



MAKHUDUTHAMAGA
LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended June 30, 2023

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, 2023

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	CLlr Maitula B.M
Councillors	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.M
Accounting Officer	Mr Moganedi R.M
Grading of local Authority	Grade 3
Acting Chief Financial Officer	Mr Mathabathe CS
Registered office	Makhuduthamaga Municipality LIM473 No 1 Groblersdal Road Next to Jane Furse Plaza 1085
Business address	No 1 Grobersdal 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
Auditors	Auditor General South Africa
Attorneys	Marweshe attorneys

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

General Information

Kwena Mahlakoana attorneys

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
SALGA	South African Local Government Association
CPI	Consumer Price Index
UIF	Unemployment Insurance Fund
SDL	Skills Development Levy
SALGBC	South African Local Government Bargaining Council

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LGSETA	Local Government Sector Education and Training Authority
VAT	Value Added Tax
DLTC	Driving License and Testing Centre

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Accounting Officer's Report

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and will be 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 2023, 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 2023. It is further important to report that the term of the Audit committee came to and end on the 30th June 2023 and a new committee was appointed by council to serve with effect from 01 August 2023 and their term will end on the 31 July 2026.

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, 2024 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 28 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 November 2022.

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.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Accounting Officer's Report

The annual financial statements set out on page 10 to 79 and appendixes as set out on pages 80 to 88, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

Accounting Officer
Mr Moganedi R.M

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Audit and Performance Committee Report

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

Audit and performance committee members and attendance

The audit and performance 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 six (06) meetings were held.

Name of member	Number of meetings attended
Old Audit and performance committee contract lapsed on the 30th June 2023	
Mpjane J.N CA(SA)(Chairperson)	6
Ngoetjana M.S CA(SA)(Member)	6
Maeyane A.K (Member)	6
New Audit and performance committee appointed for the term from 1st August 2023 to 31st July 2026	
Chuene V.K(Chairperson)	0
Ramotsheli M.P(Member)	0
Mabula R.A(Member)	0
Majuta M.S(CA)SA(Member)	0
Komane T.R(Member)	0

Audit and performance committee responsibility

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

The audit and performance 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 and performance 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 officer 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 June 30, 2023
- reviewed the risk management registers and progress report for implementation of the action plans for all four quarters of the financial year ended June 30, 2023 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 June 30, 2023 and discussed the reports with management on a quarterly basis.

The audit and performance 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.

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Annual Financial Statements for the year ended June 30, 2023

Audit and Performance Committee Report

Internal audit

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

Chairperson of the Audit and performance Committee

Date: _____

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Financial Position as at June 30, 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	4	707,345	986,807
Receivables from exchange transactions	6	2,726,706	1,758,570
VAT receivable	7	24,034,529	20,828,011
Receivables from non-exchange transactions	5	24,126,619	4,519,553
Cash and cash equivalents	3	6,644,381	104,971,637
		58,239,580	133,064,578
Non-Current Assets			
Investment property	9	513,500	209,500
Property, plant and equipment	10	422,441,678	351,138,897
Intangible assets	8	-	76,552
		422,955,178	351,424,949
Total Assets		481,194,758	484,489,527
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	45,746,086	45,872,564
Unspent conditional grants and receipts	13	71,404	-
Long service awards	12	813,000	60,000
		46,630,490	45,932,564
Non-Current Liabilities			
Post employment medical aid benefit	12	5,387,000	5,167,000
Long service awards	12	3,760,001	4,332,000
Provision - Rehabilitation of landfill site	14	8,037,416	17,667,406
		17,184,417	27,166,406
Total Liabilities		63,814,907	73,098,970
Net Assets		417,379,851	411,390,557
Accumulated surplus		417,379,851	406,437,015
Total Net Assets		417,379,851	406,437,015

* See Note 49

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Annual Financial Statements for the year ended June 30, 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Refuse removal	19	175,122	150,252
Rental of facilities and equipment	15	159,924	106,779
Licences & permits	21	5,669,320	5,376,306
Other income	16	428,176	313,085
Interest received - investment	20	7,216,512	3,024,286
Gain on disposal of assets and liabilities	24	23,977	11,006
Actuarial gains	23	1,362,059	465,129
Leave Gain	55	166,327	-
Total revenue from exchange transactions		15,201,417	9,446,843
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	46,454,278	44,418,356
Interest on outstanding debtors	17	13,535,209	38,354,991
Reversal of debt impairment loss	51	13,018,144	435,961,805
Traffic fines	18	1,092,620	215,000
Transfer revenue			
Government grants & subsidies	26	428,858,636	381,812,602
Public contributions and donations	57	3,093,765	-
Fair value adjustment-Investment property	56	304,000	-
Total revenue from non-exchange transactions		506,356,652	900,762,754
Total revenue	22	521,558,069	910,209,597
Expenditure			
Employee related costs	27	(102,010,352)	(90,238,056)
Remuneration of councillors	28	(24,227,652)	(24,322,441)
Administration	31	(15,995,321)	(9,414,080)
Depreciation and amortisation	29	(28,386,915)	(27,313,169)
Finance costs	30	(2,685,404)	(2,034,557)
Bad debts written off	52	(26,174,865)	(374,764,157)
Contracted services	32	(63,342,748)	(54,904,211)
Transfers and Subsidies	33	(2,027,497)	(1,955,378)
General Expenses	34	(82,395,135)	(64,546,316)
Auditors remuneration	35	(4,818,095)	(4,283,087)
Repairs and maintenance	36	(72,300,013)	(72,517,236)
Capital expenditure write-off (D-Roads)	37	(85,876,873)	(52,942,675)
Transfer to Eskom (Electrification)	38	(5,217,391)	(19,169,721)
Total expenditure		(515,458,261)	(798,405,084)
Surplus for the year		6,099,808	111,788,433

* See Note 49

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	285,332,433	285,332,433
Adjustments		
Prior period error (Income - Gain on disposal of assets and liabilities)	(20,434)	(20,434)
Prior period error (Accumulated depreciation - Landfil site)	2,311,234	2,311,234
Prior period error (Accumulated depreciation - Review of useful lives) 49	4,271,087	4,271,087
Balance at July 1, 2021 as restated*	291,894,321	291,894,321
Changes in net assets		
Surplus/(Deficit) for the year as previously reported	106,880,926	106,880,926
Prior period error (Accumulated depreciation - Review of useful lives)	3,932,586	3,932,586
Prior period error (Accumulated depreciation - Landfil site)	3,729,182	3,729,182
Restated* Surplus/(Deficit) for the year	114,542,694	114,542,694
Adjustments		
Prior period error (Accumulated depreciation - Landfil site)	1,922,919	1,922,919
Prior period error (Accumulated depreciation - Review of useful lives)	3,019,502	3,019,502
Prior period error (Income - Gain on disposal of assets and liabilities)	(29,344)	(29,344)
Decrease on Revenue from non exchange transactions 49	(70,050)	(70,050)
Restated* Balance at July 1, 2022	411,336,494	411,336,494
Changes in net assets		
Surplus (deficit) for the year	6,099,808	6,099,808
Total changes	6,099,808	6,099,808
Balance at June 30, 2023	417,379,851	417,379,851
Note(s)		

* See Note 49

Annual Financial Statements for the year ended June 30, 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Property rates, VAT and traffic fines		28,069,082	145,938,870
Cash received from consumers and other sources of revenue		4,876,306	5,674,653
Grants		428,930,040	381,699,252
Interest income		7,216,512	2,693,462
Other receipts		588,100	-
		469,680,040	536,006,237
Payments			
Employee costs		(101,279,293)	(89,048,264)
Suppliers		(243,178,343)	(211,439,530)
Capital expenditure written-off (D Roads)		(91,094,264)	(72,112,396)
Councillors' allowances	51	(24,227,652)	(24,322,441)
		(459,779,552)	(396,922,631)
Net cash flows from operating activities	39	9,900,488	139,083,606
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(108,282,201)	(48,562,076)
Proceeds from sale of property, plant and equipment	10	54,457	89,797
Net cash flows from investing activities		(108,227,744)	(48,472,279)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		(98,327,256)	90,611,327
Cash and cash equivalents at the beginning of the year		104,971,637	14,360,310
Cash and cash equivalents at the end of the year	3	6,644,381	104,971,637

* See Note 49

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Statement of comparison of Budget and actual amounts

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
2023										
Financial Performance										
Property rates	54,329,301	4,127,572	58,456,873	-	58,456,873	59,989,487		1,532,614	103 %	110 %
Service charges	161,500	-	161,500	-	161,500	175,122		13,622	108 %	108 %
Investment revenue	1,800,000	5,000,000	6,800,000	-	6,800,000	7,216,512		416,512	106 %	401 %
Transfers recognised - operational	333,845,000	-	333,845,000	-	333,845,000	333,845,000		-	100 %	100 %
Other own revenue	7,470,100	30,000	7,500,100	-	7,500,100	25,416,948		17,916,848	339 %	340 %
Total revenue (excluding capital transfers and contributions)	397,605,901	9,157,572	406,763,473	-	406,763,473	426,643,069		19,879,596	105 %	107 %
Employee costs	(113,662,293)	11,512,116	(102,150,177)	-	(102,150,177)	(102,010,352)	-	139,825	100 %	90 %
Remuneration of councillors	(23,596,632)	(621,658)	(24,218,290)	-	(24,218,290)	(24,227,652)	-	(9,362)	100 %	103 %
Debt debts written off	(7,340,231)	(2,165,496)	(9,505,727)		(9,505,727)	(26,174,865)	-	(16,669,138)	275 %	357 %
Depreciation and asset impairment	(37,189,191)	9,574,387	(27,614,804)		(27,614,804)	(28,386,915)	-	(772,111)	103 %	76 %
Transfers and grants	(3,144,000)	1,116,503	(2,027,497)	-	(2,027,497)	(2,027,497)	-	-	100 %	64 %
Other expenditure	(190,019,312)	(51,046,036)	(241,065,348)	-	(241,065,348)	(246,623,646)	-	(5,558,298)	102 %	130 %
Total expenditure	(374,951,659)	(31,630,184)	(406,581,843)	-	(406,581,843)	(429,450,927)	-	(22,869,084)	106 %	115 %
Surplus/(Deficit)	22,654,242	(22,472,612)	181,630	-	181,630	(2,807,858)		(2,989,488)	(1,546)%	(12)%
Transfers recognised - capital	76,915,000	18,000,000	94,915,000	-	94,915,000	94,915,000		-	100 %	123 %
Surplus (Deficit) after capital transfers and contributions	99,569,242	(4,472,612)	95,096,630	-	95,096,630	92,107,142		(2,989,488)	97 %	93 %
Surplus/(Deficit) for the year	99,569,242	(4,472,612)	95,096,630	-	95,096,630	92,107,142		(2,989,488)	97 %	93 %

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Annual Financial Statements for the year ended June 30, 2023

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
Capital expenditure and funds sources										
Total capital expenditure	188,569,250	24,527,382	213,096,632	-	213,096,632	208,917,683		(4,178,949)	98 %	111 %
Sources of capital funds										
Transfers recognised - capital	188,569,250	24,527,382	213,096,632	-	213,096,632	208,917,683		(4,178,949)	98 %	111 %

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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
Cash flows										
Net cash from (used) operating	291,003,428	(83,865,141)	207,138,287	-	207,138,287	9,900,488		(197,237,799)	5 %	3 %
Net cash from (used) investing	(188,569,250)	(28,891,877)	(217,461,127)	-	(217,461,127)	(108,227,744)		109,233,383	50 %	57 %
Net increase/(decrease) in cash and cash equivalents	102,434,178	(112,757,018)	(10,322,840)	-	(10,322,840)	(98,327,256)		(88,004,416)	953 %	(96)%
Cash and cash equivalents at the beginning of the year	104,324,847	622,762	104,947,609	-	104,947,609	104,816,799		(130,810)	100 %	100 %
Cash and cash equivalents at year end	206,759,025	(112,134,256)	94,624,769	-	94,624,769	6,489,543		88,135,226	7 %	3 %

Materiality percentage is set to be 10% of the difference against final budget

Explanation for material differences

Other own revenue

The significant fluctuation of the other own revenue figure was caused by the under budgeting for the reversal of the debt impairment, Interest on investment and the donation income received .

Bad debts written off

The bad debts written off was under budgeted by an amount of **R 16 669 138** caused by a difference between the final budget of an amount of **R 9 505 727** against the actual expenditure of an amount of **R 26 614 927**.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies

Figures in Rand	Note(s)	2023	2022
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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.

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.

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.

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.

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Summary of Significant Accounting Policies

1.6 Investment property (continued)

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.

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:

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.

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Summary of Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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	5-10 years
Motor vehicles	Straight-line	12 years
Office equipment	Straight-line	8 years
IT equipment	Straight-line	5-8 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

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Summary of Significant Accounting Policies

1.7 Property, plant and equipment (continued)

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
Landfill Assets	Straight-line	19 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	5-10 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.

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.

Makhuduthamaga Local Municipality

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Summary of Significant Accounting Policies

1.8 Site restoration and dismantling cost (continued)

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.

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.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies

1.9 Intangible assets (continued)

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).

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 2022 to 30 June 2023.

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 Segment reporting

The municipality is organised and reports to management and council on the basis of six (06) major functional areas: Executive Support, Corporate Services, Budget and Treasury Office, Community Services, Infrastructure Development services and Economic Development and Planning.

The departments are centralised to provide service delivery function to all the geographical areas namely Ward 1 to Ward 31 on implementation of infrastructure requirements of the municipality. Based on how the budget of the municipality is determined, annually the communities from all wards are consulted on their needs through the Integrated Development Plan processes. This information is then used to allocate resources available to implement these needs. Resources are not allocated based on how the unit has performed or the activity within the unit has performed, but based on the needs priorities and the available funds at the time that the municipality holds.

Municipal revenue, expenditure and assets are not reviewed as per geographical area, these are the same services across all wards and presented as a consolidated figure. The service provided to communities are the same for all wards, therefore the level of information of each ward within the municipal jurisdiction may not be relevant for decision making purposes, as such reporting of segments is deemed not applicable.

1.12 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.

Makhuduthamaga Local Municipality

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Summary of Significant Accounting Policies

1.12 Financial instruments (continued)

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 considering 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

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.

1.13 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.

1.14 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.

Makhuduthamaga Local Municipality

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Summary of Significant Accounting Policies

1.14 Leases (continued)

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.

Operating leases - lessee

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

1.15 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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

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

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

1.16 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.

Makhuduthamaga Local Municipality

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Summary of Significant Accounting Policies

1.16 Revenue (continued)

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.

1.17 Grants

Unconditional Grants

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

Conditional Grants

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.

1.18 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.

1.19 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

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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

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Summary of Significant Accounting Policies

1.21 Provisions and contingencies (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 41.

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, 2023

Summary of Significant Accounting Policies

1.21 Provisions and contingencies (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 party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability, 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, 2023

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.

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.

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

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies

1.24 Revenue from non-exchange transactions (continued)

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.

Gifts and donations, including goods in-kind

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

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.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies

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.

1.28 Comparative figures

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

1.29 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.

1.30 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.

1.31 Irregular expenditure

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

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

1.32 Events after reporting date

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

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

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

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Summary of Significant Accounting Policies

1.32 Events after reporting date (continued)

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

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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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, 2023 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
• GRAP 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	52
Bank balances	6,644,329	104,971,585
	6,644,381	104,971,637

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, 2023	June 30, 2022	June 30, 2023	June 30, 2022
ABSA BANK-4050384145 (Primary Cheque Account)	5,412,875	103,782,111	5,495,235	103,834,153
ABSA BANK-4076690079 (Salaries)	500	36,903	500	36,903
ABSA BANK-2078073033 (Term Deposit Investment)	945,046	895,949	945,046	895,949
Municipal Covid 19 Solidarity fund	203,548	204,632	203,548	204,632
Total	6,561,969	104,919,595	6,644,329	104,971,637

4. Inventories

Consumable stores	707,345	986,807
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4.1 Reconciliation of Inventory

Opening balance	986,807	1,114,718
Add: Receipts	2,989,240	4,142,165
Less: Issues	(3,268,702)	(4,270,076)
	707,345	986,807

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Receivables from non-exchange transactions		
Gross balances		
Rates	116,526,538	110,434,728
Traffic fines	1,868,850	1,371,750
	118,395,388	111,806,478
Less: Allowance for impairment		
Rates	(92,400,669)	(105,927,598)
Traffic fines	(1,868,100)	(1,359,326)
	(94,268,769)	(107,286,924)
Net balance		
Rates	24,125,869	4,507,129
Traffic fines	750	12,424
	24,126,619	4,519,553
Summary of debtors by customer classification		
Traffic Fines		
Current (0 -30 days)	51,750	45,250
31 - 60 days	71,800	4,800
61 - 90 days	64,800	18,850
91 - 120 days	23,250	13,700
121 - 365 days	1,657,250	1,288,850
	1,868,850	1,371,450
Less: Allowance for impairment	(1,868,100)	(1,359,326)
	750	12,124
Property rates - commercial		
Current (0 -30 days)	1,399,606	1,374,331
31 - 60 days	1,215,901	1,225,177
61 - 90 days	2,367,743	775,624
91 - 120 days	1,009,597	838,451
> 365 days	66,502,905	57,877,890
	72,495,752	62,091,473
Less: Allowance for impairment	(72,495,752)	(61,250,490)
	-	840,983
National and provincial government		
Current (0 -30 days)	2,555,580	2,675,161
31 - 60 days	1,998,041	2,929,806
61 - 90 days	1,898,215	4,348,019
91 - 120 days	1,856,648	3,224,374
> 365 days	35,506,389	35,165,895
	43,814,873	48,343,255
Less: Allowance for impairment	(19,689,004)	(44,677,109)
	24,125,869	3,666,146

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
5. Receivables from non-exchange transactions (continued)		
Total		
Current (0 -30 days)	4,029,286	4,105,142
31 - 60 days	3,239,842	4,165,533
61 - 90 days	4,362,540	5,164,443
91 - 120 days	3,162,610	4,086,625
> 365 days	103,624,158	94,285,735
	118,418,436	111,807,478
Less: Allowance for impairment	(94,268,769)	(107,286,924)
	24,126,619	4,519,553
Reconciliation of allowance for impairment		
Balance at beginning of the year	(107,286,924)	(543,248,802)
Reversal of allowance	13,018,144	435,961,878
	(94,268,780)	(107,286,924)

Property rates

Property rates are levied in accordance with section 2 of the local Government: Municipal Property Rates, 2004 (Act No. 6 of 2004). All properties that are within the jurisdiction of the municipality are required to be charged a property rates levy. The value of all properties are recorded in the municipal valuation roll. The municipality calculates the property rates levy by using the value of the property as well as the relevant tariff obtained from the council approved property rates policy. The tariff used in the calculation is based on the nature of the property (residential, commercial, state, businesses and farms).The property rates are charged to the owner of the property on a monthly basis. At the end of the reporting period, the municipality assesses the collectability of the outstanding debts owing from customers in respect of property rates. The assessment includes a trend analysis per customer account in order to estimate the recoverability of the outstanding debt at the financial year end. The uncollectable portion is considered to be impaired and is included in an allowances for impairment account. The effects of discounting estimated future cash flows are considered immaterial as property rates are short term receivables and the initial credit period granted is consistent with the terms used in the public sector.

Traffic fines.

Traffic fines are levied in accordance with the Administrative Adjudication of Road Traffic Offences, 1998 (Act No. 46 of 1998) (AARTO). The charge per traffic fine is based on schedule 3 of the AARTO Regulations, 2008. Interest is not charged on outstanding traffic fines. In certain circumstances, traffic fines are contested in court by the offender and the court determines the final amount payable by the offender. The provision for impairment is based on the uncollectable portion of the fine as determined by the court.

6. Receivables from exchange transactions

Accrued Income (Interest on investment and Primedia)	321,881	431,311
SALGA Levy	1,393,934	1,305,495
Other debtors - Employee	63,273	21,764
Other debtors-ABSA BANK	947,618	-
	2,726,706	1,758,570

Included in the Accrued income, R 13 560 relates to Primedia accrual and R 308 320 relates to Interest on investment accrual.

SALGA levy relates to prepayment of annual membership fee

7. VAT receivable

VAT	24,034,529	20,828,011
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Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
7. Goodwill (continued)		
Reconciliation		
Balance at the beginning of the year	20,828,011	16,075,778
Add: Net refunds as per VAT receivable	51,183,888	39,806,005
Add: current year VAT suspense - retention amount	5,473,330	4,717,517
Less: Prior year suspense- retention amount	(4,717,517)	(4,413,338)
Less: VAT Payments by SARS- Current year	(35,764,841)	(26,852,382)
Less: VAT payment by SARS - Previous year	(12,968,342)	(8,505,569)
	24,034,529	20,828,011

The municipality account for VAT on an invoice basis and the VAT receivable or VAT payable is accounted for on accrual basis as required by GRAP.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand

8. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	8,215,070	(8,215,070)	-	8,215,070	(8,138,518)	76,552

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	76,552	(76,552)	-

Reconciliation of intangible assets - 2022

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

9. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	513,500	-	513,500	209,500	-	209,500

Makhuduthamaga Local Municipality

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Figures in Rand

9. Investment property (continued)

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	209,500	304,000	513,500
	209,500	304,000	513,500

Reconciliation of investment property - 2022

	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, 2023

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,265,000	-	1,265,000	265,000	-	265,000
Buildings	63,975,084	(19,588,911)	44,386,173	58,339,619	(17,157,036)	41,182,583
Land (Landfill assets)	2,706,613	(1,513,466)	1,193,147	13,990,007	(1,258,842)	12,731,165
Motor vehicles	44,121,712	(25,743,432)	18,378,280	38,032,702	(23,215,089)	14,817,613
Office equipment	10,510,221	(6,914,586)	3,595,635	9,577,611	(6,268,747)	3,308,864
IT equipment	33,436,215	(18,741,089)	14,695,126	27,051,146	(16,442,560)	10,608,586
Infrastructure	405,426,924	(164,273,078)	241,153,846	371,468,635	(145,092,205)	226,376,430
Loose tools	5,565,016	(3,079,943)	2,485,073	4,437,816	(2,809,707)	1,628,109
Community assets	24,181,075	(4,105,128)	20,075,947	14,402,779	(3,415,208)	10,987,571
Capital work in progress	75,213,451	-	75,213,451	29,232,976	-	29,232,976
Total	666,401,311	(243,959,633)	422,441,678	566,798,291	(215,659,394)	351,138,897

Makhuduthamaga Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Disposal Accumulated depreciation	Other changes, movements	Depreciation	Total
Land	265,000	1,000,000	-	-	-	-	-	1,265,000
Buildings	41,182,583	1,432,195	-	4,203,270	-	-	(2,431,875)	44,386,173
Land (Landfill Asset)	12,731,165	-	-	-	-	(11,283,395)	(254,623)	1,193,147
Motor vehicles	14,817,613	6,089,010	-	-	-	-	(2,528,343)	18,378,280
Office equipment	3,308,864	932,610	-	-	-	-	(645,839)	3,595,635
IT equipment	10,608,586	6,415,549	(30,480)	-	10,123	-	(2,308,652)	14,695,126
Infrastructure	226,376,430	-	-	33,958,289	-	-	(19,180,873)	241,153,846
Loose tools	1,628,109	1,127,200	-	-	-	-	(270,236)	2,485,073
Community Assets	10,987,571	94,120	-	9,684,176	-	-	(689,920)	20,075,947
Capital work in progress	29,232,976	93,826,210	-	(47,845,735)	-	-	-	75,213,451
Capital Work in progress - Electricity infrastructure	-	5,217,391	-	(5,217,391)	-	-	-	-
	351,138,897	116,134,285	(30,480)	(5,217,391)	10,123	(11,283,395)	(28,310,361)	422,441,678

Makhuduthamaga Local Municipality

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Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Prior period error	Disposals	Transfers	Foreign exchange movements	Other changes, movements	Depreciation	Total
Land	265,000	-	-	-	-	-	-	-	265,000
Buildings	37,260,048	-	-	-	6,053,127	-	-	(2,130,592)	41,182,583
Land (Landfill Asset)	9,633,432	-	6,040,416	-	-	-	(2,481,688)	(460,995)	12,731,165
Motor vehicles	10,526,548	2,368,021	4,089,832	-	-	-	-	(2,166,788)	14,817,613
Office equipment	3,031,829	230,900	621,979	(49,900)	-	49,900	-	(575,844)	3,308,864
IT equipment	6,395,860	3,407,907	3,048,997	(98,557)	-	49,110	-	(2,194,731)	10,608,586
Infrastructure	225,163,487	-	-	-	19,631,351	-	-	(18,418,408)	226,376,430
Loose tools	586,565	825,855	388,089	-	-	-	-	(172,400)	1,628,109
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)	-	-	-	-
	317,725,571	67,731,797	14,189,313	(148,457)	(19,169,721)	99,010	(2,481,688)	(26,806,928)	351,138,897

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
11. Payables from exchange transactions		
Trade payables	2,411,870	5,539,911
Income received in advance	991,212	3,932,090
Creditor: Ward committee	13,201	13,201
Accrued: SDL	2,734	23,514
Accrued: Party levies	-	17,351
Leave provision	11,690,499	12,482,505
Accrued: PAYE	-	200,733
Accrued: Pension Fund	5,324	91,031
Accrued: Salary	298,616	647,399
Accrued Medical Aid	12,063	-
Bonus provision	3,254,982	2,914,752
Unknown Deposits	305,675	274,463
Retentions	26,759,910	19,735,614
	45,746,086	45,872,564

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	5,167,000	5,008,000
Current year service cost	575,000	467,000
Interest charges	645,000	252,000
Acturial (Gain) loss	(1,000,000)	(560,000)
	5,387,000	5,167,000

Net expense recognised in the statement of financial performance

Current year service cost	575,000	467,000
Interest cost	645,000	252,000
Acturial gain (loss)	(1,000,000)	(560,000)
	220,000	159,000

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(5,387,000)	(5,167,000)
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Key assumptions used

Assumptions used at the reporting date:

	2023	2022
Expected retirement age	63	63

The nominal and real zero curves were used as at June 30, 2023 supplied by the JSE to determine the disclosed rates and CPI assumptions at each relevant prime period.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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12. Defined benefit obligations (continued)

Long service awards

Long-service awards liability

Long-service awards - current liability	813,000	60,000
Long-service awards - Non-current liability	3,760,001	4,332,000
	4,573,001	4,392,000

Movements in the long service awards liability

Opening balance	4,392,000	3,693,000
Current year service cost	457,000	395,000
Interest cost	537,000	364,000
Benefits paid	(450,941)	(154,871)
Acturial (gain)/loss	(362,059)	94,871
	4,573,000	4,392,000

Expense and income recognition in surplus for the year

Current year service cost	457,000	395,000
Interest cost	537,000	364,000
Acturial (gain)/loss	(362,059)	94,871
	631,941	853,871

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:

	2023	2022	2021	2020
Long service awards	4,573,000	4,392,000	3,693,000	2,984,000

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

LG SETA Discretionary Grant	71,404	-
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Movement during the year

Balance at the beginning of the year	-	113,350
Additions during the year	170,041	114,963
Income recognition during the year	(98,637)	(228,313)
	71,404	-

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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13. Unspent conditional grants and receipts (continued)

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 their monthly stipend.

14. Provision - Rehabilitation of landfill site

The Cost of rehabilitating the Landfill Site was determined to be R8,037,416 as at the June 30, 2023 and was recognised as property, plant & equipment in the financial statement of the financial position of the municipality and a non-current liability of R8,037,416 was also recognised in the statement of the financial position for the year ended June 30, 2023.

Reconciliation - Landfill Site Provision

Opening balance	17,667,406	18,730,537
Interest charge	1,653,404	1,418,557
Change in Landfill closure provision	(11,283,394)	(2,481,688)
	8,037,416	17,667,406

15. Rental of facilities and equipment

Site rental -Premises	144,654	83,910
Venue hire	15,270	22,869
	159,924	106,779

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

16. Other income

Tender Documents	69,635	74,992
Sale of goods and rendering of services	358,541	238,093
	428,176	313,085

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.

17. Interest on outstanding debtors

Interest charged on trade and other receivables - Property rates	13,535,209	38,354,991
	13,535,209	38,354,991

Receivables are recorded when invoices are issued out to the customers for the services rendered or for non exchange transactions and must be settled within 60 days from the date of the invoice. Interests are charged on outstanding receivables at prime rate + 1 when they fall over due and are accounted for as revenue as required by GRAP.

18. Traffic Fines

Traffic fines	1,092,620	215,000
	1,092,620	215,000

Traffic fines are levied in accordance with the Administrative Adjudication of Road Traffic Offences, 1998 (Act No. 46 of 1998) (AARTO). The charge per traffic fine is based on schedule 3 of the AARTO Regulations, 2008.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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18. Traffic Fines (continued)

Interest is not charged on outstanding traffic fines.

In certain circumstances, traffic fines are contested in court by the offender and the court determines the final amount payable by the offender. The provision for impairment is based on the uncollectable portion of the fine as determined by the court.

19. Refuse removal

Refuse removal	175,122	150,252
	175,122	150,252

20. Interest received (Investment revenue)

Interest revenue

Bank and investments	7,216,512	3,024,286
	7,216,512	3,024,286

21. Licenses and permits

Agency fee for Sekhukhune and Nebo DLTCs	5,669,320	5,376,306
	5,669,320	5,376,306

The municipality is rendering service of licenses and permits on behalf of the department of transport and community safety and is retaining an agency fees in terms of the signed service level agreement with the department.

22. Revenue

Refuse removal	175,122	150,252
Rental of facilities and equipment	159,924	106,779
Licences & permits	5,669,320	5,376,306
Actuarial Gain	1,362,059	465,129
Other income	428,176	313,085
Interest received - investment	7,216,512	3,024,286
Property rates	46,454,278	44,418,356
Interest on outstanding debtors	13,535,209	38,354,991
Traffic fines	1,092,620	215,000
Government grants & subsidies	428,858,636	381,812,602
Gain on disposal of assets	23,977	11,006
Reversal of debt impairment allowance	13,018,144	435,961,805
Leave Gain	166,327	-
Fair value adjustment-Investment property	304,000	-
Public contributions and donations	3,093,765	-
	521,558,069	910,209,597

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
22. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Refuse removal	175,122	150,252
Rental of facilities and equipment	159,924	106,779
Licences & permits	5,669,320	5,376,306
Gain on disposal of assets	23,977	11,006
Other income	428,176	313,085
Actuarial gains/losses	1,362,059	465,129
Interest received - investment	7,216,512	3,024,286
Leave Gain	166,327	-
	15,201,417	9,446,843
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	46,454,278	44,418,356
Property rates - Interest on outstanding debtors	13,535,209	38,354,991
Traffic fines	1,092,620	215,000
Transfer revenue		
Government grants & subsidies	428,858,636	381,812,602
Reversal of debt impairment allowance	13,018,144	435,961,805
Fair value adjustment-Investment property	304,000	-
Public contributions and donations	3,093,765	-
	506,356,652	900,762,754
23. Actuarial (Gain)/loss		
Long service awards - Actuarial (Gain)/loss	(362,059)	94,871
Post employment medical aid - Actuarial (Gain)/loss	(1,000,000)	(560,000)
	(1,362,059)	(465,129)
24. Gain on disposal of assets and liabilities		
Gain 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	23,977	11,006

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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25. Property rates

Rates received

Commercial	13,047,469	11,243,950
State	30,987,692	30,383,837
Agricultural	2,419,117	2,790,569
	46,454,278	44,418,356

Valuations

Residential	145,166,000	145,166,000
Commercial	1,250,324,000	1,250,324,000
State	1,881,798,000	1,881,798,000
Municipal	71,332,000	71,332,000
Social	29,600,000	29,600,000
	3,378,220,000	3,378,220,000

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 consider 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.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
26. Government grants & subsidies		
Operating grants		
Equitable share	324,200,000	296,332,000
Municipal Infrastructure Grant (MIG)	94,915,000	61,777,288
Finance Management Grant (FMG)	1,720,000	1,650,000
Integrated National Electrification (DOE Grant)	6,000,000	20,000,000
EPWP Grant	1,925,000	1,825,000
LG-SETA - Discretionary Grant	98,636	228,314
	428,858,636	381,812,602
LG-SETA - Discretionary Grant		
Balance unspent at beginning of year	-	113,350
Current-year receipts	170,041	114,963
Conditions met - transferred to revenue	(98,637)	(228,313)
	71,404	-
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. As at 30 June 2023 an amount of R 71 404 was not yet spent and a liability was disclosed as per note 13.		
Finance Management Grant		
Current-year receipts	1,720,000	1,650,000
Conditions met - transferred to revenue	(1,720,000)	(1,650,000)
	-	-
All conditions as per the DoRA were met and the grant was transferred to revenue.		
Municipal Infrastructure Grant		
Current-year receipts	94,915,000	61,777,288
Conditions met - transferred to revenue	(94,915,000)	(61,777,288)
	-	-
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	1,925,000	1,825,000
Conditions met - transferred to revenue	(1,925,000)	(1,825,000)
	-	-
INEP Grant		
Current-year receipts	6,000,000	20,000,000
Conditions met - transferred to revenue	(6,000,000)	(20,000,000)

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

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

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

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
27. Employee related costs		
Basic salary	57,989,149	50,135,343
Bonus	4,679,968	4,238,546
Medical aid - company contributions	5,482,746	5,146,365
UIF	400,947	357,489
SDL	836,421	732,440
Leave pay provision charge	22,151	1,325,300
Pension contributions	10,842,753	9,774,544
Overtime payments	2,145,837	1,237,979
Long-service awards - Current service cost(Post employment benefits)	1,182,000	862,000
Car allowance	12,847,585	11,378,300
Housing benefits and allowances	3,144,013	2,880,904
Bargaining council	24,689	20,909
Clothing allowance	32,248	38,575
Cellphone allowance	2,379,845	2,109,362
	102,010,352	90,238,056

Remuneration of municipal manager (Ms Rampedi M.N)

Basic salary	-	640,552
Car Allowance	-	261,687
Medical aid Contribution	-	85,447
UIF contribution	199	2,148
SALGBE	-	124
SDL	1,044	12,623
Retirement Annuity Contribution	-	78,003
Remote Allowance	1,804	41,540
Travel claims	-	14,121
Leave payout	-	204,381
Performance bonus	-	53,379
Backpay Basic salary	9,608	-
Non Pension fund contribution	20,340	-
Backpay Travel allowance	8,013	-
Backpay cellphone allowance	289	-
	41,297	1,394,005

Remuneration of Chief Financial Officer (Mr Moganedi R.M)

Basic Salary	223,612	498,335
Travel Allowance	111,806	239,529
Cellphone Allowance	18,634	39,083
Housing Allowance	-	5,711
Travel Claim	3,164	3,406
Contribution Medical Aid	18,634	46,760
Contribution UIF	1,112	1,948
SDL	5,592	9,882
SALGBBE	65	113
Remote Allowance	13,963	22,489
Long service Award	-	20,638
Leave Payout	-	171,357
Performance Bonus	-	44,722
Acting allowance	25,971	-
Backpay Acting allowance-MM	17,314	-
Backpay Basic Salary	21,547	-

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
27. Employee related costs (continued)		
Non Pension Fund	40,680	-
Backpay Travel Allowance	8,771	-
Backpay Cellphone Allowance	1,462	-
Backpay Medical Aid	1,462	-
Backpay Remote Allowance	12,393	-
	526,182	1,103,973
Acting Chief Financial Officer Mr Makgalemane T.M (from 1st January 2023 to 31st March 2023)		
Acting allowance	11,924	12,796
Backpay acting allowance	10,047	-
Remote allowance	6,052	-
Backpay Remote allowance	3,299	-
Graduity	5,085	-
SDL	94	-
	36,501	12,796
Acting Chief Financial Officer Mr Mothapo KT (from 1st July 2022 to 31st December 2022)		
Acting allowance	15,874	-
Backpay acting allowance	28,069	-
Remote allowance	5,367	-
Backpay Remote allowance	14,979	-
Graduity	10,170	-
SDL	189	-
	74,648	-
Acting Chief Financial Officer Mr Mathabathe CS (from 1st April 2023 to 30th June 2023)		
Remote allowance	6,052	-
Backpay Remote allowance	3,299	-
Graduity	5,085	-
SDL	13	-
	14,449	-
Senior manager: Corporate services (Ms Mahlare M.A)		
Basic Salary	540,022	536,668
Travel Allowance	232,512	231,286
Medical Aid Contribution	126,396	124,596
Contribution to UIF	2,125	2,125
SDL	11,341	124
SALGBE	130	8,251
Travel Claim	38,615	18,084
Remote Allowance	37,277	35,778
Long service award	-	41,276
Performance Bonus	-	53,667
Leave payout	174,283	-
Acting allowance	6,392	-
Backpay Basic Salary	29,088	-
Non Pension Fund	40,680	-
Backpay Travel Allowance	12,392	-
Backpay Medical Aid	22,154	-
Backpay Remote	1,090	-

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
27. Employee related costs (continued)	1,274,497	1,051,855
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	494,629	536,668
Travel Allowance	181,468	196,956
Cellphone allowance	24,446	26,343
Housing Allowance	-	71,560
Contribution to Pension	60,783	61,022
Contribution to UIF	1,961	2,125
SALGBE	119	124
SDL	10,473	8,094
Remote Allowance	33,825	35,778
Long service Award	-	20,638
Travel Claim	21,048	6,857
Performance Bonus	-	53,667
Leave payout	174,283	-
Backpay Basic Salary	27,727	-
Backpay Travel Allowance	9,884	-
Backpay Cellphone Allowance	2,162	-
Backpay Housing Allowance	3,690	-
Non Pension fund contribution	38,985	-
Housing Allowance	65,953	-
Backpay Remote	999	-
Backpay pension	1,748	-
	1,154,183	1,019,832
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	540,022	536,668
Travel Allowance	196,175	194,493
Long service award	-	20,638
Contributions to Medical Aid	134,873	133,939
Contribution ot UIF	2,125	2,125
SALGBE	130	124
SDL	10,321	9,101
Remote Allowance	36,851	35,778
Cellphone Allowance	27,861	27,450
Performance Allowance	-	44,722
Backpay Basic Salary	29,088	-
Non Pension Fund	40,680	-
Backpay Travel Allowance	12,348	-
Backpay Cellphone Allowance	2,414	-
Backpay Medical Aid	7,633	-
Backpay Remote	1,089	-

Makhuduthamaga Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
27. Employee related costs (continued)	1,041,610	1,005,038
Senior manager Economic Development and planning (Mr Thabela A.P)		
Basic Salary	540,022	536,668
Travel Allowance	135,006	134,167
Cellphone Allowance	19,251	19,119
Contributions to Pension Funds	120,378	118,067
Contribution to Medical Aid	86,104	84,529
Contribution to UIF	2,125	2,125
SALGBE	130	124
SDL	10,548	9,015
Travel claim	24,696	-
Remote Allowance	36,851	35,778
Performance Bonus	-	44,722
Non Pension Fund contribution	40,680	-
Backpay Medical Aid	8,632	-
Backpay Travel Allowance	7,272	-
Backpay Cellphone Allowance	1,085	-
Backpay Basic Salary	29,088	-
Backpay Remote	1,089	-
Backpay Pension	3,577	-
	1,066,534	984,314
Acting Senior manager: community services (Mrs Make M.M for December 2022)		
Acting allowance	4,883	-
Backpay Acting allowance	1,257	-
Remote allowance	2,752	-
Backpay Remote allowance	84	-
	8,976	-
Remuneration of municipal manager (Mr Moganedi RM)		
Basic Salary	377,659	-
Travel Allowance Allowance	188,830	-
Cellphone Allowance	31,472	-
Contributions to Medical Aid	31,472	-
SALGBE	76	-
SDL	6,247	-
Travel Claim	11,081	-
Remote Allowance	25,684	-
UIF	1,240	-
Backpay Basic Salary	12,979	-
Backpay Cellphone Allowance	1,082	-
Backpay Travel Allowance	6,490	-
Backpay Medical Aid	1,082	-
Backpay remote allowance	759	-
	696,153	-

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
28. Remuneration of councillors		
Mayor	935,138	936,109
Council speakers	756,405	759,878
Executive Committee Members	4,759,880	4,699,833
Other councillors basic salary	9,879,285	9,883,297
Councillors pension contribution	1,743,733	1,735,152
Travel allowance	3,879,966	3,873,340
Travel claims	56,316	27,123
Cellphone allowance	2,077,400	2,091,650
Skills development levy	139,529	134,062
Data cards (62 councillors)	-	181,997
	24,227,652	24,322,441

The remuneration and allowances of the political office bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the constitution.

The municipal council consists of 62 councillors and none of the councillors owe the municipality any amounts in a form of unpaid rates and taxes or any other services.

Remuneration and allowances of selected members of the council

Mayor- Cllr Maitula B.M

Basic Salary	565,269	565,262
Cellphone allowance	40,800	40,800
Contributions to pension fund	320,098	320,076
SDL and Data cards	8,971	9,968
	935,138	936,106

Former Council speaker - Cllr Tala M.A

Basic Salary	-	161,612
Cellphone allowance	-	14,507
Contributions to pension fund	-	88,879
SDL and Data cards	-	2,703
	-	267,701

Council speaker - Cllr Mphelane MJ

Basic Salary	462,210	291,424
Cellphone allowance	40,800	26,293
Contributions to pension fund	246,286	165,712
SDL and Data cards	7,109	6,748
	756,405	490,177

Members of the Executive Committee

Basic Salary	2,659,048	2,693,759
Travel allowance	1,079,090	1,055,260
Cellphone allowance	388,000	370,827
Contributions to pension fund	504,090	461,775
Travel Claims, SDL and Data cards	129,652	118,212
	4,759,880	4,699,833

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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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	28,310,363	26,806,925
Intangible assets	76,552	506,244
	28,386,915	27,313,169

30. Finance costs

Interest cost: Employee benefit obligations	1,032,000	616,000
Interest cost: Landfill site provision	1,653,404	1,418,557
	2,685,404	2,034,557

31. Administrative expenditure

Ward committee incentives	5,701,100	2,124,000
Administration and management fees	10,294,221	7,290,080
	15,995,321	9,414,080

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
32. Contracted services		
Cash collection services	138,426	290,316
Financial system support	88,357	13,720
Operating Leases	5,054,514	2,799,679
Cleaning Services	5,732,278	5,508,733
Security services	26,424,000	18,321,946
Solid waste collection	25,905,173	27,969,817
	63,342,748	54,904,211

Reclassification of contracted services

In the prior year 2021/2022 contracted services was combined in to the following categories :

Operating Leases and cash Collection Services - R 3 103 715

Development of Valuation roll - R 0.00

Cleaning and Security Services - R 51 800 497

In the current year contracted services was separated into their respective line items in order to achieve fair presentation.

33. Transfer and subsidies

Indigent grants (Free Basic Electricity)	2,027,497	1,955,378
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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.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
34. General expenses		
Advertising	2,697,759	854,768
Bank charges	279,445	204,289
Consulting and professional fees	11,563,209	4,486,051
Consumables	3,268,702	4,270,096
Entertainment	-	24,164
Insurance	1,732,790	1,337,155
IT operational expenses	-	1,000,000
Marketing	1,043,685	767,236
Promotions and sponsorships	5,235,971	4,789,107
Fleet Management & system	54,609	141,088
Fuel and oil	6,232,489	4,894,084
Promotions	2,142,222	2,182,185
Protective clothing	1,619,180	-
Staff welfare	-	72,900
Telephone and fax	1,751,831	1,439,421
Training	5,371,862	6,070,684
Travel and Accommodation	5,943,468	1,574,764
Spatial planning-Demarcation of sites	688,600	314,783
Water and Electricity	3,990,779	2,670,263
SMME support	10,650	222,640
Sitting Allowance Ex-officio	-	68,000
Publications	8,952,840	7,659,490
Audit committee support	428,600	420,463
Bursary fund	2,434,824	3,170,585
Legal costs and Development of by-laws	4,489,822	2,913,439
Customer care	378,315	58,399
Financial system support (Implementation of mSCOA)	3,942,220	6,018,935
Vehicle tracking	95,156	96,615
Disaster Relief Fund	2,291,546	2,030,522
EPWP	5,754,561	4,794,190
	82,395,135	64,546,316
35. Auditors' remuneration		
Current Year Audit fees	4,818,095	4,283,087
	4,818,095	4,283,087
36. Repairs and maintenance		
Repairs and maintenance: Infrastructure	40,589,950	47,915,515
Repairs and maintenance: Municipal facilities	31,710,063	24,601,721
	72,300,013	72,517,236
37. Capital expenditure write-off (D-Roads)		
Capital expenditure write-off (D-Roads)	85,876,873	52,942,675
	85,876,873	52,942,675

The capital expenditure write-off (D-Roads) amount of R 85 876 873 relates to the D-roads projects which are completed and transferred to RAL (Road agency limpopo).

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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38. Transfer to Eskom (Electrification)

Transfer to Eskom (Electrification)	5,217,391	19,169,721
	5,217,391	19,169,721

Department of Energy transferred an amount of R 6 000 000 to the municipality to construct electrification projects at various villages around Makhuduthamaga local municipality for the year 2022/2023 and the municipality spent R 6 000 000 on the capital electrification projects and transferred the assets to Eskom at year end as per the conditions of the INEP grant.

39. Cash generated from operations

Surplus	6,099,808	111,788,433
Adjustments for:		
Depreciation and amortisation	28,386,915	27,313,169
(Gain)/Loss on disposal of assets	(23,977)	(11,006)
Fair value adjustments	(304,000)	-
Leave Gain	(166,327)	-
Current service cost - Post employment benefits & Long service awards	1,182,000	862,000
Interest costs - Post employment benefits & Long service awards	2,685,404	2,034,557
Actuarial (Gain/Loss-Post employment medical aid benefits & Long service awards	(1,362,059)	(465,129)
Non-cash donations and other in-kind benefits	(3,093,765)	-
Other non-cash items	-	184
Long service awards paid	(450,941)	(154,872)
Reversal of debt impairment allowance	(13,018,144)	(435,961,804)
Changes in working capital:		
Inventories	279,462	127,911
Receivables from exchange transactions	(968,136)	(514,064)
Receivables from non exchange transactions	(6,838,160)	434,636,551
Payables from exchange transactions	(126,478)	4,293,259
VAT	(3,205,518)	(4,752,233)
Unspent conditional grants and receipts	71,404	(113,350)
Long service award	753,000	-
	9,900,488	139,083,606

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
40. Commitments		
Authorised operating and capital expenditure		
Already contracted for but not provided for		
• Operational commitment	114,903,479	164,500,716
	114,903,479	164,500,716
Already contracted for but not provided for		
• Capital commitment	171,362,750	104,373,846
	171,362,750	104,373,846
Total capital commitments		
Operational commitment	114,903,479	164,500,716
Capital Commitment	171,362,750	104,373,846
	286,266,229	268,874,562
Total commitments		
Total commitments		
Authorised capital expenditure	286,266,229	268,874,562

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 June 30, 2023 amount to R 171 362 750 for capital commitments and R 114 903 479 for Operational commitments. Contracts of which the amount disclosed is for more than on financial year.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
41. Contingent Liabilities		
Masanya Construction vs Makhuduthamaga Local Municipality	175,551	175,551
Alfred Malekane vs Makhuduthamaga Local Municipality	4,627,790	3,638,141
Ratale Mashifane attorneys vs Makhuduthamaga Local Municipality	65,519	65,519
Onnica Sehlola vs Makhuduthamaga Local Municipality	81,459	81,459
City Patrick vs Makhuduthamaga Local Municipality	2,400,000	-
	7,350,319	3,960,670

Masanya Construction vs Makhuduthamaga Local Municipality

The municipality penalised Masanya construction for an amount of R 175 551 the reason for the penalties was that Masanya 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 (Masanya 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 4 627 790.

Ratale Mashifane Attorneys vs Makhuduthamaga Municipality

Ratale Mashifane Attorneys has issued the summons against municipality wherein he demanded to be paid an amount of R 65 519 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 Oposed 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 R 81 549 for the damage caused by pothole. The plaintiff has not served the municipality 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.

City Patrick Maphutha Vs Makhuduthamaga municipality

City Patrick Maphutha issued summons against the municipality demanding that he be appointed in the position of senior manager community services which was re-advertised in 2018. The municipality opposed the application in court of law and as year end the matter was still on. The amount of R 2 400 000 contingent liability was informed by Mr Maphutha CP's settlement request amount that was sent to the municipality. In the prior year the probability of the case was to remote hence it was not disclosed.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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Figures in Rand	2023	2022
42. Related parties		
Related party transactions		
Section 57 Employees		
Municipal Manager (Ms Rampedi M.N)	41,297	1,394,005
Municipal Manager (Mr Moganedi RM)	696,153	-
Senior Manager: Corporate Services (Ms Mahlare M.A)	1,274,497	1,051,855
Senior Manager: Community Services (Ms Marishane)	1,154,182	1,019,832
Senior Manager: Budget & Treasury (CFO) (Mr Moganedi R.M)	526,182	1,103,973
Senior Manager: Economic Development & Planning (Mr Thabela A.P)	1,066,534	984,314
Senior Manager: Infrastructure Development (Mr Segale M.A)	1,041,610	1,005,038
South African Local Government Association		
Annual membership fee	1,393,934	1,305,496
South African Local Government Association		
An amount of R 1 393 934 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 the year ended 30 June 2022 and R 528 774 for the year ended 30 June 2023 while he serves as acting Chief Financial Officer at Sekhukhune District Municipality.		
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	10,498,389	10,680,045

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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Figures in Rand

42. Related parties (continued)

Remuneration of councillors

Councillors

2023

	Basic salary	Cellphone Allowance	Car Allowance	Pension, SDL, data cards and travel claims	Total
Name					
ClIr Thamaga MM(Chief whip)	423,947	40,800	166,254	81,232	712,233
ClIr Maitula B.M (Mayor)	565,269	40,800	-	329,076	935,145
ClIr Mahlase NE	236,512	40,800	92,750	48,762	418,824
ClIr Mogide LS	178,884	40,800	70,151	34,119	323,954
ClIr Mphelane MJ(Speaker)	452,210	40,800	-	263,395	756,405
ClIr Aphane M.N	178,884	40,800	70,151	37,392	327,227
ClIr Mohlala M.J	423,947	40,800	166,254	80,302	711,303
ClIr Diketane S.P (MPAC Chairperson)	415,429	40,800	162,914	82,492	701,635
ClIr Masemola M.E	178,884	40,800	70,151	34,119	323,954
ClIr Mapheto M.T	178,884	40,800	70,151	34,119	323,954
ClIr Mokalapa S.B	29,814	6,800	11,692	5,679	53,985
ClIr Phala M	423,947	40,800	166,254	99,728	730,729
ClIr Mokomane M.L	229,568	40,800	90,027	43,671	404,066
ClIr Matjomane N.M	423,947	40,800	166,254	135,492	766,493
ClIr Rankoe T.P	236,512	40,800	92,750	50,434	420,496
ClIr Thokwane K.Z	229,568	40,800	90,027	43,671	404,066
ClIr Mosoane E.M	229,568	40,800	90,027	50,747	411,142
ClIr Mahlase M.M	236,512	40,800	92,750	53,565	423,627
ClIr Morodi P.E	178,884	40,800	70,151	34,119	323,954
ClIr Makobe P.A	178,884	40,800	70,151	34,119	323,954
ClIr Makua S.S	178,884	40,800	70,151	35,683	325,518
ClIr Lethuba M.P	178,884	40,800	70,151	36,586	326,421
ClIr Masemola P.T	178,884	40,800	70,151	37,619	327,454

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42. Related parties (continued)

Cllr Mmotong M.L	178,884	40,800	70,151	34,119	323,954
Cllr Tshehla M.B	178,884	40,800	70,151	34,119	323,954
Cllr Kgatuke L.D	178,884	40,800	70,151	34,119	323,954
Cllr Machai M.J	178,884	40,800	70,151	34,119	323,954
Cllr Malatjie B.T	178,884	40,800	70,151	35,052	324,887
Cllr Maepa K.J	178,884	40,800	70,151	37,584	327,419
Cllr Matsomane E.M	178,884	40,800	70,151	34,119	323,954
Cllr Mashegoana M.C	178,884	40,800	70,151	35,697	325,532
Cllr Tshehla M.Z	178,884	40,800	70,151	34,904	324,739
Cllr Moretsele L.P	236,518	40,800	92,750	46,148	416,216
Cllr Morwamakoti M	229,568	40,800	90,027	43,671	404,066
Cllr Kgaphola R.K	178,884	40,800	70,151	34,119	323,954
Cllr Ngwanatsoba M.G	178,884	40,800	70,151	34,119	323,954
Cllr Sebowane SH	178,884	40,800	70,151	34,119	323,954
Cllr Nkadimeng K.T	178,884	40,800	70,151	34,125	323,960
Cllr Hleko K	178,884	40,800	70,151	36,659	326,494
Cllr Moshabane D	178,884	40,800	70,151	35,111	324,946
Cllr Thokwane G.A	178,884	40,800	70,151	34,119	323,954
Cllr Mothupi S.M	178,884	40,800	70,151	34,128	323,963
Cllr Selala P.T	178,884	40,800	70,151	34,119	323,954
Cllr Vilakazi S.M	178,884	40,800	70,151	34,119	323,954
Cllr Rantho P.K	178,884	40,800	70,151	34,119	323,954
Cllr Mokalapa M.S	134,169	30,600	52,613	25,599	242,981
Cllr Boshielo M.P	178,884	40,800	70,151	34,119	323,954
Cllr Piitjo M.H	229,568	40,800	90,027	45,291	405,686
Cllr Maduana H.D	178,884	40,800	70,151	34,119	323,954
Cllr Mampana M.A	229,568	40,800	90,027	43,660	404,055
Cllr Ntobeng M.L	178,884	40,800	70,151	34,119	323,954
Cllr Tsatsi M.D	178,884	40,800	70,151	34,119	323,954
Cllr Mogashoa K.J	178,884	40,800	70,151	34,635	324,470
Cllr Lekoana M.D	178,884	40,800	70,151	34,119	323,954
Cllr Machaba M.G	236,512	40,800	92,750	46,322	416,384
Cllr Moretsele M.A	178,884	40,800	70,151	36,210	326,045
Cllr Mohlakwane S.S	178,884	40,800	70,151	36,293	326,128

Makhuduthamaga Local Municipality

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Notes to the Annual Financial Statements

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42. Related parties (continued)

Cllr Maapea R.S	178,884	40,800	70,151	44,968	334,803
Cllr Malaka M.S	236,512	40,800	92,750	87,245	457,307
Cllr Tau T.T	178,884	40,800	70,151	36,744	326,579
Cllr Ngwato O.M	178,884	40,800	70,151	34,119	323,954
Cllr Lerobane M.M	164,257	40,800	70,151	34,119	309,327
Cllr Monakedi M.J	178,884	40,800	70,151	34,119	323,954
	13,587,666	2,526,200	4,935,239	3,178,547	24,227,652

Makhuduthamaga Local Municipality

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42. Related parties (continued)

2022

Name	Basic salary	Cellphone allowance	Car allowance	Pension, SDL, data cards and travel claims	Total
CLlr Maitula B.M (Mayor)	565,262	40,800	-	330,047	936,109
CLlr Tala M.A (Former Speaker)	161,612	14,507	-	91,582	267,701
CLlr Mphelane MJ (Current Speaker)	291,424	26,293	-	172,460	490,177
CLlr Chego D.K (Former Chief Whip)	151,512	14,507	59,112	27,620	252,751
CLlr Thamaga MM (Current Chief Whip)	273,210	26,293	107,141	54,483	461,127
CLlr Mankge H.N	151,512	14,507	59,112	26,711	251,842
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 M.J	84,525	15,413	32,978	15,550	148,466
CLlr Maloma P.T	84,525	14,507	32,978	15,550	147,560
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	251,842
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	143,688
CLlr Dolamo M.F	63,930	14,507	24,943	12,104	115,484
CLlr Madhlaba 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 Thokwane M.J	48,133	11,740	18,756	9,077	87,671
CLlr Shikoane M.L	63,930	14,507	24,943	12,104	115,484
CLlr Mokomane M.L	224,842	41,707	88,173	45,452	400,174
CLlr Daile K.E	82,044	15,413	32,010	15,217	144,684
CLlr Seboane T.M	63,930	14,507	24,943	12,194	115,574
CLlr Leshalabe M.M	82,044	15,413	31,010	15,217	143,684
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

Makhuduthamaga Local Municipality

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42. Related parties (continued)

Cllr Lerobane M.P	84,525	15,413	32,978	15,631	148,547
Cllr Rankoe T.P	236,512	41,706	92,750	56,848	427,816
Cllr Thokoane K.Z	206,821	41,707	81,106	44,263	373,897
Cllr Mosoane E.M	206,821	41,707	81,107	54,403	384,038
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	116,390
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	24,943	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	326,781
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 Phala M	357,303	40,800	140,199	73,767	612,069
Cllr Matjageng D.B	63,930	14,507	24,943	12,104	115,484
Cllr Maduane K.A	63,930	15,413	24,943	12,104	116,390
Cllr Mothogwane 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
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	329,558

Makhuduthamaga Local Municipality

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42. Related parties (continued)

Cllr Magashule M.E	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 Phala M.M	63,930	14,507	24,943	12,104	115,484
Cllr Malaka MS	152,419	26,293	59,772	46,392	284,876
Cllr Masemola PT	115,281	26,293	45,208	24,515	211,297
Cllr Mmotong ML	115,281	26,293	45,208	24,515	211,297
Cllr Tshehla MB	115,281	26,293	45,208	24,515	211,297
Cllr Kgatuke LD	115,281	26,293	45,208	24,515	211,297
Cllr Machai MJ	115,281	26,293	45,208	26,457	213,239
Cllr Malatjie BT	115,281	26,293	45,208	28,843	215,625
Cllr Maepa KJ	115,281	26,293	45,208	24,515	211,297
Cllr Matsomane EM	115,281	26,293	45,208	24,515	211,297
Cllr Mashegoana MC	115,281	26,293	45,208	25,747	212,529
Cllr Tshehla M.Z	115,281	26,293	45,208	24,515	211,297
Cllr Moretsele LP	152,419	26,293	59,772	34,886	273,370
Cllr Morwamakoti M	143,217	26,293	56,164	29,823	255,497
Cllr Kgaphola RK	115,281	26,293	45,208	27,981	214,763
Cllr Ngwanatsoba MG	115,281	26,293	45,208	24,515	211,297
Cllr Sebowane SH	115,281	26,293	45,208	24,515	211,297
Cllr Nkadimeng KT	115,281	26,293	45,208	27,271	214,053
Cllr Hleko K	115,281	26,293	45,208	24,515	211,297
Cllr Moshabane D	115,281	26,293	45,208	24,515	211,297
Cllr Thokwane GA	115,281	26,293	45,208	24,515	211,297
Cllr Mothupi SM	115,281	26,293	45,208	29,122	215,904
Cllr Selala PT	115,281	26,293	45,208	24,515	211,297
Cllr Vilakazi SM	115,281	26,293	45,208	24,515	211,297
Cllr Rantho PK	115,281	26,293	45,208	24,515	211,297
Cllr Mokalapa MS	115,281	26,293	45,208	24,515	211,297
Cllr Boshielo MP	115,281	26,293	45,208	25,534	212,316
Cllr Pitjo MH	142,266	26,293	55,791	35,207	259,557
Cllr Maduana HD	115,281	26,293	45,208	24,515	211,297
Cllr Mampana MA	142,266	26,293	55,791	29,644	253,994
Cllr Ntobeng ML	115,281	26,293	45,208	24,515	211,297
Cllr Tsatsi MD	115,281	26,293	45,208	24,515	211,297

Makhuduthamaga Local Municipality

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Notes to the Annual Financial Statements

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42. Related parties (continued)

CLlr Mogashoa KJ	115,281	26,293	45,208	27,152	213,934
CLlr Mahlase NE	152,419	26,293	59,763	31,586	270,061
CLlr Modige MS	110,781	26,293	45,208	24,515	206,797
CLlr Lekoana MD	115,281	26,293	45,208	24,515	211,297
CLlr Masemola ME	115,281	26,293	45,208	25,747	212,529
CLlr Aphane MN	115,281	26,293	45,208	24,515	211,297
CLlr Moretsele MA	115,281	26,293	45,208	24,515	211,297
CLlr Lethuba MP	115,281	26,293	45,208	32,015	218,797
CLlr Mohlakwane SS	115,281	26,293	45,208	25,977	212,759
CLlr Maaopea RS	115,281	26,293	45,208	26,557	213,339
CLlr Machaba MG	152,419	26,293	59,772	34,031	272,515
CLlr Tau TT	115,281	26,293	45,208	29,029	215,811
CLlr Ngwato OM	115,281	26,293	45,208	24,515	211,297
CLlr Lerobane MM	125,374	26,293	52,952	27,792	232,411
CLlr Monakedi MJ	115,281	26,293	45,208	24,515	211,297
CLlr Matjeding MJ	22,222	3,649	7,407	643	33,921
	13,595,353	2,544,076	4,928,600	3,254,447	24,322,441

43. 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.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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43. Risk management (continued)

Credit risk

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

Financial instrument	2023	2022
Receivables from non-exchange transactions	24,126,619	4,519,553
Receivables from exchange transactions	2,726,706	1,758,570
Cash & cash equivalents	6,644,381	104,971,637
VAT Receivable	24,034,529	20,828,011
Maximum Risk Exposure	57,532,235	132,077,771

44. Unauthorised expenditure

Opening balance as previously reported	7,049,638	86,261,879
Add: Unauthorised expenditure - current	18,820,598	7,049,638
Add: Unauthorised expenditure - prior period	-	(86,261,879)
Less: Amount written off - current	(7,049,638)	-
Closing balance	18,820,598	7,049,638

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

Non-cash	18,820,598	22,928,440
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Analysed as follows: non-cash

Finance charges	2,151,460	-
Debt impairment write off	16,669,138	-
	18,820,598	-

Analysed as follows: cash

General expenditure	-	7,049,638
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Unauthorised expenditure: Budget overspending – per municipal department:

Executive support	-	1,778,949
Community services	-	4,503,837
Corporate services	-	766,852
Budget and treasury Office	18,820,598	-
	18,820,598	7,049,638

Council Approval on unauthorised expenditure

During the current year ended June 30, 2023, 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 R 7 049 638 was approved by council to be written off as irrecoverable. A prior period error is disclosed for the unauthorised expenditure that was written in the prior years.

Makhuduthamaga Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
45. Fruitless and wasteful expenditure		
Opening balance as previously reported	64,753	463,183
Less: Amount written off - prior period	-	(398,430)
Closing balance	64,753	64,753

The amount of R 64 753 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 2022/2023 financial year.

The municipal council took the resolution to recover the fruitless and wasteful expenditure incurred to an amount of R 64 753 from the responsible official and the matter has been referred to the Financial misconduct board and waiting a verdict. As at year end the matter was not yet finalised.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

Figures in Rand	2023	2022
46. Irregular expenditure		
Opening balance as previously reported	60,372,864	26,401,491
Add: Irregular expenditure - current	6,661,732	65,727,853
Add: Irregular expenditure - prior period	-	(27,221,540)
Less: Amount recovered - current	-	(4,534,940)
Less: Amount written off - current	(66,969,496)	-
Closing balance	65,100	60,372,864

As per MFMA circular no 68 municipalities are advised 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 2022/23. The irregular expenditure disclosed above is VAT inclusive.

The council of the municipality took a decision to recover the balance of R 65 100 of the irregular expenditure and matter is being referred to the Financial misconduct board for a verdict.

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

Notes to the Annual Financial Statements

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2022

46. Irregular expenditure (continued)

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

	Status of Irregular Expenditure		
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 approved by council to be written off as irregular	-	17,329,422
The bid was advertised for a period of 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 approved by council to be written off as irregular	330,282	237,259
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 approved by council to be written off as irregular	-	13,668,563
Bidder did not initialize one page	The irregular expenditure was identified by the Auditor General during the previous year Audit and was approved by council to be written off as irregular	3,204,148	1,724,749
Appointment of the highest quote without justification	The irregular expenditure was identified by the Auditor General during the previous year Audit and was approved by council to be written off as irregular	-	28,750
Award to person in service of the state	The irregular expenditure was identified by the Auditor General during the previous year Audit and was approved by council to be written off as irregular	-	34,600
The awarded and the competing supplier are using the same address	The irregular expenditure was identified by the Auditor General during the previous year Audit and was approved by council to be written off as irregular	-	29,250
The supplier did not complete the local content declaration fully	The irregular expenditure was identified by the Auditor General during the previous year Audit and was approved by council to be written off as irregular	-	14,528,359

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Notes to the Annual Financial Statements

Figures in Rand		2023	2022
46. Irregular expenditure (continued)			
The supplier did not complete the local content declaration fully	The irregular expenditure was identified by the Auditor General during the previous year Audit and was approved by council to be written off as irregular	-	5,718,145
The supplier did not complete the local content declaration fully	The irregular expenditure was identified by the Auditor General during the previous year Audit and was approved by council to be written off as irregular	-	1,035,690
The supplier did not complete the local content declaration fully	The irregular expenditure was identified by the Auditor General during the previous year Audit and was approved by council to be written off as irregular	-	3,985,005
The supplier did not complete the local content declaration fully	The irregular expenditure was identified by the Auditor General during the previous year Audit and was approved by council to be written off as irregular	-	199,716
Deliberate split of services	The irregular expenditure was identified by the Auditor General during the previous year Audit and was approved by council to be written off as irregular	3,127,302	6,487,177
Award to person in service of the state	The irregular expenditure was identified by the Auditor General during the previous year Audit and was approved by council to be written off as irregular	-	691,098
Award to person in service of the state	The irregular expenditure was identified by the Auditor General during the previous year Audit and was approved by council to be written off as irregular	-	30,070
		6,661,732	65,727,853

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Notes to the Annual Financial Statements

Figures in Rand	2023	2022
47. 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	6,099,808	111,788,433
Adjusted for:		
Investment revenue-Under collection/(over collection)	(416,512)	(1,374,286)
Other own revenue-under collection/over collection	17,916,848	9,507,553
Depreciation-over spending/ (Under spending)	772,111	3,147,530
Employee related costs-over spending/ (over spending)	-	9,825,087
Remuneration of councillors-over spending/ (under spending)	-	(402,219)
Reversal of debt impairment provision allowance	(13,018,144)	(435,961,804)
Debt impairment -over spending/under spending	(16,669,138)	6,872,873
Other expenditure over spending/under spending	(5,558,298)	15,633,145
Transfers and grants	2,027,497	1,244,622
Bad debt write off	26,174,865	374,764,157
Property rates -under collection/(over collection)	(1,532,614)	5,658,636
Interest expense-Non -current provisions & overdue accounts	(2,685,404)	(2,034,557)
Interest on outstanding debtors	(13,535,301)	(11,482,115)
Net (deficit) surplus per approved budget	(424,282)	87,187,055
48. Additional disclosure in terms of Municipal Finance Management Act		
Audit fees		
Amount paid - current year	(4,818,095)	(4,283,087)
PAYE and UIF		
Opening balance	202,858	-
Current year subscription / fee	21,366,990	18,734,269
Amount paid - current year	(21,569,848)	(18,531,411)
Outstanding balance as at year end	-	202,858
Pension and Medical Aid Deductions		
Opening balance	91,031	-
Current year subscription / fee	27,001,457	24,279,495
Amount paid - current year	(27,075,101)	(24,188,464)
Outstanding balance as at year end	17,387	91,031
VAT		
VAT receivable	24,034,529	20,830,011

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Makhuduthamaga Local Municipality

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Figures in Rand	2023	2022
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48. 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
Deviation as per section 36(1)(a)(ii) of the SCM regulations (Single provider)	1,748,177	496,454
Deviation as per section 36(1)(v) of the SCM regulations (Impractical to follow SMC processes)	10,000,675	7,288,081
	11,748,852	8,697,399

Award to person related to a Councilor.

Award to business associate of a councilor	-	39,142
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49. Prior period errors

Receivables from exchange transactions.

During the 2022/2023 financial year the municipality's management realised that Receivables from exchange transactions was erroneously over stated in the financial year 2020/2021 by R 20 435 and again in the financial year 2021/2022 by R 29 344 and was retrospectively adjusted.

Gain on disposal of Assets and liabilities.

During the 2022/2023 financial year the municipality's management realised that Gain on disposal of Assets and liabilities was erroneously over stated in the financial year 2021 by R 20 435 and again in the financial year 2022 by R 29 344 and was retrospectively corrected.

Receivables from non exchange transactions (Traffic fines.)

In the prior year there were traffic officers who used the incorrect charge sheet to issue traffic fines. This fines subsequently withdrawn as they were regarded invalid by the magistrate. The total amount of these traffic fines amounts to R 70 050.

Unauthorised expenditure

In the prior year there council of the municipality erroneously written off an amount of R 89 261 879 relating to the unauthorised expenditure instead of R 86 261 879 which resulted in an over write off and under stated unauthorised expenditure in the closing balance by an amount of R 3000 000 and during August the council resolved to reverse the error when approving the write off amounting to R 7 049 638 which included the R 3000 000 over write off.

Property, Plant and Equipment

Review of Useful lives

In the previous financial periods the municipality erroneously omitted to revise the useful lives of the certain classes of assets and consequently some of the assets were sitting at zero in the municipality's fixed assets register while still in use. In the current financial period, management decided to revise the useful lives of these classes of assets with effect from 2019/2020 financial period in order to fairly present the correct opening balances. The results of this omission constitute an error, which resulted in the decrease of accumulated depreciation at amount of R 11 251 402. Had management previously revised the useful lives of this classes of assets, the municipality would not be having assets still in use and sitting at zero in the municipality's fixed asset register.

Provision for landfill site asset

Makhuduthamaga Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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49. Prior period errors (continued)

In the previous financial periods the municipality erroneously depreciated the landfill site asset at a useful life of 5 years without taking into account the life span of 30 years for post-closure monitoring and maintenance. The use of incorrect useful life constitute an error as the landfill site asset was over depreciated since the inception. The cumulative effect of this error decreases accumulated depreciation by R 7 963 336.

Statement of financial position

2021

	Note	Correction of error	Restated
Decrease in Receivables from exchange transactions		(20,434)	(20,434)
Property, plant and equipment (accumulated depreciation)		(8,203,673)	(8,203,673)
Landfill site (accumulated depreciation)		(6,040,416)	(6,040,416)
		(14,264,523)	(14,264,523)

2022

	Note	Correction of error	Restated
Decrease on Receivables from exchange transactions		(29,344)	(29,344)
Decrease in receivable from non exchange		(70,050)	(70,050)
Property, plant and equipment (accumulated depreciation)		(3,047,728)	(3,047,728)
Landfill site (accumulated depreciation)		(1,922,919)	(1,922,919)
		(5,070,041)	(5,070,041)

Statement of financial performance

2021

	Note	Correction of error	Restated
Decrease in Gain on disposal of Assets and liabilities		(20,434)	(20,434)
Surplus for the year		(20,434)	(20,434)

2022

	Note	Correction of error	Restated
Decrease in Gain on disposal of Assets and liabilities		(29,344)	(29,344)
Decrease in revenue from exchange transaction		(70,050)	(70,050)
Surplus for the year		(99,394)	(99,394)

50. Events after the reporting date

Disclose for each material category of adjusting and non-adjusting events after the reporting date:

Appointment of the Audit and performance committee

The council of Makhuduthamaga local municipality appointed a new Audit and performance committee on the 1st of August 2023 after the elapement of the contract of the previous Audit and performance committee on the 30th of June 2023 and the new Audit and performance committee is as follows:

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Annual Financial Statements for the year ended June 30, 2023

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Figures in Rand	2023	2022
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50. Events after the reporting date (continued)

- Chuene V.K (Chairperson)
- Ramotsheli M.P(Member)
- Mabula R.A(Member)
- Majuta M.S(CA)SA(Member)
- Komane T.R(Member)

Irregular expenditure

The municipality incurred irregular expenditure during the current year and 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 66 969 496 write-off was approved by council after year end but before the Financial statements could be finalised for reporting. The transaction constitute an adjusting event after the reporting date and the Annual financial statements for the year ended 30 June 2023 were adjusted with this amount.

Debtors debt write-off

The municipality took a resolution to write-off the debt for debtors to an amount of R 26 174 865 which was approved by council after year end but before the Financial statements could be finalised for reporting. The transaction constitute an adjusting event after the reporting date and the Annual financial statements for the year ended 30 June 2023 were adjusted with this amount.

Unauthorised expenditure

The municipality took a resolution to write-off the unauthorised expenditure relating to the prior year to an amount of R 7 049 638 which was approved by council after year end but before the Financial statements could be finalised for reporting. The transaction constitute an adjusting event after reporting date and the Annual financial statements for the year ended 30 June 2023 were adjusted with this amount.

Furthermore the council of the municipality resolved to reverse the prior year write off by R 3000 000 which was erroneously written off and resolved to readjust the prior year figure by the mistatement.

Appointment of the senior managers

The council of Makhuduthamaga local municipality appointed new senior managers on the 30th of August 2023 after the elapement of the contracts of the previous senior managers and the new senior managers appointed are as follows:

- Senior manager community services - Ms Mashao Audrey Mashianyane
- Senior manager corporate services - Mr Matsetse Pakeng Eras
- Senior manager Budget and treasury (CFO) - Mr Choene Mphiwa Victor

51. Reversal of debt impairment loss

Opening balance - Provision for debt impairment	107,286,924	543,248,728
Closing balance - Provision for debt impairment	(94,268,780)	(107,286,924)
	13,018,144	435,961,804

The municipality reached a settlement agreement with the Department of Public Works during the financial year ended June 30, 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 961 878 for the year ended 30 June 2022 and R 13 018 144 for the year ended 30 June 2023.

52. Bad debts written off

Bad debts written off	26,174,865	374,764,157
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The municipality has written off the debt for the businesses and department of public works in the current year to an amount of **R26,174,865** and therefore the impairment was reversed as per GRAP 104 paragraph 63. This was as a result of the collectability assessment, settlement agreements and the revaluation of public works properties.

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53. Contingent assets

Agency fee	25,380	81,770
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The contingency asset raised for Agency fee is for the outstanding deposit as at 30th June 2023 to the amount of R 25 380 of the cash collection made by the Fedility cash solutions which is still to be deposited into the municipality primary account.

54. Operating lease-as lessee (expense)

-within one year of the reporting date	709,419	2,061,962
More than one year but less than five years of the reporting year	-	515,491
	709,419	2,577,453

55. Leave Gain

Leave (Gain)/Loss	(166,327)	-
	-	-
	(166,327)	-

As at the current year the municipality's leave provision has decreased from **2022** (R 12 482 505) to **2023** (R 11 690 499) with leave payouts to an amount of R 625 679 which caused a Leave gain to an amount of R 166 327.

56. Fair value adjustment- Investment property

Change during the year	304,000	-
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57. Public contributions and donations

Donation Income	3,093,765	-
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The Municipality has received a donation in kind of a Taxi rank from Sekhukhune district municipality to the value of R 94 120, a skip loader from the Department of Forestry and Fisheries to the of R 1 950 000 and Tractors from the Department of Rural development to the value of R 1 049 546.

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58. Change in estimate

Property, plant and equipment

The useful lives of certain classes of assets were adjusted during 2022/2023 financial period to more accurately reflect the period of economic benefits or service potential derived from these assets. Refer to note 10. The effect of changing the remaining useful life of assets for the Municipality during 2022/2023 has decreased the depreciation and accumulated depreciation charge by R 19 214 738. Please note the following changes to existing useful lives:

Motor vehicles - 12 years straight line method

Office Equipment - 8 years straight line method

IT Equipment - 5 to 8 years straight line method

Furniture and fixtures - 5 to 10 years straight line method

Loose tools - 5 to 10 years straight line method

Landfill site Asset- 19 years straight line method

Debt impairment provision

The methodology of Debt impairment was reviewed in the current year under review and changed from impairing all the remaining balance for property rates debtors to align with the GRAP review standard to impair all the non-paying customers and exclude those that are paying so as to assess the credit risk and also those that have an agreement with the municipality to commit to pay for their accounts.

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Appendix B

Analysis of property, plant and equipment as at June 30, 2023	
Cost/Revaluation	Accumulated depreciation

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Appendix B

Analysis of property, plant and equipment as at June 30, 2023	
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	38,032,702	6,089,019	-	-	-	-	44,121,721	28,826,978	-	-	3,402,229	-	32,229,207	11,892,514
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	27,051,146	6,415,548	(30,480)	-	-	-	33,436,214	20,727,000	10,123	-	3,067,092	-	23,804,215	9,652,245
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	9,577,611	932,610	-	-	-	-	10,510,221	-	7,111,285	-	805,958	-	7,917,243	2,592,978
Community assets	14,402,779	94,120	-	9,684,176	-	-	24,181,075	3,415,208	-	-	690,233	-	4,105,441	20,075,635
Loose tools	4,437,816	937,300	-	-	-	-	5,375,116	3,322,241	-	-	291,338	-	3,613,579	1,761,537
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	93,502,054	14,468,597	(30,480)	9,684,176	-	-	117,624,347	56,291,427	7,121,408	-	8,256,850	-	71,669,685	45,974,900

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Appendix B

Analysis of property, plant and equipment as at June 30, 2023	
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	72,594,626	2,432,195	-	4,203,270	-	(11,283,394)	67,946,697	18,415,879	-	-	2,620,645	-	21,036,524	46,910,173
Infrastructure	400,701,611	99,043,601	-	(19,104,837)	-	66,043	480,706,418	145,092,205	-	-	19,070,811	-	164,163,016	316,543,402
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	93,502,054	14,468,597	(30,480)	9,684,176	-	-	117,624,347	56,291,427	7,121,408	-	8,256,850	-	71,669,685	45,974,909
	566,798,291	115,944,393	(30,480)	(5,217,391)	-	(11,217,351)	666,277,462	219,799,511	7,121,408	-	29,948,306	-	256,869,225	409,428,484
Agricultural/Biological assets														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	8,215,070	-	-	-	-	-	8,215,070	8,138,518	-	-	76,552	-	8,215,070	8,215,070
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	8,215,070	-	-	-	-	-	8,215,070	8,138,518	-	-	76,552	-	8,215,070	8,215,070
Investment properties														
Investment property	209,500	-	-	-	304,000	-	513,500	-	-	-	-	-	-	513,500
	209,500	-	-	-	304,000	-	513,500	-	-	-	-	-	-	513,500
Total														
Land and buildings	72,594,626	2,432,195	-	4,203,270	-	(11,283,394)	67,946,697	18,415,879	-	-	2,620,645	-	21,036,524	46,910,173
Infrastructure	400,701,611	99,043,601	-	(19,104,837)	-	66,043	480,706,418	145,092,205	-	-	19,070,811	-	164,163,016	316,543,402
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	93,502,054	14,468,597	(30,480)	9,684,176	-	-	117,624,347	56,291,427	7,121,408	-	8,256,850	-	71,669,685	45,974,909
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	8,215,070	-	-	-	-	-	8,215,070	8,138,518	-	-	76,552	-	8,215,070	8,215,070
Investment properties	209,500	-	-	-	304,000	-	513,500	-	-	-	-	-	-	513,500
	575,222,861	115,944,393	(30,480)	(5,217,391)	304,000	(11,217,351)	675,006,032	227,938,029	7,121,408	-	30,024,858	-	265,084,295	418,157,054

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
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	15,026,444	-	-	2,130,592	-	17,157,036	41,182,584
	69,023,187	-	-	6,053,127	-	(2,481,688)	72,594,626	21,864,707	-	-	4,514,507	-	26,379,214	46,215,413
Infrastructure														
Roads, Pavements & Bridges	344,359,889	-	-	19,631,350	-	-	363,991,239	121,855,635	-	-	18,418,408	-	140,274,043	223,717,196
WIP (Infrastructure)	13,188,061	41,729,393	-	(25,684,477)	-	-	29,232,977	-	-	-	-	-	-	29,232,977
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	357,547,950	41,729,393	-	(6,053,127)	-	-	393,224,216	121,855,635	-	-	18,418,408	-	140,274,043	252,950,173
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	38,032,702	6,089,010	-	-	-	5,547,988	49,669,700	28,826,978	-	-	2,270,479	-	31,097,457	18,572,243
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	27,051,146	6,415,549	30,480	-	-	4,244,858	37,742,033	20,727,000	10,123	-	2,069,797	-	22,806,920	14,905,870
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	9,577,611	932,610	-	-	-	767,395	11,277,616	7,111,285	-	-	579,705	-	7,690,990	3,586,626
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	14,402,779	94,120	-	9,684,176	-	-	24,181,075	3,415,208	-	-	684,634	-	4,099,842	20,081,233
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	4,437,816	1,127,200	-	-	-	529,925	6,094,941	3,322,241	-	-	248,179	-	3,570,420	2,524,521
	93,502,054	14,658,489	30,480	9,684,176	-	11,090,166	128,965,365	63,402,712	10,123	-	5,852,794	-	69,265,629	59,670,439

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	69,023,187	-	-	6,053,127	-	(2,481,688)	72,594,626	21,864,707	-	-	4,514,507	-	26,379,214	46,215,413
Infrastructure	357,547,950	41,729,393	-	(6,053,127)	-	-	393,224,216	121,855,635	-	-	18,418,408	-	140,274,043	252,950,173
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	93,502,054	14,658,489	30,480	9,684,176	-	11,090,166	128,965,365	63,402,712	10,123	-	5,852,794	-	69,265,629	59,670,493
	520,073,191	56,387,882	30,480	9,684,176	-	8,608,478	594,784,207	207,123,054	10,123	-	28,785,709	-	235,918,886	358,836,079
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	69,023,187	-	-	6,053,127	-	(2,481,688)	72,594,626	21,864,707	-	-	4,514,507	-	26,379,214	46,215,413
Infrastructure	357,547,950	41,729,393	-	(6,053,127)	-	-	393,224,216	121,855,635	-	-	18,418,408	-	140,274,043	252,950,173
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	93,502,054	14,658,489	30,480	9,684,176	-	11,090,166	128,965,365	63,402,712	10,123	-	5,852,794	-	69,265,629	59,670,493
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	520,073,191	56,387,882	30,480	9,684,176	-	8,608,478	594,784,207	207,123,054	10,123	-	28,785,709	-	235,918,886	358,836,079

Makhuduthamaga Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended June 30, 2023

	2023/2022					2022/2021						
	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
Revenue By Source												
Property rates	51,579,301	(5,652,194)	45,927,107	46,458,165		531,058	101 %	90 %				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	161,500	-	161,500	175,122		13,622	108 %	108 %				134,867
Actuarial gains	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	140,100	10,000	150,100	159,924		9,824	107 %	114 %				114,166
Interest earned - external investments	1,800,000	5,000,000	6,800,000	7,216,512		416,512	106 %	401 %				1,652,967
Interest earned - outstanding debtors	2,750,000	9,779,766	12,529,766	13,535,301		1,005,535	108 %	492 %				40,171,417
Dividends received	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Fines, penalties and forfeits	170,000	800,000	970,000	809,250		(160,750)	83 %	476 %				-
Reversal of debt impairment loss	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Agency services	7,000,000	(1,000,000)	6,000,000	5,661,427		(338,573)	94 %	81 %				5,480,633
Transfers and subsidies	333,845,000	-	333,845,000	333,845,000		-	100 %	100 %				344,951,097
Other revenue	160,000	220,000	380,000	18,758,391		18,378,391	4,936 %	11,724 %				326,148
Gains on disposal of PPE	-	-	-	23,977		23,977	DIV/0 %	DIV/0 %				27,600
Total Revenue (excluding capital transfers and contributions)	397,605,901	9,157,572	406,763,473	426,643,069		19,879,596	105 %	107 %				434,174,126

Makhuduthamaga Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended June 30, 2023

2023/2022

2022/2021

	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	113,662,293	(11,512,116)	102,150,177	102,010,352	-	(139,825)	100 %	90 %	-	-	-	85,736,030
Remuneration of councillors	23,596,632	621,658	24,218,290	24,227,652	-	9,362	100 %	103 %	-	-	-	23,596,632
Debt impairment	7,340,231	2,165,496	9,505,727	26,174,865	-	16,669,138	275 %	357 %	-	-	-	71,808,037
Depreciation & asset impairment	37,189,190	(9,574,386)	27,614,804	28,386,915	-	772,111	103 %	76 %	-	-	-	33,688,066
Finance charges	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	1,516,943
Bad debt written off	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Inventory consumed	2,620,000	369,240	2,989,240	2,989,240	-	-	100 %	114 %	-	-	-	2,587,294
Contracted services	127,223,610	(63,880,861)	63,342,749	63,342,749	-	-	100 %	50 %	-	-	-	122,653,551
Transfers and subsidies	3,144,000	(1,116,503)	2,027,497	2,027,497	-	-	100 %	64 %	-	-	-	2,895,169
Other expenditure	60,175,703	114,557,657	174,733,360	180,291,658	-	5,558,298	103 %	300 %	-	-	-	59,101,922
Loss on disposal of PPE	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	374,951,659	31,630,185	406,581,844	429,450,928	-	22,869,084	106 %	115 %	-	-	-	403,583,644
Surplus/(Deficit)	22,654,242	(22,472,613)	181,629	(2,807,859)		(2,989,488)	(1,546)%	(12)%				30,590,482
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	76,915,000	18,000,000	94,915,000	94,915,000		-	100 %	123 %				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	99,569,242	(4,472,613)	95,096,629	92,107,141		(2,989,488)	97 %	93 %				101,543,482
Taxation	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	99,569,242	(4,472,613)	95,096,629	92,107,141		(2,989,488)	97 %	93 %				101,543,482
Attributable to minorities	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	99,569,242	(4,472,613)	95,096,629	92,107,141		(2,989,488)	97 %	93 %				101,543,482
Share of surplus/ (deficit) of associate	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	99,569,242	(4,472,613)	95,096,629	92,107,141		(2,989,488)	97 %	93 %				101,543,482