and laptops were derecognised from the municipality's asset register and insurance claim for these assets was approved	40,350	27,600
	40,350	27,600

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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25. Property rates

Rates received

Commercial	11,243,950	10,641,631
State	30,383,837	28,352,880
Agricultural	2,790,569	2,320,720
	44,418,356	41,315,231

Valuations

Residential	145,166,000	22,640,000
Commercial	1,250,324,000	748,176,000
State	1,881,798,000	1,669,421,000
Municipal	71,332,000	292,360,000
Social	29,600,000	29,023,000
	3,378,220,000	2,761,620,000

Valuations on land and buildings are performed every 5 years. The first general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The valuation roll used in the current year was implemented from 01 July 2021 and it ends on the 30th June 2026.

The municipality has compiled a new valuation roll to be implemented from the 1st July 2021.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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26. Government grants & subsidies

Operating grants

Equitable share	296,332,000	341,931,000
Municipal Infrastructure Grant (MIG)	61,777,288	70,953,000
Finance Management Grant (FMG)	1,650,000	1,700,000
Integrated National Electrification (DOE Grant)	20,000,000	-
EPWP Grant	1,825,000	1,168,000
LG-SETA - Discretionary Grant	228,314	152,097
	381,812,602	415,904,097

LG-SETA - Discretionary Grant

Balance unspent at beginning of year	113,350	23,572
Current-year receipts	114,963	241,875
Conditions met - transferred to revenue	(228,313)	(152,097)
	-	113,350

The municipality received a grant from LG SETA to be used for training of learners identified within Makhuduthamaga Municipality jurisdictions.

All conditions were met and the grant was recognized as revenue.

Finance Management Grant

Current-year receipts	1,650,000	1,700,000
Conditions met - transferred to revenue	(1,650,000)	(1,700,000)
	-	-

All conditions as per the DoRA were met and the grant was transferred to revenue.

Municipal Infrastructure Grant

Current-year receipts	61,777,288	70,953,000
Conditions met - transferred to revenue	(61,777,288)	(70,953,000)
	-	-

All conditions as per DoRA were met and the grant was transferred to Revenue.

The Municipal Infrastructure Grant was used to fund the construction of access roads approved by Cogta and the municipal council under the Infrastructure Development Vote.

EPWP Grant

Current-year receipts	1,825,000	1,168,000
Conditions met - transferred to revenue	(1,825,000)	(1,168,000)
	-	-

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
27. Employee related costs		
Basic	50,135,343	46,602,507
Bonus	4,238,546	3,706,927
Medical aid - company contributions	5,146,365	5,098,739
UIF	357,489	300,274
SDL	732,440	563,943
Leave pay provision charge	1,325,300	2,594,885
Pension contributions	9,774,544	9,291,131
Overtime payments	1,237,979	672,827
Long-service awards-Current service cost(Post employment benefits)	862,000	829,000
Car allowance	11,378,300	11,228,574
Housing benefits and allowances	2,880,904	2,834,159
Bargaining council	20,909	20,692
Clothing allowance	38,575	53,363
Cellphone allowance	2,109,362	1,939,009
	90,238,056	85,736,030
Remuneration of municipal manager (Ms Rampedi M.N)		
Basic salary	640,552	640,552
Car Allowance	261,687	261,687
Medical aid Contribution	85,447	85,447
UIF contribution	2,148	1,813
SALGBE	124	119
SDL	12,623	12,482
Retirement Annuity Contribution	78,003	78,003
Remote Allowance	41,540	41,540
Travel claims	14,121	8,568
Leave payout	204,381	-
Performance bonus	53,379	-
	1,394,005	1,130,211
Remuneration of Chief Financial Officer (Mr Moganedi R.M)		
Basic salary	498,335	536,668
Travel Allowance	239,529	178,498
Cellphone Allowance	39,083	31,302
Housing Allowance	5,711	68,538
Travel claim	3,406	-
Contribution Medical Aid	46,760	77,544
Contribution UIF	1,948	1,813
SDL	9,882	9,454
SALGBBE	113	119
Remote allowance	22,489	35,778
Long service award	20,638	-
Leave payout	171,357	-
Perfomance Bonus	44,722	-
	1,103,973	939,714
Acting Chief Financial Officer (2021/22 Mr Makgalemane T.M)		
Acting allowance	12,796	-
(Acting duration from 1st August 2021 to 31st August 2021)	12,796	-

Makhuduthamaga Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
27. Employee related costs (continued)		
Senior manager: Corporate services (Ms Mahlare M.A)		
Basic salary	536,668	536,668
Travel Allowance	231,286	231,286
Medical Aid contribution	124,596	124,596
Contribution to UIF	2,125	1,813
SDL	124	119
SALGBE	8,251	9,368
Travel claim	18,084	6,350
Remote Allowance	35,778	35,778
Long service award	41,276	-
Performance Bonus	53,667	-
	1,051,855	945,978
Acting Senior manager: Corporate services (Mr Marodi M.L)		
Acting allowance	15,103	-
	15,103	-
Senior manager: Community services (Ms Marishane M.E)		
Basic salary	536,668	536,668
Travel Allowance	196,956	196,956
Cellphone allowance	26,343	26,343
Housing allowance	71,560	71,560
Contribution to Pension	61,022	61,022
Contribution to UIF	2,125	1,813
SALGBE	124	119
SDL	8,094	9,383
Remote allowance	35,778	35,778
Long service award	20,638	-
travel claim	6,857	-
Performance Bonus	53,667	-
	1,019,832	939,642
Acting Senior manager: community services (Mrs Makola B.C)		
Acting allowance	31,118	-
	31,118	-
Senior manager: Infrastructure Development (Mr Segale M.A)		
Basic Salary	536,668	536,668
Travel Allowance	194,493	194,493
Long service award	20,638	-
Contribution to Medical Aid	133,939	133,939
Contribution to UIF	2,125	1,813
SALGBE	124	119
SDL	9,101	10,585
Remote allowance	35,778	35,778
Cellphone allowance	27,450	27,450
Performance Bonus	44,722	-
	1,005,038	940,845

Makhuduthamaga Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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27. Employee related costs (continued)

Senior manager Economic Development and planning (Mr Thabela A.P)

Basic salary	536,668	536,668
Travel Allowance	134,167	134,167
Cellphone allowance	19,119	19,119
Contribution to Pension	118,067	118,067
Contribution to Medical Aid	84,529	84,529
Contribution to UIF	2,125	1,813
SALGBE	124	119
SDL	9,015	10,832
Travel claim	-	3,376
Remote allowance	35,778	35,778
Performance Bonus	44,722	-
	984,314	944,468

Makhuduthamaga Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
28. Remuneration of councillors		
Mayor	936,109	910,772
Council speakers	759,878	737,602
Executive Committee Members	4,699,833	4,525,300
Other councillors basic salary	9,883,297	9,620,209
Councillors pension contribution	1,735,152	1,697,683
Travel allowance	3,873,340	3,772,632
Travel claims	27,123	14,015
Cellphone allowance	2,091,650	2,080,800
Skills development levy	134,062	54,019
Data cards (62 councillors)	181,997	183,600
	24,322,441	23,596,632
Remuneration and allowances of selected members of the council		
Mayor - Cllr Maitula B.M		
Basic salary	565,262	548,798
Cellphone allowance	40,800	40,800
Contributions to pension fund	320,076	312,061
SDL and Data cards	9,968	7,421
	936,106	909,080
Council speaker - Cllr Tala M.A		
Basic salary	161,612	439,039
Cellphone allowance	14,507	40,800
Contributions to pension fund	88,879	249,649
SDL and Data cards	2,703	6,731
	267,701	736,219
Council speaker - Cllr Mphelane MJ		
Basic salary	291,424	-
Cellphone allowance	26,293	-
Contributions to pension fund	165,712	-
SDL and Data cards	6,748	-
	490,177	-
Members of the Executive Committee		
Basic salary	2,693,759	2,612,536
Travel allowance	1,055,260	1,024,524
Cellphone allowance	370,827	367,200
Contributions to pension fund,	461,775	461,036
Travel claims,SDL and Data cards	118,212	50,576
	4,699,833	4,515,872

Makhuduthamaga Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
28. Remuneration of councillors (continued)		
In-kind benefits		
The Mayor, speaker of council, chief whip of council, Head of corporate service portfolio committee, Head of Budget and Treasury Office Portfolio, Head of Infrastructure Development Portfolio and MPAC chairperson are full-time. Each is provided with an office and secretarial support at the cost of the council.		
The Mayor and the Speaker of council each have the use of separate Council owned vehicles for official duties.		
The Mayor has one full-time Chauffeur. The Speaker of council have one full-time Chauffeur.		
The Mayor have personal security at the cost of council.		
The speaker have personal security at the cost of council.		
29. Depreciation and amortisation		
Property, plant and equipment	31,832,304	32,564,272
Intangible assets	506,244	1,123,794
	32,338,548	33,688,066
30. Finance costs		
Interest cost: Employee benefit obligations	616,000	465,000
Interest cost: Landfill site provision	1,418,557	1,051,943
	2,034,557	1,516,943
31. Administrative expenditure		
Ward committee incentives	2,124,000	3,618,000
Administration and management fees -	7,290,080	4,141,892
	9,414,080	7,759,892
32. Debt impairment		
Current year doubtful debts allowance	-	543,330,715
Less: Previous doubtful debts	-	(471,522,678)
	-	71,808,037
33. Contracted services		
Operating Leases and Cash Collection Services	3,103,715	3,356,259
Development of Valuation roll	-	558,012
Cleaning and Security Services	51,800,497	49,845,119
	54,904,212	53,759,390
34. Transfer and subsidies		
Indigent grants (Free Basic Electricity)	1,955,378	2,895,169
	1,955,378	2,895,169

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
34. Transfer and subsidies (continued)		
The municipality subsidises the indigent households that are on the eskom FBE beneficiary list with the allocation of the free basic electricity at 50kwh per household on a monthly basis.		
35. General expenses		
Advertising	854,768	746,145
Bank charges	204,289	257,799
Consulting and professional fees	4,486,051	2,550,254
Consumables	4,270,096	2,334,128
Entertainment	24,164	57,950
Insurance	1,337,155	685,249
IToperational expenses	1,000,000	1,484,700
Marketing	767,236	721,066
Promotions and sponsorships	4,789,107	875,878
Fleet Management & System	141,088	2,766
Fuel and oil	4,894,084	4,362,625
Promotions	2,182,185	-
Staff welfare	72,900	-
Telephone and fax	1,439,421	1,078,976
Training	6,070,684	1,669,303
Travel and Accomodation	1,574,764	1,237,163
Spatial planning-Dermacation of sites	314,783	1,284,778
Water and Electricity	2,670,263	2,093,396
SMME support	222,640	-
Sitting allowance Ex-officio	68,000	360,000
Publications	7,659,490	8,041,500
Audit committee support	420,463	533,368
Bursary fund	3,170,585	2,005,728
Legal costs and Development of by-laws	2,913,439	2,463,087
Customer care	58,399	-
Financial system support	6,018,935	3,726,010
Vehicle tracking	96,615	96,615
Disaster Relief Fund	2,030,522	2,521,082
EPWP	4,794,190	6,862,078
	64,546,316	48,051,644
36. Auditors' remuneration		
Current Year Audit fees	4,283,087	4,429,665
	4,283,087	4,429,665
37. Repairs and maintenance		
Repairs and maintenance: Other assets	24,601,721	17,849,289
Repairs and maintenance: Infrastructure	47,915,515	51,026,872
	72,517,236	68,876,161
38. Capital expenditure write-off (D-Roads)		
Capital expenditure write-off (D-Roads)	52,942,675	65,678,489
	52,942,675	65,678,489

Makhuduthamaga Local Municipality

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Figures in Rand	2022	2021
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38. Capital expenditure write-off (D-Roads) (continued)

39. Transfer to Eskom (Electrification)

Transfer to Eskom (Electrification)	19,169,721	-
	19,169,721	-

Department of Energy transferred an amount of R 20 000 000.00 to the municipality to construct electrification projects at various villages around Makhuduthamaga local municipality for the year 2021/2022 and the municipality spent R 19 169 721.00 on the capital electrification projects and transferred the assests to Eskom at year end as per the conditions of the ENEP grant.

40. Cash generated from operations

Surplus	106,880,926	35,864,993
Adjustments for:		
Depreciation and amortisation	32,338,548	33,688,066
(Gain)/Loss on disposal of assets	(40,350)	(27,600)
Debt impairment	-	71,808,037
Current service cost - Post employment benefits & Long service awards	862,000	829,000
Interest costs - Post employment benefits & Long service awards	2,034,557	1,516,942
Acturial (Gain/Loss-Post employment medical aid benefits & Long service awards	(465,129)	1,477,000
Other non-cash items	184	-
Long service awards paid	(154,871)	(284,000)
Reversal of debt impairment allowance	(435,961,804)	-
Changes in working capital:		
Inventories	127,911	12,825
Receivables from exchange transactions	(602,593)	65,574
Receivables from non exchange transactions	434,636,551	(72,186,759)
Payables from exchange transactions	4,293,259	(43,406,820)
VAT	(4,752,233)	(13,378)
Unspent conditional grants and receipts	(113,350)	89,778
	139,083,606	29,433,658

Makhuduthamaga Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
41. Commitments		
Authorised operating and capital expenditure		
Already contracted for but not provided for		
• Operational commitments	164,500,716	120,898,434
	164,500,716	120,898,434
Already contracted for but not provided for		
• Capital commitments	104,373,846	92,357,298
	104,373,846	92,357,298
Total capital commitments		
Operational commitments	164,500,716	120,898,434
Capital commitments	104,373,846	92,357,298
	268,874,562	213,255,732

The municipality still has future commitments to service providers for services still to be rendered. The minimum payments still due to the service providers as at 30 June 2022 amount to R 104 373 846 for capital commitments and R 164 500 716 for Operational commitments. Contracts of which the amount disclosed is for more than one financial year.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year of the reporting date	2,061,962	2,061,962
More than one year but less than five years of the reporting date	515,491	2,577,453
	2,577,453	4,639,415

The municipality has entered in to an operational lease with Velaphanda Trading and projects for Photocopier machines for a period of Three years which became effective on the 1st October 2020 and the total future minimum operating lease payments payable under existing operating lease arrangements are categorized above.

Makhuduthamaga Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
42. Contingent Liabilities		
Masenya construction Vs Makhuduthamaga local municipality	175,551	175,551
Alfred Malekana Vs Makhuduthamaga local municipality	3,529,505	2,833,467
Ratale mashifane attorneys Vs Makhuduthamaga local municipality	65,519	65,519
Onnica Sehlola Vs Makhuduthamaga Municipality	81,459	-
	3,852,034	3,074,537

Masenya Construction vs Makhuduthamaga Local Municipality

The municipality penalised Masenya construction for an amount of R 175 551.17 the reason for the penalties was that Masenya construction failed to complete its work on time as per the contract it entered into with the municipality. The company has challenged the municipality in court, the power of attorney was filed and served at Nebo Magistrate Court on the 12th of November 2019 by the municipality's legal representatives. Judgement was granted in favour of the applicant (Masenya Construction) in respect of costs but the main application was postponed to an unknown date. The municipality's attorneys filed a review application to the high court of Polokwane in respect of the cost judgement and for now we are still waiting for response on the review application; and as at year end the case was not yet finalised

Mr Alfred Malekane vs Makhuthamaga Local Municipality

Mr Alfred Malekane was dismissed as an employee of the municipality on grounds of financial misconduct following the conclusion of the disciplinary processes by the municipality. Mr Malekane has since challenged his dismissal arguing that he was unfairly dismissed by the municipality. As at year end the case was not yet finalised as we are still waiting for the allocation of a new date. The estimated expenditure on this matter to date is R 3 529 504.57.00.

Ratale Mashifane Attorneys vs Makhuduthamaga Municipality

Ratale Mashifane Attorneys has issued the summons against municipality wherein he demanded to be paid an amount of R65 518.50 from services which were not rendered. The plaintiff obtained a default judgement - which we have filed an application to rescind it. The rescission application shall be enrolled on opposed roll. As at year end the case was not yet finalised

Onicca mathabathe sehlola VS Makhuduthamaga Municipality

Onica Mathabathe Sehlola has sued the municipality an amount of R81 458.67 for the damage caused by pothole. The plaintiff has not served us with a notice of bar, Marweshe Attorneys had prepared a notice of exception to the summons, had been served filed at Nebo court. The exception is unopposed the matter shall be set down on unopposed roll for hearing.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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43. Related parties

Related party transactions

Section 57 Employees

Municipal Manager (Ms Rampedi M.N)	1,394,005	1,130,211
Senior Manager: Corporate Services (Ms Mahlare M.A)	1,051,855	945,978
Senior Manager: Community Services (Ms Marishane)	1,019,832	939,642
Senior Manager: Budget & Treasury (CFO) (Mr Moganedi R.M)	1,103,973	939,714
Senior Manager: Economic Development & Planning (Mr Thabela A.P)	984,314	944,468
Senior Manager: Infrastructure Development (Mr Segale M.A)	1,005,038	940,845

South African Local Government Association

Annual membership fee	1,305,496	1,062,900
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South African Local Government Association

An amount of R 1 305 496 was paid to the South African Local Government Association as an annual membership fee. The cost of the membership fee amounts to 1% of the total annual employee related cost of the municipality as approved by council for any new financial year.

Sekhukhune District Municipality

The municipality has seconded the Deputy CFO (Mr Nkademeng H.L) to serve as an acting CFO of Sekhukhune District Municipality from July 2021. The municipality has paid him a salary to a total of R 1 058 667 for period of 12 months while he serves as acting Chief Financial Officer at Sekhukhune District Municipality.

The comparative figure for Mr Nkademeng's secondment amounts to R 159 782.

Limpopo Department of Transport and Community Safety.

The municipality has signed a memorandum of agreement with Limpopo Department of Transport and Public Safety for the administration of learners, drivers licenses and vehicle registrations; and the municipality earns Agency fees.

Limpopo Department of Transport and Community Safety

Amount collected on behalf of the department	10,680,045	10,287,049
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Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

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Figures in Rand

43. Related parties (continued)

Remuneration of councillors

Councillors

2022

	Basic salary	Cellphone Allowance	Car allowance	Pension ,SDL ,data cards and travel claims	Total
Name					
Cllr Maitula B.M	565,262	40,800	-	330,047	936,109
Cllr Tala M.A (Speaker)	161,612	14,507	-	91,582	267,701
Cllr Mphelane MJ	291,424	26,293	-	172,460	490,178
Cllr Chego D.K (Chief whip)	151,512	14,507	59,112	27,620	252,750
Cllr Thamaga MM(Chief whip)	273,210	26,293	107,141	54,483	461,128
Cllr Mankge H.N	151,512	14,507	59,112	26,711	251,841
Cllr Mohlala M.J	423,947	40,800	166,254	81,954	712,955
Cllr Diketane S.P (MPAC Chairperson)	393,369	40,800	154,263	76,236	664,668
Cllr Monakedi A.L	84,525	15,413	32,978	15,550	148,466
Cllr Maloma P.T	84,525	14,507	32,978	15,550	147,550
Cllr Mapheto M.T	199,374	41,707	78,186	40,489	359,756
Cllr Maisela K.R	151,512	14,507	59,112	26,711	251,841
Cllr Lerobane M.P	84,525	15,413	32,978	15,631	148,547
Cllr Phala M	357,303	40,800	140,199	73,767	611,990
Cllr Mamahlako P.M	63,930	14,507	24,943	12,104	115,484
Cllr Motseni N.L	63,930	14,507	24,943	12,104	115,484
Cllr Mapitsing T.J	63,930	14,507	24,943	12,104	115,484
Cllr Mabatane M.C	82,044	14,507	32,010	15,127	143,687
Cllr Dolamo	63,930	14,507	24,943	12,104	115,484
Cllr Madihlaba M.G	63,930	14,507	24,943	12,104	115,484
Cllr Diale M.H	63,930	14,507	24,943	12,104	115,484
Cllr Thokoane M.J	48,133	11,740	18,756	9,077	86,793
Cllr Shikoane M.L	63,930	14,507	24,943	12,104	115,484

Makhuduthamaga Local Municipality

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43. Related parties (continued)

Cllr Mokomane M.L	224,842	41,707	88,173	45,452	400,173
Cllr Dieale K.E	82,044	15,413	32,010	15,217	144,683
Cllr Seboane T.M	63,930	14,507	24,943	12,194	116,480
Cllr Leshalabe M.M	82,044	15,413	31,010	15,217	144,683
Cllr Matjomane N.M	354,835	41,706	139,151	96,639	632,331
Cllr Mathume R.D	63,930	14,507	24,943	12,104	115,484
Cllr Rankoe T.P	236,512	41,706	92,750	56,848	427,817
Cllr Thokwane K.Z	206,821	41,707	81,106	44,263	373,896
Cllr Mosoane E.M	206,821	41,707	81,107	54,403	384,037
Cllr Maleka K.J	63,930	15,413	24,943	12,114	116,400
Cllr Mahlase M.M	234,043	41,706	91,782	51,875	419,406
Cllr Nkadimeng L.R	63,930	15,413	24,943	12,104	116,400
Cllr Thamaga M.R	63,930	15,413	24,943	12,114	116,400
Cllr Morodi P.E	178,884	40,800	70,151	36,941	326,776
Cllr Maredi H.M	63,930	14,507	24,934	12,104	115,484
Cllr Marabele K.O	63,930	14,507	24,943	12,104	115,484
Cllr Maila M.J	63,930	14,507	24,943	12,104	115,484
Cllr Nkgadima M.R	63,930	14,507	24,943	12,104	115,484
Cllr Masemola M.S	63,930	14,507	24,943	12,104	115,484
Cllr Makobe P.A	179,211	40,800	70,151	36,619	326,782
Cllr Mashifane G.M	63,930	14,507	24,943	12,104	115,484
Cllr Moganedi B.E	63,930	14,507	24,943	12,104	115,484
Cllr Matseding M.L	63,930	14,507	24,943	12,104	115,484
Cllr Sekwati K.D	63,930	14,507	24,943	12,104	115,484
Cllr Mamushi F	63,930	14,507	24,943	12,104	115,484
Cllr Leshaba T.R	63,930	14,507	24,943	12,104	115,484
Cllr Magashule M.E	63,930	14,507	24,943	12,104	115,484
Cllr Maduane K.A	63,930	15,413	24,943	12,104	116,400
Cllr Matjageng D.B	63,930	14,507	24,943	12,104	115,484
Cllr Mothogoane D	63,930	14,507	24,943	12,104	115,484
Cllr Komana M.L	63,930	14,507	24,943	12,104	115,484
Cllr Maloma D.R	63,930	14,507	24,943	12,104	115,484
Cllr Mogashoa N.A	63,930	14,507	24,943	12,104	115,484
Cllr Shongwe B.E	63,930	14,507	24,943	12,104	115,484

Makhuduthamaga Local Municipality

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43. Related parties (continued)

Cllr Madutlela K.K	63,930	14,507	24,943	12,104	115,484
Cllr Phasha L.P	63,930	14,507	24,943	12,104	115,484
Cllr Matjie C.D	63,930	14,507	24,943	12,104	115,484
Cllr Sebesho M.S	63,930	14,507	24,943	12,104	115,484
Cllr Ranala S.T	63,930	14,507	24,943	12,104	115,484
Cllr Makua S.S	178,898	40,800	70,151	39,709	329,544
Cllr Phala M.M	63,930	14,507	24,943	12,104	115,484
Cllr Malaka M.S	152,419	26,293	59,772	46,392	284,876
Cllr Masemola P.T	115,281	26,293	45,208	24,515	211,298
Cllr Mmotong M.L	115,281	26,293	45,208	24,515	211,298
Cllr Tshehla M.B	115,281	26,293	45,208	24,515	211,298
Cllr Kgatuke L.D	115,281	26,293	45,208	24,515	211,298
Cllr Machai M.J	115,281	26,293	45,208	26,457	213,249
Cllr Malatjie B.T	115,281	26,293	45,208	28,843	215,626
Cllr Maepa K.J	115,281	26,293	45,208	24,515	211,298
Cllr Matsomane E.M	115,281	26,293	45,208	24,515	211,298
Cllr Mashegoana M.C	115,281	26,293	45,208	25,747	212,530
Cllr Tshehla M.Z	115,281	26,293	45,208	24,515	211,298
Cllr Moretsele L.P	152,419	26,293	59,772	34,886	273,370
Cllr Morwamakoti M	143,217	26,293	56,164	29,823	255,498
Cllr Kgaphola R.K	115,281	26,293	45,208	27,981	214,764
Cllr Ngwanatsoba M.G	115,281	26,293	45,208	24,515	211,298
Cllr Sebowane SH	115,281	26,293	45,208	24,515	211,298
Cllr Nkadimeng K.T	115,281	26,293	45,208	27,271	214,054
Cllr Hleko K	115,281	26,293	45,208	24,515	211,298
Cllr Moshabane D	115,281	26,293	45,208	24,515	211,298
Cllr Thokwane G.A	115,281	26,293	45,208	24,515	211,298
Cllr Mothupi S.M	115,281	26,293	45,208	29,122	215,904
Cllr Selala P.T	115,281	26,293	45,208	24,515	211,298
Cllr Vilakazi S.M	115,281	26,293	45,208	24,515	211,298
Cllr Rantho P.K	115,281	26,293	45,208	24,515	211,298
Cllr Mokalapa M.S	115,281	26,293	45,208	24,515	211,298
Cllr Boshielo M.P	115,281	26,293	45,208	25,534	212,317
Cllr Piitjo M.H	142,266	26,293	55,791	35,207	259,557

Makhuduthamaga Local Municipality

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Figures in Rand

43. Related parties (continued)

CLlr Maduana H.D	115,281	26,293	45,208	24,515	211,298
CLlr Mampana M.A	142,266	26,293	55,791	29,644	253,994
CLlr Ntobeng M.L	115,281	26,293	45,208	24,515	211,298
CLlr Tsatsi M.D	115,281	26,293	45,208	24,515	211,298
CLlr Mogashoa K.J	115,281	26,293	45,208	27,152	213,935
CLlr Mahlase N.E	152,419	26,293	59,772	31,586	270,070
CLlr Modige M.S	110,781	26,293	45,208	24,515	206,798
CLlr Lekoana M.D	115,281	26,293	45,208	24,515	211,297
CLlr Masemola M.E	115,281	26,293	45,208	25,747	212,529
CLlr Aphone M.N	115,281	26,293	45,208	24,515	211,297
CLlr Moretsele M.A	115,281	26,293	45,208	24,515	211,297
CLlr Lethuba M.P	115,281	26,293	45,208	32,015	218,728
CLlr Mohlakwane S.S	115,281	26,293	45,208	25,977	212,759
CLlr Maapea R.S	115,281	26,293	45,208	26,557	213,339
CLlr Machaba M.G	152,419	26,293	59,772	34,031	272,515
CLlr Tau T.T	115,281	26,293	45,208	29,029	215,811
CLlr Ngwato O.M	115,281	26,293	45,208	24,515	211,298
CLlr Lerobane M.M	125,374	26,293	52,952	27,792	231,493
CLlr Monakedi M.J	115,281	26,293	45,208	24,515	211,297
CLlr Matjeding M.J	22,222	3,649	7,407	643	33,921
	13,595,353	2,544,076	4,928,600	3,254,447	24,322,441

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

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Figures in Rand

43. Related parties (continued)

2021

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Total
CLlr Maitula B.M (Mayor)	548,798	40,800	-	269,847	910,772
CLlr Tala M.A (Speaker)	439,039	40,800	-	257,784	737,623
CLlr Chego D.K (Chief Whip)	411,599	40,800	161,412	82,711	696,522
CLlr Mankge H.N	411,599	40,800	161,412	80,164	693,975
CLlr Mohlala M.J	411,599	40,800	161,412	80,164	693,975
CLlr Diketane S.P (MPAC Chairperson)	403,330	40,800	158,169	78,632	680,931
CLlr Monakedi M.J	229,623	40,800	90,048	46,542	407,013
CLlr Maloma P.T	229,623	40,800	90,048	46,542	407,013
CLlr Mapheto M.T	229,623	40,800	90,048	46,516	406,987
CLlr Maisela K.R	411,600	40,800	161,412	81,575	665,381
CLlr Mamahlako P.M	173,675	40,800	68,108	36,186	318,769
CLlr Motseni N.L	173,674	40,800	68,108	36,186	318,768
CLlr Mapitsing T.J	173,674	40,800	68,108	39,432	322,014
CLlr Mabatane M.C	222,882	40,800	87,405	45,271	396,358
CLlr Dolamo M.F	173,674	40,800	68,108	36,186	318,768
CLlr Madihlaba M.G	173,674	40,800	68,108	36,186	318,768
CLlr Diale M.H	173,674	40,800	68,108	36,186	318,768
CLlr Thokwane M.J	173,674	40,800	68,108	36,186	318,768
CLlr Shikoane M.L	173,674	40,800	68,108	36,186	318,768
CLlr Mokomane M.L	222,882	40,800	87,405	45,271	396,358
CLlr Daile K.E	222,882	40,800	87,405	45,271	396,358
CLlr Seboane T.M	173,675	40,800	68,108	36,185	318,768
CLlr Leshalabe M.M	222,882	40,800	87,405	45,271	396,358
CLlr Matjomane N.M	222,882	40,800	87,405	53,405	383,172
CLlr Mathume R.D	173,674	40,800	68,108	36,179	318,761
CLlr Lerobane M.P	229,623	40,800	90,048	46,516	406,987

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

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Figures in Rand

43. Related parties (continued)

CLlr Rankoe T.P	229,623	40,800	90,048	46,516	406,987
CLlr Thokoane K.Z	173,674	40,800	68,108	36,187	318,769
CLlr Mosoane E.M	173,674	40,800	68,108	36,186	318,768
CLlr Maleka K.J	173,674	40,800	68,108	36,186	318,768
CLlr Mahlase M.M	222,882	40,800	87,405	45,291	396,378
CLlr Nkadimeng L.R	173,674	40,800	68,108	36,205	318,787
CLlr Thamaga M.R	173,674	40,800	68,108	36,205	318,787
CLlr Morodi P.E	173,674	40,800	68,108	36,186	318,768
CLlr Maredi H.M	173,674	40,800	68,108	36,186	318,768
CLlr Marabele K.O	173,674	40,800	68,108	36,186	318,768
CLlr Maila M.J	173,674	40,800	68,108	36,186	318,768
CLlr Nkgadima M.R	173,674	40,800	68,108	36,186	318,768
CLlr Masemola M.S	173,675	40,800	68,108	36,186	318,769
CLlr Makobe P.A	173,674	40,800	68,108	36,187	318,769
CLlr Mashifane G.M	173,674	40,800	68,109	36,205	318,788
CLlr Moganedi B.E	173,674	40,800	68,108	36,205	318,787
CLlr Matseding M.L	173,674	40,800	68,108	36,186	318,768
CLlr Sekwati K.D	173,674	40,800	68,108	36,205	318,787
CLlr Mamushi F	173,674	40,800	68,108	36,186	318,768
CLlr Phala M	229,623	40,800	90,048	46,516	406,987
CLlr Matjageng D.B	173,674	40,800	68,108	36,186	318,768
CLlr Maduane K.A	173,674	40,800	68,108	36,186	318,768
CLlr Mothogwane D	173,674	40,800	68,109	36,186	318,769
CLlr Komana M.L	173,674	40,800	68,108	36,186	318,768
CLlr Maloma D.R	173,674	40,800	68,108	36,186	318,768
CLlr Mogashoa N.A	173,674	40,800	68,108	36,186	318,768
CLlr Shongwe B.E	173,674	40,800	68,108	36,205	318,787
CLlr Madutlela K.K	173,674	40,800	68,108	36,205	318,787
CLlr Phasha L.P	173,674	40,800	68,108	36,205	318,787
CLlr Matjie C.D	173,675	40,800	68,108	36,186	318,769
CLlr Sebesho M.S	173,674	40,800	68,108	36,205	318,787
CLlr Ranala S.T	173,674	40,800	68,108	36,186	318,768
CLlr Makua S.S	173,674	40,800	68,108	36,185	318,767
CLlr Magashule M.E	173,674	40,800	68,108	36,205	318,787

Makhuduthamaga Local Municipality

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43. Related parties (continued)

Cllr Leshaba T.R	173,675	40,800	68,108	36,205	318,788
Cllr Phala M.M	173,674	40,800	68,108	36,205	318,786
	13,220,581	2,529,600	4,797,181	3,049,270	23,596,632

44. Risk management

Liquidity risk

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

Credit risk

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

Financial instrument	2022	2021
Receivables from non-exchange transactions	4,507,314	3,179,509
Receivables from exchange transactions	1,808,348	1,205,755
Cash & cash equivalents	104,971,637	14,360,310
VAT Receivable	20,828,011	16,075,778
Maximum Risk Exposure	132,115,310	34,821,353

45. Unauthorised expenditure

Opening balance as previously reported	86,261,879	108,372,394
Add: Unauthorised expenditure - current	7,049,638	38,086,857
Less: Unauthorised expenditure write off- prior period	(89,261,879)	-
Less: Unauthorised expenditure written off - Current year	-	(60,197,372)
Closing balance	4,049,638	86,261,879

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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45. Unauthorised expenditure (continued)

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	-	35,396,312
Cash	-	2,690,545
	-	38,086,857

Analysed as follows: non-cash

Employee related cost	-	829,000
Depreciation and amortisation	-	2,611,890
Finance charges	-	1,516,943
Loss on disposal of property, plant and equipment	-	28,972,464
Acturial (Gain)/loss	-	1,466,015
General Expenditure	7,049,638	-
	7,049,638	35,396,312

Analysed as follows: cash

General expenditure	7,049,638	2,690,545
	7,049,638	2,690,545

Unauthorised expenditure: Budget overspending – per municipal department:

Executive support	1,778,949	7,596,118
Community services	4,503,837	3,515,352
Corporate services	766,852	6,873,968
Budget and Treasury Office	-	20,101,419
	7,049,638	38,086,857

Council Approval on unauthorised expenditure

During the current year ended 30 June 2022, MPAC investigated all historic Unauthorised expenditure and discovered that there are council resolutions from the previous financial years in which council has written off the unauthorised expenditure as irrecoverable. The amount of R205 185 199 was approved by council to be written off as irrecoverable. Aprior period error is disclosed for the unauthorised expenditure that was written in the prior years.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
46. Fruitless and wasteful expenditure		
Opening balance as previously reported	463,183	463,286
Less: Amount written off - prior period	(398,430)	-
Less amount written off in thr prior year.	-	(103)
Closing balance	64,753	463,183

The amount of R 571 999 is the balance of Fruitless and wasteful expenditure of the previous years starting from 2014/2015 financial year, the municipality did not incur any fruitless and wasteful expenditure in the current year of 2021/2022 financial year. During the current year MPAC investigated the fruitless expenditure and recommended to council to write off an amount of R398 430 as irrecoverable and further recommended for the amount of R64 753 to be recovered. The amount of R108 712 was found to have been written off by council in 2017/2018 through council resolution number 35 of 2017/2018 while R103 was written off in 2020/2021 through council resolution number 36 of 2020/2021.

Makhuduthamaga Local Municipality

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47. Irregular expenditure		
Opening balance as previously reported	26,401,491	34,364,552
Add: Irregular expenditure - current	65,727,853	62,417,624
Less: Irregular expenditure written off - current year	(27,221,540)	(70,380,685)
Less: Irregular expenditure written off - Prior year	(4,534,940)	-
Closing balance	60,372,864	26,401,491

As per MFMA circular no 68 municipalities are adviced to record their irregular expenditure in the irregular expenditure register and consequently disclose it in the annual financial statements inclusive of VAT the circular became into existence in October 2021. The latter is due to the amount of the transgression from the provisions of the applicable legislation as contained in the definition of the irregular expenditure is the full value of the transaction involved and not just a portion of the transaction and the adjustment is effected from the financial year 2021/22. The irregular expenditure disclosed above is VAT inclusive

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

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47. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

	Status of irregular Expenditure		
Management said the tender documents bill of quantity requested the rates per item and did not specifically request the total bid amount for three years, hence the bidders responded differently according to their understanding, The contract for Mogwape Trading Enterprise and Municipality have lapsed.	The irregular expenditure was investigated by MPAC and was approved by council to be written off as irrecoverable.	-	714,440
The service provider was awarded the bid in contravention of section 112 of the MFMA as the bid document of the service provider submitted for audit did not have certain pages and it also looked like a copy to the auditors. The irregular expenditure was discovered by the AGSA during the external audit for the year 2017/18 financial year. The reported expenditure relates to the 2019/20 financial year of the 36 months contract.	The irregular expenditure was investigated by MPAC and was approved by council to be written off as irrecoverable.	17,329,422	15,069,217
The bid was advertised for a period less than 60 days as required by the SCM regulations and the SCM policy. The irregular expenditure was discovered by the AGSA during the external audit of the 2017/18 financial year. The reported expenditure relates to the 2019/20 financial year of the five year contract.	The irregular expenditure was investigated by MPAC and was approved by council to be written off as irrecoverable.	237,259	148,213
The appointed service provider did not comply with the responsive criteria as stated in the tender document by not initializing some of the pages in the tender document. The reported expenditure relates to the 2019/20 financial year of the 36 months contract	The irregular expenditure was investigated by MPAC and was approved by council to be written off as irrecoverable.	13,668,563	15,963,459

Makhuduthamaga Local Municipality

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47. Irregular expenditure (continued)

The appointed service provider did not comply with the responsive criteria as stated in the tender document. The irregular expenditure was discovered during the 2018/19 external audit by AGSA. The reported expenditure relates to the 2019/20 financial year of the multi-year construction contract.	The irregular expenditure was investigated by MPAC and was approved by council to be written off as irrecoverable.	-	9,382,328
The winning bidder did not comply with the responsive criteria as stated in the tender document.	The irregular expenditure was investigated by MPAC and was approved by council to be written off as irrecoverable.	-	7,534,609
Winning bidder not included on the closing register submitted for audit	The irregular expenditure was investigated by MPAC and was approved by council to be written off as irrecoverable.	-	139,680
Award to person in service of the state.	The irregular expenditure was investigated by MPAC and was approved by council to be written off as irrecoverable.	-	19,850
CIBD grading of the winning bidder expired prior to award of the bid.	The irregular expenditure was investigated by MPAC and was approved by council to be written off as irrecoverable.	-	195,000
Bidder's municipal account statement in arrears for more than 90 days.	The irregular expenditure was investigated by MPAC and was approved by council to be written off as irrecoverable.	-	13,250,828
Bidder did not initialize one page	The irregular was identified by the Auditor General during the current year Audit	1,724,749	-
Appointment of the highest quote without justification	The irregular was identified by the Auditor General during the current year Audit	28,750	-
Award to person in service of the state.	The irregular was identified by the Auditor General during the current year Audit	34,600	-
The awarded and the competing supplier are using the same address	The irregular was identified by the Auditor General during the current year Audit	29,250	-
The supplier did not complete the local content declaration fully	The irregular was identified by the Auditor General during the current year Audit	14,528,359	-
The supplier did not complete the local content declaration fully	The irregular was identified by the Auditor General during the current year Audit	5,718,145	-
The supplier did not complete the local content declaration fully	The irregular was identified by the Auditor General during the current year Audit	1,035,690	-
The supplier did not complete the local content declaration fully	The irregular was identified by the Auditor General during the current year Audit	3,985,005	-
The supplier did not complete the local content declaration fully	The irregular was identified by the Auditor General during the current year Audit	199,716	-
Deliberate split of services	The irregular was identified by the Auditor General during the current year Audit	6,487,177	-
Award to person in service of the state.	The irregular was identified by the Auditor General during the current year Audit	691,098	-

Makhuduthamaga Local Municipality

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47. Irregular expenditure (continued)

Award to person in service of the state.

The irregular was identified by the Auditor General during the current year Audit

30,070	-
65,727,853	62,417,624

Makhuduthamaga Local Municipality

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48. Reconciliation between budget and statement of financial performance		
Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:		
Net surplus per the statement of financial performance	106,880,926	35,864,993
Adjusted for:		
Investment revenue - Under collection / (over collection)	(1,374,286)	(205,967)
Transfers recognised-under collection/ (over collection)	-	604,903
Other own revenue-under collection/ (over collection)	9,507,553	1,157,633
Depreciation-over spending/ (under spending)	3,147,530	2,611,890
Employee related costs-over spending/ (under spending)	9,825,087	1,850,578
Remuneration of councillors-over spending/ (under spending)	(402,219)	64,660
Reversal of debt impairment provision allowance	(435,961,804)	-
Debt impairment-over spending/ (under spending)	6,872,873	28,972,464
Other expenditure-over spending/ (under spending)	15,633,145	15,322,264
Transfers and grants	1,244,622	-
Bad debt written off	374,764,157	-
Property rates -under collection/ (over collection)	5,658,636	2,063,187
Interest expense - Non-current provisions & overdue accounts)	(2,034,557)	1,516,943
D-roads expensed	-	65,678,489
Interest on outstanding debtors	(11,482,115)	(1,069,572)
Net surplus per approved budget	82,279,548	154,432,465
49. Additional disclosure in terms of Municipal Finance Management Act		
Audit fees		
Amount paid - current year	(4,283,087)	(4,429,665)
	(4,283,087)	(4,429,665)
PAYE and UIF		
Opening balance	-	1,225,702
Current year subscription / fee	18,734,269	16,142,848
Amount paid - current year	(18,531,411)	(16,142,848)
Amount paid - previous years	-	(1,225,702)
Outstanding balance as at year end	202,858	-
Pension and Medical Aid Deductions		
Opening balance	-	1,679,572
Current year subscription / fee	24,279,495	23,089,581
Amount paid - current year	(24,188,464)	(23,089,581)
Amount paid - previous years	-	(1,679,572)
Outstanding balance as at year end	91,031	-

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

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

Supply chain management regulations

In terms of regulation 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager/her delegate and noted by Council. The expenses incurred as listed hereunder have been condoned by council

Incident

Deviation as per section 36(1)(a)(i) of the SCM regulations (Emergency)	912,864	620,500
Deviation as per section 36(1)(a)(ii) of the SCM regulations (Single provider)	496,454	375,679
Deviation as per section 36(1)(v) of the SCM regulations (Impractical to follow SCM processes)	7,288,081	6,674,177
	8,697,399	7,670,356

50. Prior period errors

Property Plant and Equipment.

Depreciation for buildings was erroneously recorded in the prior year and the misstatement of R289 was retrospectively corrected.

Depreciation for IT equipments to an amount of R10 502 was erroneously recorded and the error was retrospectively corrected.

Depreciation for Infrastructure assets to an amount of R63 097 was erroneously recorded and the error was retrospectively corrected.

Unauthorised Expenditure.

The municipal council wrote off an amount of R 57 074 568 for unauthorised expenditure through council resolution number 138 of 2018/19 and R 1 651 380.00 through council resolution number 35 of 2017/2018. This total amount of R58 725 948 was erroneously disclosed in the current year and was retrospectively corrected to adjust the opening balance of the prior year 2020/2021 from the previously reported balance of R 167 098 342 to R 108 372 394.

The municipal council further wrote off an amount of R 60 197 372 for unauthorised expenditure through council resolution number 36 of 2020/2021. This total amount of R60 197 372 was erroneously disclosed in the current year and was retrospectively corrected to adjust the opening balance of the current year 2021/2022.

Fruitless and wasteful expenditure.

The municipal council wrote off an amount of R 108 712 for fruitless expenditure as irrecoverable in 2017/2018 through council resolution number 35 of 2017/2018. The total amount of R108 712 was erroneously written off in the current year on the financial statements and was retrospectively corrected to adjust the opening balance of 2020/2021 from R 571 999 to R 463 287. Furthermore the amount of R103 was written off in 2020/2021 by council through council resolution number 36 of 2020/2021 which was erroneously accounted for in the current year. The error was corrected retrospectively to adjust the opening balance for the current year.

Irregular expenditure.

The municipal council wrote off irregular expenditure to an amount of R 103 851 755 in the prior year and the amount was erroneously disclosed in the current year. The error was corrected retrospectively to adjust the opening balance for the prior year. Furthermore the amount of R 70 380 685 for irregular expenditure written off in 2020/2021 was also disclosed erroneously in the current year. The error was corrected retrospectively to adjust the opening balance for the current year.

Contingent Liabilities.

The contingent liability for the former employee of the municipality Mr. Malekana M.A was erroneously disclosed as R 600 000 in the prior year. The correct amount for the prior year disclosure as calculated using the employee's annual salary for the period that has passed as at year end for the prior year is R 2 833 467

Makhuduthamaga Local Municipality

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Figures in Rand	2022	2021
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50. Prior period errors (continued)

Related Parties.

The municipality is operating Nebo DLTC and Sekhukhune DLTC which is the function of the Limpopo Department of Transport and safety. The municipality is getting an agency fee for the service rendered on behalf of the department. The amount of R10 287 049 for the amount collected and paid to the Limpopo Department of Transport and safety was erroneously omitted in the disclosure of related parties in the prior year and the error was corrected retrospectively.

Income received in advance (Debtors with credit balance).

The amount of R 176 937 for income received in advance during the 2019/2020 was erroneously not allocated to the receivables accounts. A corrective journal was passed and the payables and receivables from non-exchange transactions was retrospectively corrected.

Statement of financial position

2021

	Note	Correction of error	Restated
Increase in Buildings		289	289
Increase in IT equipment		10,502	10,502
Increase in Infrastructure		63,097	63,097
Increase in Trade payables		176,937	176,937
		250,825	250,825

Statement of financial performance

2021

	Note	Correction of error	Restated
Decrease in Depreciation of Buildings		(289)	(289)
Decrease in depreciation of IT equipment		(10,502)	(10,502)
Decrease in depreciation of Infrastructure		(63,097)	(63,097)
Decrease in Debtors		(176,937)	(176,937)
Surplus for the year		(250,825)	(250,825)

51. Events after the reporting date

Appointment of Municipal Manager.

The contract of the Municipal Manager Ms Rampedi M.N came to an end on the 30th June 2022 and the Chief Financial Officer of makhuduthamaga Mr Moganedi R.M was appointed by the council on the 1st of July 2022 as the Acting Municipal Manager for a period of 3 months. To ensure segregation of duties and best practices the council also appointed Mr Mothapo K.T manager expenditure to act as a Chief Financial Officer for a period of 3 Months.

Furthermore, the council went through the recruitment process for the appointment of the Municipal Manager for a period of five (5) years and the process was concluded on the 4th of November 2022. The council appointed Mr. Moganedi R.M as the Municipal manager of the municipality for the next 5 years with effect from 01 December 2022.

Audit committee chairperson.

The chairperson of the Audit and Performance Committee Advocate Manthata H.M passed away in June 2022 and Mr Mpjane N.J (CA) SA was appointed as the new audit committee chairperson effective from July 2022 to 30 June 2023.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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51. Events after the reporting date (continued)

Irregular Expenditure.

The municipality incurred irregular expenditure during the current year and the prior year which was referred to MPAC for investigations by Council during the year. The MPAC investigation report and recommendation for an amount of R 4 534 940 relating to the current year write off was approved by council through council resolution number 29 of 2022 after year end but before the Financial statements could be finalised for reporting. The transaction constitute and adjusting event after the reporting date and the Annual financial Statements for the year ended 30 June 2022 were adjusted with this amount

Unauthorised expenditure.

The municipality incurred unauthorised expenditure during the current year and the prior year which was referred to MPAC for investigations by Council during the year. The MPAC investigation report and recommendation for an amount of R 89 261 879 relating to the current year and prior year write off was approved by council through council resolution number 29 of 2022 after year end but before the Financial statements could be finalised for reporting. The transaction constitute and adjusting event after the reporting date and the Annual financial Statements for the year ended 30 June 2022 were adjusted with this amount in the current year.

Fruitless and Wasteful expenditure.

The municipality incurred fruitless and wasteful expenditure during the prior years which was referred to MPAC for investigations by Council during the year. The MPAC investigation report and recommendation for an amount of R 398 430 relating to the prior year write off was approved by council through council resolution number 29 of 2022 after year end but before the Financial statements could be finalised for reporting. The transaction constitute and adjusting event after the reporting date and the Annual financial Statements for the year ended 30 June 2022 were adjusted with this amount in the current year.

52. Reversal of debt impairment loss

Opening balance - Provision for Debt impairment	543,330,715	-
Closing balance - Provision for debt impairment	(107,368,837)	-
	435,961,878	-

The municipality reached a settlement agreement with the Department of Public Works during the financial year ended 30 June 2022 to settle the long outstanding debt for Property rates. Public works paid a portion of the debt and council wrote off the other part of the balance of the debt that the municipality has provided impairment for in the prior financial years. The transaction resulted in a net reversal of provision for impairment allowance recognised to the amount of R435 961 804.00.

53. Bad debts written off

Bad debts written off	374,764,157	-
	374,764,157	-

The municipality has written off the debt for the department of public works in the current year to an amount of R 374 764 157 and therefore the impairment was reversed as per GRAP 104 paragraph 63

54. Contingent assets

Agency fee	81,770	-
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Cash in transit from Sekhukhune DLTC to the amount of R81 770 was lost due to robbery and the claim was lodged with the insurance of the municipality. As at year end, the municipality did not receive a confirmation for the approval of the claim.

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Appendix B

Analysis of property, plant and equipment as at June 30, 2022
Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposal Accumulated depreciation	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings														
Land (Separate for AFS purposes)	265,000	-	-	-	-	-	265,000	-	-	-	-	-	-	265,000
Landfill Sites (Separate for AFS purposes)	16,471,695	-	-	-	-	(2,481,688)	13,990,007	(6,838,263)	-	-	(2,383,915)	-	(9,222,178)	4,767,829
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	52,286,492	-	-	6,053,127	-	-	58,339,619	(15,026,155)	-	-	(2,130,881)	-	(17,157,036)	41,182,583
	69,023,187	-	-	6,053,127	-	(2,481,688)	72,594,626	(21,864,418)	-	-	(4,514,796)	-	(26,379,214)	46,215,412
Infrastructure														
Roads, Pavements & Bridges	351,837,287	19,631,351	-	-	-	-	371,468,638	(126,673,800)	-	-	(18,418,408)	-	(145,092,208)	226,376,430
WIP Infrastructure	13,188,061	41,729,393	-	(25,684,478)	-	-	29,232,976	-	-	-	-	-	-	29,232,976
WIP Electricity infrastructure	-	19,169,721	-	(19,169,721)	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	365,025,348	80,530,465	-	(44,854,199)	-	-	400,701,614	(126,673,800)	-	-	(18,418,408)	-	(145,092,208)	255,609,406
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Makhuduthamaga Local Municipality
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Analysis of property, plant and equipment as at June 30, 2022	
Cost/Revaluation	Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposal Accumulated depreciation	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	35,664,681	2,368,021	-	-	-	-	38,032,702	(25,138,133)	-	-	(3,688,845)	-	(28,826,978)	9,205,724
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	23,741,796	3,407,907	(98,557)	-	-	-	27,051,146	(17,345,936)	49,110	-	(3,430,174)	-	(20,727,000)	6,324,146
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	9,396,611	230,900	(49,900)	-	-	-	9,577,611	(6,364,782)	49,900	-	(796,403)	-	(7,111,285)	2,466,326
Community assets	14,402,779	-	-	-	-	-	14,402,779	(2,728,038)	-	-	(687,170)	-	(3,415,208)	10,987,571
Loose tools	3,611,961	825,855	-	-	-	-	4,437,816	(3,025,396)	-	-	(296,845)	-	(3,322,241)	1,115,575
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	86,817,828	6,832,683	(148,457)	-	-	-	93,502,054	(54,602,285)	99,010	-	(8,899,437)	-	(63,402,712)	30,099,342

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Analysis of property, plant and equipment as at June 30, 2022	
Cost/Revaluation	Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposal Accumulated depreciation	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	69,023,187	-	-	6,053,127	-	(2,481,688)	72,594,626	(21,864,418)	-	-	(4,514,796)	-	(26,379,214)	46,215,412
Infrastructure	365,025,348	80,530,465	-	(44,854,199)	-	-	400,701,614	(126,673,800)	-	-	(18,418,408)	-	(145,092,208)	255,609,406
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	86,817,828	6,832,683	(148,457)	-	-	-	93,502,054	(54,602,285)	99,010	-	(8,899,437)	-	(63,402,712)	30,099,342
	520,866,363	87,363,148	(148,457)	(38,801,072)	-	(2,481,688)	566,798,294	(203,140,503)	99,010	-	(31,832,641)	-	(234,874,134)	331,924,160
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	8,215,070	-	-	-	-	-	8,215,070	(7,632,274)	-	-	(506,244)	-	(8,138,518)	76,552
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	8,215,070	-	-	-	-	-	8,215,070	(7,632,274)	-	-	(506,244)	-	(8,138,518)	76,552
Investment properties														
Investment property	209,500	-	-	-	-	-	209,500	-	-	-	-	-	-	209,500
	209,500	-	-	-	-	-	209,500	-	-	-	-	-	-	209,500
Total														
Land and buildings	69,023,187	-	-	6,053,127	-	(2,481,688)	72,594,626	(21,864,418)	-	-	(4,514,796)	-	(26,379,214)	46,215,412
Infrastructure	365,025,348	80,530,465	-	(44,854,199)	-	-	400,701,614	(126,673,800)	-	-	(18,418,408)	-	(145,092,208)	255,609,406
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	86,817,828	6,832,683	(148,457)	-	-	-	93,502,054	(54,602,285)	99,010	-	(8,899,437)	-	(63,402,712)	30,099,342
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	8,215,070	-	-	-	-	-	8,215,070	(7,632,274)	-	-	(506,244)	-	(8,138,518)	76,552
Investment properties	209,500	-	-	-	-	-	209,500	-	-	-	-	-	-	209,500
	529,290,933	87,363,148	(148,457)	(38,801,072)	-	(2,481,688)	575,222,864	(210,772,777)	99,010	-	(32,338,885)	-	(243,012,652)	332,210,212

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Appendix B

Analysis of property, plant and equipment as at 30 June 2021
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	265,000	-	-	-	-	-	265,000	-	-	-	-	-	-	265,000
Landfill Sites (Separate for AFS purposes)	14,015,049	-	-	-	-	2,456,646	16,471,695	(2,720,340)	-	-	(4,117,923)	-	(6,838,263)	9,633,432
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	49,386,492	2,900,000	-	-	-	-	52,286,492	(12,981,066)	-	-	(2,045,378)	-	(15,026,444)	37,260,048
	63,666,541	2,900,000	-	-	-	2,456,646	69,023,187	(15,701,406)	-	-	(6,163,301)	-	(21,864,707)	47,158,480
Infrastructure														
Roads, Pavements & Bridges	324,792,109	27,045,177	-	-	-	-	351,837,286	(109,292,421)	-	-	(17,444,475)	-	(126,736,896)	225,100,390
WIP (Infrastructure)	21,407,828	21,725,409	-	(29,945,177)	-	-	13,188,060	-	-	-	-	-	-	13,188,060
WIP Electricity infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	346,199,937	48,770,586	-	(29,945,177)	-	-	365,025,346	(109,292,421)	-	-	(17,444,475)	-	(126,736,896)	238,288,450
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Makhuduthamaga Local Municipality
Makhuduthamaga Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2021	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	35,664,681	-	-	-	-	-	35,664,681	(21,052,955)	-	-	(4,085,178)	-	(25,138,133)	10,526,548
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	21,182,444	2,650,202	(90,850)	-	-	-	23,741,796	(14,199,591)	60,047	-	(3,216,894)	-	(17,356,438)	6,385,358
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	4,859,262	1,760,430	-	-	-	-	6,619,692	(3,674,836)	-	-	(510,881)	-	(4,185,717)	2,433,975
Office Equipment	2,566,465	210,450	-	-	-	-	2,776,915	(1,923,546)	-	-	(255,515)	-	(2,179,061)	597,854
Community Assets	14,402,779	-	-	-	-	-	14,402,779	(2,082,770)	-	-	(645,268)	-	(2,728,038)	11,674,741
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loose tools	3,565,961	46,000	-	-	-	-	3,611,961	(2,708,754)	-	-	(316,642)	-	(3,025,396)	586,565
	82,241,592	4,667,082	(90,850)	-	-	-	86,817,824	(45,642,452)	60,047	-	(9,030,378)	-	(54,612,783)	32,205,041

Makhuduthamaga Local Municipality
Makhuduthamaga Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2021	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	63,666,541	2,900,000	-	-	-	2,456,646	69,023,187	(15,701,406)	-	-	(6,163,301)	-	(21,864,707)	47,158,480
Infrastructure	346,199,937	48,770,586	-	(29,945,177)	-	-	365,025,346	(109,292,421)	-	-	(17,444,475)	-	(126,736,896)	238,288,450
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	82,241,592	4,667,082	(90,850)	-	-	-	86,817,824	(45,642,452)	60,047	-	(9,030,378)	-	(54,612,783)	32,205,041
	492,108,070	56,337,668	(90,850)	(29,945,177)	-	2,456,646	520,866,357	(170,636,279)	60,047	-	(32,638,154)	-	(203,214,386)	317,651,971
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	8,215,070	-	-	-	-	-	8,215,070	(6,508,481)	-	-	(1,123,793)	-	(7,632,274)	582,796
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	8,215,070	-	-	-	-	-	8,215,070	(6,508,481)	-	-	(1,123,793)	-	(7,632,274)	582,796
Investment properties														
Investment property	209,500	-	-	-	-	-	209,500	-	-	-	-	-	-	209,500
	209,500	-	-	-	-	-	209,500	-	-	-	-	-	-	209,500
Total														
Land and buildings	63,666,541	2,900,000	-	-	-	2,456,646	69,023,187	(15,701,406)	-	-	(6,163,301)	-	(21,864,707)	47,158,480
Infrastructure	346,199,937	48,770,586	-	(29,945,177)	-	-	365,025,346	(109,292,421)	-	-	(17,444,475)	-	(126,736,896)	238,288,450
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	82,241,592	4,667,082	(90,850)	-	-	-	86,817,824	(45,642,452)	60,047	-	(9,030,378)	-	(54,612,783)	32,205,041
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	8,215,070	-	-	-	-	-	8,215,070	(6,508,481)	-	-	(1,123,793)	-	(7,632,274)	582,796
Investment properties	209,500	-	-	-	-	-	209,500	-	-	-	-	-	-	209,500
	500,532,640	56,337,668	(90,850)	(29,945,177)	-	2,456,646	529,290,927	(177,144,760)	60,047	-	(33,761,947)	-	(210,846,660)	318,444,267

Makhuduthamaga Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended June 30, 2022

2022/2021

2021/2020

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source												
Property rates	50,076,992	-	50,076,992	44,418,356		(5,658,636)	89 %	89 %				41,315,231
Service charges - electricity revenue	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Service charges - water revenue	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Service charges - sanitation revenue	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Service charges - refuse revenue	156,600	-	156,600	150,252		(6,348)	96 %	96 %				134,867
Actuarial gains	-	-	-	465,129		465,129	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	138,000	-	138,000	106,779		(31,221)	77 %	77 %				114,166
Interest earned - external investments	1,650,000	-	1,650,000	3,024,286		1,374,286	183 %	183 %				1,652,967
Interest earned - outstanding debtors	41,873,000	(15,000,000)	26,873,000	38,354,991		11,481,991	143 %	92 %				40,171,417
Dividends received	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Fines, penalties and forfeits	155,000	(100,000)	55,000	287,450		232,450	523 %	185 %				-
Reversal of debt impairment loss	-	-	-	435,961,804		435,961,804	DIV/0 %	DIV/0 %				-
Agency services	6,800,000	(6,800,000)	-	5,376,306		5,376,306	DIV/0 %	79 %				5,480,633
Transfers and subsidies	299,807,000	20,000,000	319,807,000	320,035,314		228,314	100 %	107 %				344,951,097
Other revenue	167,000	6,800,000	6,967,000	313,085		(6,653,915)	4 %	187 %				326,148
Gains on disposal of PPE	-	-	-	40,350		40,350	DIV/0 %	DIV/0 %				27,600
Total Revenue (excluding capital transfers and contributions)	400,823,592	4,900,000	405,723,592	848,534,102		442,810,510	209 %	212 %				434,174,126

Makhuduthamaga Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended June 30, 2022

2022/2021

2021/2020

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type												
Employee related costs	106,419,000	(6,355,857)	100,063,143	90,238,056	-	(9,825,087)	90 %	85 %	-	-	-	85,736,030
Remuneration of councillors	25,084,000	(1,163,778)	23,920,222	24,322,441	-	402,219	102 %	97 %	-	-	-	23,596,632
Debt impairment	41,872,876	(35,000,003)	6,872,873	-	-	(6,872,873)	- %	- %	-	-	-	71,808,037
Depreciation & asset impairment	29,199,000	6,287,078	35,486,078	32,338,548	-	(3,147,530)	91 %	111 %	-	-	-	33,688,066
Finance charges	-	-	-	2,034,557	-	2,034,557	DIV/0 %	DIV/0 %	-	-	-	1,516,943
Bad debt written off	-	-	-	374,764,157	-	374,764,157	DIV/0 %	DIV/0 %	-	-	-	-
Inventory consumed	3,500,000	(1,000,000)	2,500,000	4,270,076	-	1,770,076	171 %	122 %	-	-	-	2,587,294
Contracted services	112,662,000	54,113,000	166,775,000	127,421,448	-	(39,353,552)	76 %	113 %	-	-	-	122,653,551
Transfers and subsidies	5,200,000	(2,000,000)	3,200,000	1,955,378	-	(1,244,622)	61 %	38 %	-	-	-	2,895,169
Other expenditure	37,339,000	12,914,000	50,253,000	73,973,407	-	23,720,407	147 %	198 %	-	-	-	59,101,922
Loss on disposal of PPE	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	361,275,876	27,794,440	389,070,316	731,318,068	-	342,247,752	188 %	202 %	-	-	-	403,583,644
Surplus/(Deficit)	39,547,716	(22,894,440)	16,653,276	117,216,034		100,562,758	704 %	296 %				30,590,482
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	65,627,000	-	65,627,000	61,777,288		(3,849,712)	94 %	94 %				70,953,000
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Transfers and subsidies - capital (in- kind - all)	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	105,174,716	(22,894,440)	82,280,276	178,993,322		96,713,046	218 %	170 %				101,543,482
Taxation	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	105,174,716	(22,894,440)	82,280,276	178,993,322		96,713,046	218 %	170 %				101,543,482
Attributable to minorities	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	105,174,716	(22,894,440)	82,280,276	178,993,322		96,713,046	218 %	170 %				101,543,482
Share of surplus/ (deficit) of associate	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	105,174,716	(22,894,440)	82,280,276	178,993,322		96,713,046	218 %	170 %				101,543,482