

ANNEXURE B

AUDITED ANNUAL FINANCIAL STATEMENT

Greater Giyani Municipality
Audited Annual Financial Statements
for the year ended 30 June 2020



Greater Giyani Municipality is a municipally performing functions set out in the Constitution (Act 108 of 1996). Providing services to the community as covered in the jurisdiction.

Cllr Shibambu Basani Agnes
 Cllr Hlungwani Mafemani Patrick
 Cllr Mashale Masenyan! Richard
 Cllr Ndaba Khensani Harmony Pretty (Corporate and Shared Services)
 Cllr Manganyi Khazamula Abraham (Finance)
 Cllr Baloyi Tintswalo Elizabeth (Infrastructure)
 Cllr Mabulana Peter Sello (Office of the Mayor)
 Cllr Mboweni Agrey Ernest (Health and Social Development)
 Cllr Mthombeni Africa Mavhayisi (Water Sanitation and Energy)
 Cllr Mabunda Elisa Nkhensani (Planning and LED)
 Cllr Makhubele Hlupheka Winnie (Sports Arts and Recreation)
 Cllr Mathebutla Sasavona Salva (Public Roads and Transport)
 Cllr Mabasa Rhuani Oral

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

General Information

Grading of local authority	3
Accounting Officer	M. M. Chauke
Business address	BA 59 Civic Centre Giyani CBD 0826
Postal address	Private Bag X9559 Giyani 0826
Bankers	ABSA Giyani Branch
Auditors	Auditor General South Africa (AGSA)
Level of assurance	These audited annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The annual financial statements were compiled by: D Mhangwana-Chief Financial Officer

Index

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

Page	
5	Accounting Officer's Responsibilities and Approval
6 - 7	Audit Committee Report
8 - 15	Report of the Auditor General
16	Accounting Officer's Report
17	Statement of Financial Position
18	Statement of Financial Performance
19	Statement of Changes in Net Assets
20	Cash Flow Statement
21 - 24	Statement of Comparison of Budget and Actual Amounts
25 - 47	Accounting Policies
48 - 92	Notes to the Audited Annual Financial Statements

Index

AC	Audit Committee
AGSA	Auditor General of South Africa
AO	Accounting Officer
ASB	Accounting Standards Board
CFO	Chief Financial Officer
COIDA	Compensation for Occupational Injuries and Diseases Act
COVID-19	Coronavirus 2019
CPI	Consumer Price Index
EPWP	Expanded Public Works Program
FMG	Finance Management Grant
GRAP	Financial Management Grant
IAS	International Accounting Standards
IASB	International Accounting Standard Board
INEG	Integrated National Electrification Grant
IT	Information Technology
LGSETA	Local Government Sector Education and Training Authority
LSA	Long Service Awards
MDRG	Municipal Disaster Relief Grant
MFMA	Municipal Finance Management Act
MSCOA	Municipal Standards Charts Of Accounts
MIG	Municipal Infrastructure Grant
PAYE	Pay As You Earn
PEMA	Post Employment Medical Aid
SDL	Skills Development Levy
SME	Small Medium Enterprise
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The audited annual financial statements set out on page 5 - 93, which have been prepared on the going concern basis, were approved by the accounting officer on 08 April 2021 and were signed on its behalf by:

Accounting Officer
Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2020.

Audit committee members and number of meetings attended

The audit committee consists of the members listed hereunder and should meet x times per annum as per its approved terms of reference. During the current year x number of meetings were held.

Audit committee responsibility

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

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

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III 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 audited 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.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the accounting officer of the municipality during the year under review. It was however noted that..... (e.g. suspense accounts were not cleared on a monthly basis).

Evaluation of audited annual financial statements

The audit committee has:

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

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

Internal audit

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

Greater Giyani Municipality
(Registration number LIM331)
Audited Annual Financial Statements for the year ended 30 June 2020

Audit Committee Report

Auditor-General of South Africa

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

Chairperson of the Audit Committee

Date: _____

Report of the Auditor General

To the Provincial Legislature of Greater Giyani Municipality









Auditor General South Africa (AGSA)

30 November 2020

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

The municipality is engaged in greater giyani municipality performing functions set out in the constitution (act 108 of 1996), providing services to the community as covered in the jurisdiction, and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached audited annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 79 572 271 (2019: surplus R 24 875 677).

2. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R 1 021 265 855 and that the municipality's total assets exceed its liabilities by R 1 021 265 855.

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

3. Subsequent events

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

Additional allocation for financial year 2020/21, in terms of the Division of the Revenue Act, (Act No. 4 of 2020), the municipality received an additional amount on Equitable Share allocation for an amount of R 62 275 000.00 from the original main allocation of R 307 293 000, this brought the total allocation for the 2020/21 financial year to R 369 568 000 in relation to the Equitable Share. The adjustment was considered for in the budget for 2020/21.

Frutless and wasteful expenditure were identified during August 2020 amounting to R 72 301 in respect of penalty for late payment to the Office of Compensation Commissioner.

4. Accounting Officer

The accounting officer for the municipality during the year under review was:

Chauke M M

5. Impact of COVID-19

The Covid-19 lockdown had a negative impact on the municipal budgets due to the fact that municipality was expected to carry additional responsibilities and costs in dealing with this pandemic. These additional responsibilities include higher levels of services such as more frequent refuse removal, water provision in water constrained communities (to substantiate what is provided by District Municipality), extra-ordinary cleansing of public facilities, monitoring of social gatherings, environmental health inspections etc. Municipal revenues have also been affected and declined as a result of the closing of the economy due to lockdown.

6. Auditors

Auditor General South Africa (AGSA) will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2020

Figures in Rand
Note(s)
2020
2019
Restated*

Assets				
Current Assets				
Inventories	9	33 831 942	2 544 013	-
Other financial assets	7	-	-	-
Receivables from exchange transactions	10	26 009 502	20 354 189	-
Receivables from non-exchange transactions	11	66 465 064	41 978 795	-
VAT receivable	12	9 701 618	7 972 516	-
Other receivables from exchange transactions	13	20 555 197	17 932 984	-
Cash and cash equivalents	14	91 521 068	40 596 564	-
Non-Current Assets				
Investment property	3	26 026 364	57 301 169	-
Property, plant and equipment	4	909 346 294	887 393 533	-
Intangible assets	5	593 894	641 483	-
Heritage assets	6	206 303	206 303	-
Total Assets		936 172 855	945 542 488	1 184 257 246
Liabilities				
Current Liabilities				
Finance lease obligation	15	480 166	706 994	-
Payables from exchange transactions	18	101 722 708	70 341 743	-
Employee benefit obligation	8	669 000	321 080	-
Unspent conditional grants and receipts	16	-	2 961 531	-
Non-Current Liabilities				
Finance lease obligation	15	-	480 166	-
Employee benefit obligation	8	19 186 000	23 392 221	-
Provisions	17	40 933 517	37 024 232	-
Total Liabilities		162 991 391	135 227 967	1 021 265 855
Net Assets		1 021 265 855	941 693 582	1 021 265 855
Accumulated surplus		1 021 265 855	941 693 582	1 021 265 855

Greater Giyani Municipality

(Registration number LIM331)
Audited Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019	Restated*
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Revenue				
Revenue from exchange transactions				
Service charges	20	6 723 206	4 999 750	
Rental of facilities and equipment	21	1 009 753	959 362	
Interest received (overdue accounts)	22	19 693 755	15 154 966	
Agency services	23	1 112 284	240 071	
Licences and permits	24	4 214 374	5 716 227	
Gain on forfeited liability	25	192 223	-	
Bad debts recovered	26	-	2 891	
Actuarial gains	27	7 685 612	3 18 630	
Other income	29	1 552 758	1 716 141	
Interest received - investment	30	5 915 603	5 053 436	
Total revenue from exchange transactions		48 099 568	34 161 474	
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	31	57 980 741	40 659 276	
Traffic fines	32	6 895 687	13 683 066	
Transfer revenue				
Government grants & subsidies	33	368 864 296	332 419 573	
Total revenue from non-exchange transactions		433 740 724	386 761 915	
Total revenue		481 840 292	420 923 389	
Expenditure				
Employee related costs	34	(141 043 301)	(132 403 257)	
Remuneration of councillors	35	(23 718 342)	(23 414 670)	
Depreciation and amortisation	36	(85 214 519)	(85 134 066)	
Impairments loss	37	(3 915 500)	(34 700)	
Finance costs	38	(1 855 934)	(1 474 150)	
Lease rentals on operating lease	28	(1 721 422)	(1 669 656)	
Debt impairment	39	(36 000 825)	(28 165 345)	
Contracted services	40	(51 451 823)	(57 382 954)	
Loss on assets written off	4	(4 374 289)	(7 327)	
Obsolete inventory written off	41	(27 174)	-	
Repairs and maintenance	42	(4 608 191)	(4 474 599)	
General expenses	43	(48 336 701)	(61 886 988)	
Total expenditure		(402 268 021)	(396 047 712)	
Surplus for the year		79 572 271	24 875 677	

* See Note 50

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand		Note(s)
Opening balance as previously reported	881 157 435	
Adjustments		
Prior year adjustments	35 660 470	
Balance at 01 July 2018 as restated*	916 817 905	
Changes in net assets		
Surplus for the year	24 875 677	
Total changes	24 875 677	
Balance at 01 July 2019 as restated*	941 693 584	
Changes in net assets		
Deficit for the year	79 572 271	
Total changes	79 572 271	
Balance at 30 June 2020	1 021 265 855	

* See Note 50

Greater Giyani Municipality
(Registration number LIM331)
Audited Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand		Note(s)	2020	2019	Restated*
Cash flows from operating activities					
Receipts					
Cash receipts from customers			28 688 836	38 836 457	
Grants and subsidies			365 902 765	329 915 538	
Interest income			5 915 603	5 053 436	
			400 507 204	373 805 431	
Payments					
Employee costs			(160 934 332)	(156 399 406)	
Suppliers			(46 229 827)	(122 016 762)	
Finance costs			(174 897)	(1 474 150)	
			(207 339 056)	(279 890 318)	
Net cash flows from operating activities		45	193 168 148	93 915 113	
Cash flows from investing activities					
Net cash flows from investing activities			(141 536 650)	(67 158 063)	
Purchase of property, plant and equipment		4	(139 437 940)	(65 104 663)	
Purchase of other intangible assets		5	(2 098 710)	(2 053 400)	
Cash flows from investing activities			(139 437 940)	(65 104 663)	
Cash flows from financing activities					
Net increase in cash and cash equivalents			26 174 399	50 924 504	
Cash and cash equivalents at the beginning of the year			40 596 564	14 422 164	
Cash and cash equivalents at the end of the year		14	91 521 068	40 596 563	
Finance lease payments			(706 994)	(582 651)	

* See Note 50

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis				
Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Reference				

Statement of Financial Performance

Revenue				
Revenue from exchange transactions				
Service charges	5 400 000	244 318	5 644 318	6 723 206
Rental of facilities and equipment	1 222 000	182 400	1 404 400	1 009 753
Interest received (overdue accounts)	3 400 000	16 298 226	19 698 226	19 693 755
Agency services	-	-	-	1 112 284
Licences and permits	6 000 000	1 070 000	7 070 000	4 214 374
Gain on forfeited liability	-	-	-	192 223
Accrual gains	-	-	-	7 685 612
Other income	2 351 000	32 377 455	34 728 455	1 552 758
Interest received - investment	5 000 000	3 157 883	8 157 883	5 915 603
Total revenue from exchange transactions	23 373 000	53 330 282	76 703 282	48 099 568
Revenue from non-exchange transactions				
Total revenue from non-exchange transactions	413 688 000	30 164 321	443 852 321	433 740 724
Government grants & subsidies	363 712 000	5 158 000	368 870 000	368 864 296
Transfer revenue	39 976 000	32 996 321	72 972 321	57 980 741
Property rates	10 000 000	(7 990 000)	2 010 000	6 895 687
Traffic fines	-	-	-	-
Taxation revenue	39 976 000	32 996 321	72 972 321	57 980 741
Total revenue	437 061 000	83 494 603	520 555 603	481 840 292
Expenditure				
Employee related costs	(164 551 022)	22 581 068	(141 969 954)	(141 043 301)
Remuneration of councillors	(24 085 780)	-	(24 085 780)	(23 718 342)
Depreciation and amortisation	(30 000 000)	(20 000 000)	(50 000 000)	(85 214 519)
Impairment loss	-	-	-	(3 915 500)
Finance costs	-	-	-	(1 855 934)
Lease rentals on operating lease	(1 865 000)	-	(1 865 000)	(1 721 422)
Debt impairment	(16 000 000)	(14 000 000)	(30 000 000)	(36 000 825)
Contracted Services	(65 603 008)	(2 579 365)	(68 182 373)	(51 451 823)
Loss on assets written off	-	-	-	(4 374 289)
General Expenses	(55 450 929)	4 340 608	(51 110 321)	(48 333 488)
Repairs and maintenance	(14 635 000)	(31 680 000)	(46 315 000)	(4 608 191)
Obsolete inventory written off	-	-	-	(27 174)
Total expenditure	(372 190 739)	(41 337 689)	(413 528 428)	(402 264 808)
Surplus before taxation	64 870 261	42 156 914	107 027 175	79 575 484
Total expenditure	(372 190 739)	(41 337 689)	(413 528 428)	(402 264 808)
Surplus before taxation	64 870 261	42 156 914	107 027 175	79 575 484

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

EXPLANATIONS OF DIFFERENCES BETWEEN FINAL BUDGET AND ACTUAL AMOUNTS

A. Services charges

A reconciliation of all services was performed, corrective adjustments were processed which in turn increase refuse removal billing.

B. Rental of facilities & equipment

This is due to the impact of Covid 19 pandemic on the revenue of rental of facilities, since gatherings were no longer allowed.

C. Agency services

Agency fees commission increased from 5% to 20% on water and sanitation collection for the year under review and it was was not budgeted for.

D. Licences & permits

This was due to Covid-19 impact because the traffic station were closed during lock-down.

E. Gain on forfeited liability

Gain on forfeited liability resulted from a supplier relinquishing liability.

F. Actuarial gain

Gain on actuarial was due to amongst others, the market condition, discount rate and the impact of COVID-19 and the total liability has decreased by 23% since the last valuation. Actuarial gains was not budgeted for.

G. Other income

Selling of stands was planned to be start in April 2020 but due to COVID-19 it was postponed to July 2020, in the new financial year.

H. Interest received on investment

Bank rates for interest on investments went due to the impact of the COVID-19.

I. Property rates

Property rates budget is based on the total market value of the supplementary valuation roll and billing is based on the registered properties as reflected on the supplementary valuation roll.

J. Traffic fines

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis					
Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Figures in Rand

The traffic fines budget was projected based on the actual amount to be received and the actual amount is based on the traffic fines ticket issued.

K. Depreciations

There were new assets additions for moveable and immovable assets, therefore more depreciation was calculated.

L. Impairment loss

Impairment loss was due dilapidation of municipal assets such as buildings, sports facilities, furniture and fittings, community facilities and infrastructure due to rain and poor maintenance and it was not budgeted for.

M. Finance cost

The amount for finance costs relate to the interest portion of finance and the interest portion for rehabilitation of dumping site and were not budgeted for.

N. Debt impairment

The municipality debt book have increased due slow revenue collection which in turns increased the provision for debt impairment.

O. Contracted services.

All electrification projects that were not completed at year end were transferred to WIP, whereas the budget is under contracted services.

P. Loss on assets written off

The amount relates to motor vehicle that was written off, roads that were scrapped and refurbished, bollards and roads signs that were damaged and they were not budgeted for.

Q. Repairs and maintenance

Some of the maintenance projects were capital in nature and were capitalised at year-end, whereas they budgeted for under repairs and maintenance.

R. Obsolete inventory written off

Amount is for inventory identified during year end stock count that has already expired.

EXPLANATION OF DIFFERENCES BETWEEN APPROVED BUDGET AND FINAL ADJUSTED BUDGET

1. Rental of facilities & equipment

The budget was increased during the year due to the upward collection rates for the services from July to December 2019.

2. Licences & permits

The budget was increased during the year due to the upward collection rates for the services from July to December 2019

3. Other income

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

The municipality budgeted for the sale of stands during the adjustment budget which resulted in an increase on the budget of other income.

4. Interest received on investment

The budget was increased during the adjustment budget because of the actual interest received from July to December 2019.

5. Interest received on overdue accounts

The budget was increased during the adjustment budget due to the outstanding debts that keeps on increasing and have an impact on the interest charges on the overdue accounts.

6. Traffic fines

The budget was reduced during the adjustment budget while considering the performance for the first six months of the financial year.

7. Property rates

The budget was increased based on the estimates of the supplementary valuation roll for business area.

8. Employee related costs

The budget was decreased due to the budgeted positions which were not filled for the first six months of the financial year.

9. Depreciation

The budget was increased due to the advice from Treasury during the mid-year budget and performance assessment.

10. Debt impairment

The budget was increased due to the advice from Treasury during the mid-year budget and performance assessment.

11. Repairs and maintenance

The budget for repairs and maintenance was increased due to the need by community for repairs of bridges to grave sites.

Accounting Policies

Figures in Rand

Note(s)	2020	2019
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1. Presentation of Audited Annual Financial Statements

The audited 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 audited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These audited 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 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the audited annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the deficit makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and non-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Post-retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Investment property

Investment property is land and buildings 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.

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.

Accounting Policies

1.5 Investment property (continued)

Investment property is initially measured at costs.

Investment property is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of investment property has been assessed as follows:

Straight line method 30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

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.

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.

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

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 years
Plant and machinery	Straight-line	5-15 years
Graders		5-15 years
Tractors		5-15 years
Lawn mowers		5-15 years
Compressors		5-15 years
Radio equipment		5-15 years
Tipper		15 years
Furniture and fixtures	Straight-line	5-10 years
Chairs		5-10 years
Tables and desks		5-10 years
Cabinets and cupboards		5-10 years
Motor vehicles	Straight-line	5-7 years
Truck and light delivery vehicles		5-7 years
Ordinary motor vehicles		3-20 years
Office equipment	Straight-line	3-5 years
Office machines		5-8 years
Air conditioners		5-8 years
IT equipment	Straight-line	3-9 years
Computer hardware		3-9 years
Community	Straight-line	25-30 years
Cemeteries		25-30 years
Community halls		25-30 years
Libraries		25-30 years
Parks		25-30 years
Recreation centres		30 years
Sports and related stadiums		25-30 years
Tennis courts		10-30 years
Golf courses		10-30 years
Outdoor sports facilities	Straight-line	10-30 years
Flood lighting		10-30 years
Roads and road furniture		10 years
Other roads		15 years
Traffic islands		20 years
Traffic lights		20-25 years
Streets lights		30 years
Overhead bridges		20 years
Stormwater drains		20 years
Bridges, subways and culverts		60-80 years
Car parks		20 years
Bus terminals		20 years
Bins and containers	Straight-line	10 years
Bulk refuse containers (skips)		5 years
Household refuse bins		5 years
Emergency equipment	Straight-line	5 years
Fire hoses		5 years
Other fire fighting equipment		15 years
Emergency equipment		5 years

Accounting Policies

1.6 Property, plant and equipment (continued)

• Mayoral gown	Straight-line	No asset life as no depreciation is charged
• Mace	Straight-line	No asset life as no depreciation is charged
• Mayoral chain		No asset life as no depreciation is charged

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

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.

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.

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.

1.7 Intangible assets

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.

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

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

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-licenses	Straight-line	12 months

Accounting Policies

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. No assets lives are allocated.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.9 Financial instruments

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

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

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

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

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Accounting Policies

1.9 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.

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

Fair value measurement considerations

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

Reclassification

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

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

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

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

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

Operating leases - lessee

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

1.11 Inventories

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

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

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.

Accounting Policies

1.11 Inventories (continued)

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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

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

Identification

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

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

Value in use

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

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

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

- Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
 - projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
 - net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.
- Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
 - income tax receipts or payments.
- The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Accounting Policies

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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

Value in use

Value in use of non-cash-generating assets is the present value of the remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

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

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Employee benefits

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

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Accounting Policies

1.14 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Accounting Policies

1.14 Employee benefits (continued)

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. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

1.15 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.

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.

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

Provision for rehabilitation of landfill site is determined by the expert and it is initially and subsequently recognised at cost.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

Provision for rehabilitation for dumping site

Provision for rehabilitation of dumping site is determined by the expert and it is initially and subsequently recognised at cost.

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Accounting Policies

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

Interest

Revenue arising from the use by others of entity assets yielding interest 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.

Accounting Policies**1.18 Revenue from non-exchange transactions**

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

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

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.

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

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

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

Recognition

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

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

Measurement

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

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

Taxes

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

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

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

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

Fines are recognised when traffic fines are issued or when the date to appear in court per traffic fine arrive or on cash received by municipality

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.

1.19 Investment income

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

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason 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 accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.22 Fruitless and wasteful expenditure

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

Accounting Policies

1.22 Fruitless and wasteful expenditure (continued)

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.

1.23 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial year and which was written off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which writing off is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only written off in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount written off.

Irregular expenditure that was incurred and identified during the current financial year and which was not wrote off by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been written off and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Budget information

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a modified cash basis and presented by economic classification linked to performance outcome objectives.

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

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

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

Comparative information is not required.

1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Accounting Policies

1.25 Related parties (continued)

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its audited annual financial statements.

1.26 Events after reporting date

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

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

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

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

1.27 Value Added Tax

Revenue, expenses and assets are recognised net of amounts of Value Added Tax. The net amount of Value Added Tax recoverable from or payable to SARS is included as part of receivables or payables in the Statement of Financial Position. The municipality is a registered VAT vendor and account for VAT on a payment basis.

The following rates are applicable:

Standard rated supplies (15%)

Zero rated supplies (0%)

Exempted supplies (-)

Notes to the Audited Annual Financial Statements

Figures in Rand

2020
2019

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods but are not relevant to its operations:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board amended its existing Standards to deal with these issues. The IASB issued IFRS@ Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS@ on Financial Instruments: Presentation and the IFRS Standard@ on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The municipality does not envisage the adoption of the guideline until such time as it becomes applicable to the municipality's operations.

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's audited annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual audited annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity;
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's audited annual financial statements.

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

3. Investment property

Investment property

2020		2019			
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
26 444 580	(418 216)	26 026 364	57 529 580	(228 411)	57 301 169

Reconciliation of investment property - 30 June 2020

Investment property

Opening balance	Transfers	Impairments	Depreciation	Total
57 301 169	(31 085 000)	(122 408)	(67 397)	26 026 364

Reconciliation of investment property - 30 June 2019

Investment property

Opening balance	Derecognition of Private Properties	Reclassification of Investment properties	Recognition of Municipal owned properties	Prior Period Corrections	Depreciation	Total
20 270 000	(292 000)	1 713 080	35 838 500	(171 308)	(57 103)	57 301 169

Recognition of investment properties

The municipality has registered the investment properties (land and houses) in the Deeds Office and were recognised in the investment property register.

During the year under council under review passed a resolution to demarcate (for residential purposes) and sell land belonging to the municipality. As a result of this land to the value R 31 085 000 was transferred from investment property to inventory.

Derecognition of investment properties not belonging to the municipality

Notes to the Audited Annual Financial Statements

Figures in Rand

2020 2019

3. Investment property (continued)

During the year under review there were properties not belonging to the municipality and they were derecognised.

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.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the cost model (when fair value of investment property cannot be reliably determined), disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
- the fact that the entity has disposed of investment property not carried at fair value,
- the carrying amount of that investment property at the time of sale, and
- the amount of gain or loss recognised.

Greater Giyani Municipality

(Registration number LIM331)
Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7 219 718	-	7 219 718	7 219 718	-	7 219 718
Buildings	137 695 828	(21 831 765)	115 864 063	123 012 642	(19 775 250)	103 237 392
Plant and machinery	12 926 734	(4 693 683)	8 233 051	12 125 683	(3 724 569)	8 401 114
Furniture and fixtures	1 792 045	(1 168 207)	623 838	1 792 045	(1 003 510)	788 535
Motor vehicles	13 675 529	(7 551 212)	6 124 317	13 968 566	(6 276 562)	7 692 004
Office equipment	841 667	(535 164)	306 503	841 667	(378 314)	463 353
IT equipment	4 373 145	(2 522 715)	1 850 430	4 373 145	(2 034 051)	2 339 094
Infrastructure	962 055 504	(345 408 908)	616 646 596	893 450 576	(273 204 443)	620 246 133
Community	171 730 233	(20 840 955)	150 889 278	148 545 059	(17 816 801)	130 728 258
Electricity projects	-	-	-	4 258 424	-	4 258 424
Other leased Assets	1 924 731	(887 107)	1 037 624	1 924 731	(501 106)	1 423 625
Air conditioners	1 069 613	(518 737)	550 876	1 008 705	(412 822)	595 883
Total	1 315 304 747	(405 958 453)	909 346 294	1 212 520 961	(325 127 428)	887 393 533

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2020

	Opening balance	Additions	Transfers received	Transfers Out	WIP	Depreciation	Impairment loss	Loss on Assets Written Off	Total
Land	7 219 718	-	-	-	-	-	-	-	7 219 718
Buildings	103 237 392	-	-	-	14 700 706	(2 070 437)	(3 598)	-	115 864 063
Plant and machinery	8 401 114	801 051	-	-	-	(969 114)	-	-	8 233 051
Furniture and fixtures	788 535	-	-	-	-	(162 944)	(1 753)	-	623 838
Motor vehicles	7 692 004	-	-	-	-	(1 384 478)	-	(183 209)	6 124 317
Office equipment	463 353	-	-	-	-	(156 850)	-	-	306 503
IT equipment	2 339 094	-	-	-	-	(488 664)	-	-	1 850 430
Infrastructure	620 246 133	-	67 816 590	(67 816 590)	78 631 552	(74 972 616)	(3 067 392)	(4 191 081)	616 646 596
Community	130 728 258	-	-	-	23 185 174	(2 303 805)	(720 349)	-	150 889 278
Electricity projects	4 258 424	-	-	(26 316 973)	22 058 549	-	-	-	-
Finance lease assets	1 423 625	-	-	-	-	(386 001)	-	-	1 037 624
Air conditioners	595 883	60 908	-	-	-	(105 915)	-	-	550 876
	887 393 533	861 959	67 816 590	(94 133 563)	138 575 981	(83 000 824)	(3 793 092)	(4 374 290)	909 346 294

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2019

	Opening balance	Additions	Transfers received	Transfers Out	WIP	Prior Year Correction	Depreciation	Impairment loss	Loss on Assets Written Off	Total
Land	205 000	-	-	-	-	7 014 718	-	-	-	7 219 718
Buildings	103 035 821	-	-	-	4 716 695	(2 447 770)	(2 067 354)	-	-	103 237 392
Plant and machinery	4 302 213	3 134 279	-	-	-	2 054 956	(1 079 308)	(10 035)	(991)	8 401 114
Furniture and fixtures	633 785	-	-	-	-	321 818	(165 383)	(1 032)	(653)	788 535
Motor vehicles	7 959 798	1 099 973	-	-	-	-	(1 346 569)	(21 198)	-	7 692 004
Office equipment	405 643	173 786	-	-	-	39 771	(155 847)	-	-	463 353
IT equipment	1 478 788	1 015 725	-	-	-	338 843	(491 827)	(2 435)	-	2 339 094
Infrastructure	652 805 162	142 273	20 984 548	(20 984 548)	47 267 449	(4 960 642)	(75 006 525)	-	(1 584)	620 246 133
Community	119 400 464	-	-	-	7 438 669	6 342 084	(2 452 959)	-	-	130 728 258
Electricity Projects	-	-	-	(21 278 394)	21 278 394	4 258 424	-	-	-	4 258 424
Finance leased assets	1 808 571	-	-	-	-	-	(384 946)	-	-	1 423 625
Air conditioners	448 685	115 814	-	-	-	131 998	(96 514)	-	(4 100)	595 883
	892 483 930	5 681 850	20 984 548	(42 262 942)	80 701 207	13 094 200	(83 247 232)	(34 700)	(7 328)	887 393 533

Capitalisation of electrification of villages

From the 2018/2019 financial year all electrification of villages projects which are not complete at year-end are capitalised under Work-in-Progress in Property, Plant and Equipment. Electrification of villages are only expensed upon completion in the Statement of Financial Performance when they are transferred to Eskom.

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

During the year all assets were assessed for impairment and the following assets were impaired:

Buildings	3 598	3 915 500	3 4700
Plant and machinery	-	-	-
Furniture and fixtures	1 753	720 349	-
Motor vehicles	-	3 067 392	-
IT equipment	-	2 435	-
Infrastructure assets	-	-	-
Community assets	-	-	-
Investment property	122 408	-	-

Assets with R1 value

There are assets that are valued at R1 because they are fully depreciated but they are still in use. Refer to the fixed assets register.

Other information

The following assets were found on the floor during physical verification and were fair valued as follows:

Buildings	341 818	-
Plant and machinery	186 487	-
Furniture and fittings	1 420	-
Community assets	1 179 361	-
	1 709 086	-

During the financial year the following assets were reclassified from buildings to investment properties and to community assets as follows at carrying value:

Community assets	1 257 547	-
Investment property	1 484 668	-
	2 742 215	-

During the financial year the following assets were written off as follows at carrying value:

Motor vehicle	(183 208)	-
Infrastructure assets	(4 191 081)	-
	(4 374 289)	-

Reconciliation of Work-in-Progress 30 June 2020

Opening Balance	85 646 389	78 897 424	63 281 182	4 258 424	232 083 419
Additions/capital expenditure	78 631 554	23 185 174	14 700 707	22 058 550	138 575 985
Transfers	(67 816 590)	-	-	(26 316 974)	(94 133 564)
	96 461 353	102 082 598	77 981 889	-	276 525 840
	Included	Included	Included	Included	Total
	within	within	within	Electricity	
	Infrastructure	Community	PPE	Projects	
	with	with	Other	with	
	Included	Included	Included	Included	Total

Greater Guyana Municipality

(Registration number LIM31)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

2020
2019

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 30 June 2019

Reconciliation of Work-in-Progress 30 June 2019	Included within Infrastructure	Included within Community	Included within PPE	Included within Electricity	Total
Opening Balance	78 717 186	71 458 754	58 564 487	-	208 740 427
Additions/capital expenditure	63 933 015	7 438 669	4 716 695	4 612 828	80 701 207
Transferred to completed items	(20 984 548)	-	-	(21 278 394)	(42 262 942)
Transferred to RAL	(5 200 071)	-	-	-	(5 200 071)
Reclassification	(16 665 566)	-	-	16 665 566	-
Prior period error	(14 153 626)	-	-	4 258 424	(9 895 202)
	85 646 390	78 897 423	63 281 182	4 258 424	232 083 419

Halting projects

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s), including reasons and any impairment losses recognised in relation to these assets:

- A. Development of Guyana section E sports centre
- B. Access road to tribal offices
- C. Ndhambi Taxi rank
- D. Refurbishment of Guyana Stadium
- E. Nkomo A Upgrading from Gravel
- F. Refurbishment of Sporting Facilities (Gawula)

Reasons for halting construction or development

- A. The project has exhausted the MIG funding due to other scope of work which were not registered on MIG.
- B. A consultant was appointed to do designs which are completed however could not be registered on MIG due to the project description which MIG was not approving. The name changing was effected through our internal municipal processes. Preparations to appraise the project for registration are underway.
- C. Consultants has been appointed to design which are completed. The project is due to be appraised for registration on MIG. GGM was overcommitted to register the project in the previous Financial Years hence its committed under 2020/2021.
- D. The project came to a halt due to unresolved community issued.
- E. Consultant was appointed for design which are now complete. Delays were caused by registration of project on MIG which was disapproved. MIG (CoGHSTA) no longer fund District roads. The project is currently on tender funded through LGESTA.
- F. The project has exhausted the MIG funding due to other scope of work which were not registered on MIG.

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.

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

5. Intangible assets

Computer software

Reconciliation of intangible assets - 30 June 2020

Computer software

Reconciliation of intangible assets - 30 June 2019

Computer software

Pledged as security

There are no intangible assets pledged as security:

	2020		2019		
Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
4 256 498	(3 662 604)	593 894	2 157 787	(1 516 304)	641 483

Opening balance	Additions	Amortisation	Total
641 483	2 098 710	(2 146 299)	593 894

Opening balance	Additions	Derecognition of fully amortised assets	Derecognition of fully amortised assets - Acc Depreciation	Prior periods Corrections	Amortisation	Total
405 379	2 053 400	(4 111 321)	4 111 321	11 438	(1 828 734)	641 483

Greater Giyani Municipality

(Registration number LIM331)
Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

6. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage Assets	206 303	-	206 303	206 303	-	206 303

Reconciliation of heritage assets 30 June 2020

Heritage Assets	Opening balance 206 303	Total 206 303
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Reconciliation of heritage assets 30 June 2019

Heritage Assets	Opening balance 206 303	Total 206 303
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Age and/or condition of heritage assets

All heritage assets have a condition grading of 3, which translate to fair per the municipality's generic condition assessment methodology.

Notes to the Audited Annual Financial Statements

Figures in Rand

2020 2019

7. Other financial assets

VBS Investments

159 262 692 159 262 692

Impairments

(159 262 692) (159 262 692)

Impairment is provided for investment in VBS as per National Treasury communication in 2018 financial year due to the bank being put under curatorship and the possibility that the capital invested might be irrecoverable. The status remains the same even in 2019/ 2020 financial year.

National Treasury has commissioned investigation into the transactions and the council has implemented consequence management.

Total other financial assets

- -

Current assets

Designated at fair value
Residual interest at cost

159 262 692 159 262 692
(159 262 692) (159 262 692)

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

8. Employee benefit obligations

Defined benefit plan

The effective date of the valuation is 30 June 2020 (the "Valuation Date 30 June 2020").

The valuation considers all employees, retirees and their dependants whose participation in the health care arrangements entitles them to a post-employment medical aid subsidy. The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. All subsidies are subject to a maximum of R 4 773.12 for the year ending 30 June 2020. The maximum subsidy amount has been assumed to increase in the future at 6.25% of salary inflation.

Table below shows the development of the accrued liability over the current period, and projects the Municipality's Unfunded Accrued Liability and periodic costs over the two-year period following the Valuation Date.

Past year and future projected liability

	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
Opening accrued liability	17 131 057	16 504 209	18 884 884
Current service cost	1 037 383	928 478	1 233 262
Interest cost	1 738 491	1 633 917	2 020 683
Total annual expense	2 775 874	2 562 395	3 253 945
Actuarial loss/(gain)	(3 402 722)	(181 720)	(7 717 829)
Closing accrued liability	16 504 209	18 884 884	14 421 000

Notes

- These projections assume that the Municipality's health care arrangements and subsidy policy will remain as outlined above, and that all the actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the Municipality towards prefunding its liability via an off-balance sheet vehicle.
- Contributions or benefits paid refer to medical scheme contributions made by the Municipality with respect to its subsidy of current continuation members.
- There are no Past Service Costs, Curtailments or Settlements to reflect.

Key Assumptions

Discount rate	11.37%	10.70%
Health care cost inflation rate	7.28%	8.00%
Maximum subsidy inflation rate	5.09%	4.88%
Average retirement age	63	62

Long service award

The Municipality offers employees Long service award for every five years of service completed, from ten years of service to 45 years of service.

The salaries used in the valuation include an assumed increase on 1 July 2019 of 6.25% as per the SALGBC Circular No.: 02/2020. The next salary increase was assumed to take place on 1 July 2020.

The accrued liabilities and the plan assets for the current period and the previous four periods.

Liability History

Opening accrued balance	5 435 121	6 384 849	4 891 500
Current service cost	498 442	517 458	466 133
Interest cost	431 940	437 514	365 230
Payment made during the year	(457 062)	(2 311 411)	(321 080)
	30 June 2018	30 June 2019	30 June 2020

Greater Giyani Municipality

(Registration number LIM331)
Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

2020	2019
476 408	32 217
6 384 849	5 434 000
4 891 500	

8. Employee benefit obligations (continued)

Closing accrued liability

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7,29 %	7,72 %
General earnings inflation rate	3,94 %	5,15 %
Expected increase in salaries	6,25 %	7,00 %

9. Inventories

Consumable stores
Stands

2 746 942	2 544 013
31 085 000	-
33 831 942	2 544 013

9.1 Reconciliation

Opening balance	2 544 013	3 293 466
Add: purchases	6 881 922	6 121 070
Add: stands	31 085 000	-
Less: Consumables during the year	(4 315 819)	(4 471 930)
Less: Obsolete inventory written off	(27 174)	-
Less: Inventory on hand (Mopani District Municipality)	(2 336 000)	(2 398 593)
33 831 942	2 544 013	

There was no inventory held as collateral at year-end.

The municipality has since took a resolution to sell stands available for sale as per council resolution.

10. Receivables from exchange transactions

Inter Municipal Account (Mopani District Municipality)	20 953 844	16 777 249
Agency fee(Mopani District Municipality)	4 253 175	3 140 891
Sundry receivables	3 596 581	3 596 581
Accrued interest receivable	597 294	397 134
Other receivables	166 642	-
Sundry Receivables - Provision for doubtful debts	(3 602 953)	(3 602 953)
Staff receivables	6 372	6 372
Payroll debtors	38 547	38 915
26 009 502	20 354 189	

Staff receivables of R 6 372 relate to the overpayment of salaries to the councillors. The amount is supposed to be paid back to the Municipality by the councillors. This is as per the council resolution taken by the Greater Giyani Municipal Council.

Sundry debtors of R 3 596 581 relates to sale of stands through an auction during 2009. The balance in this attorneys trust account is unknown. Due to the dispute with the auctioneer, the outstanding amount was never paid to the Municipality and as a result, it was provided for in full based on the credit control policy.

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

	2020	2019
11. Receivables from non-exchange transactions		
Consumer debtors - Traffic fines	23 578 234	17 774 484
Consumer debtors - Rates	189 288 441	138 574 879
Provision for impairment - Traffic fines	(16 123 515)	(11 631 365)
Provision for impairment - Consumer debtors	(130 278 096)	(102 739 203)
	66 465 064	41 978 795
Age Analysis for Rates		
Current(0-30 days)	4 626 077	2 400 741
31-60 days	4 453 836	1 299 910
61-90 days	4 612 294	3 063 463
91-120 days	5 667 194	1 891 120
121-365 days	3 544 953	2 666 834
>365 days	128 973 672	112 699 448
	151 878 026	124 021 516
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	(114 370 568)	(90 551 947)
Provision for impairment - Consumer debtors	(27 538 893)	(13 769 721)
Provision for impairment - Consumer traffic fines	(4 492 150)	(10 048 900)
	(146 401 611)	(114 370 568)
12. VAT receivable		
VAT	9 701 618	7 972 516
13. Receivables from exchange transactions		
Gross balances		
Debtors with credit balances	3 105 843	3 947 418
Refuse	28 050 169	26 138 158
Housing rental	6 072 541	5 356 084
Cemeteries	14 717 610	9 912 508
	51 946 163	45 354 168
Less: Allowance for impairment		
Refuse	(18 028 586)	(17 220 608)
Housing rental	(3 902 983)	(3 578 270)
Cemeteries	(9 459 397)	(6 622 306)
	(31 390 966)	(27 421 184)
	20 555 197	17 932 984
Net balance		
Debtors with credit balances	3 105 843	3 947 418
Refuse	10 021 583	8 917 550
Housing rental	2 169 558	1 777 814
Cemeteries	5 258 213	3 290 202

Greater Giyani Municipality

(Registration number LIM31)
Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

13. Receivables from exchange transactions (continued)

	2020	2019
Cemeteries		
Current (0 - 30 days)	278 645	101 191
31 - 60 days	257 344	(130 601)
61 - 90 days	275 308	(6 780)
91 - 120 days	273 442	32 062
121 - 365 days	271 614	78 835
> 365 days	13 361 253	9 837 797
	14 717 606	9 912 504
Refuse		
Current (0 - 30 days)	523 657	421 501
31 - 60 days	124 682	81 949
61 - 90 days	520 533	(26 799)
91 - 120 days	369 895	228 295
121 - 365 days	731 380	159 278
> 365 days	25 780 019	25 273 934
	28 050 166	26 138 158
Housing rental		
Current (0 - 30 days)	79 788	68 130
31 - 60 days	77 214	68 419
61 - 90 days	79 355	67 268
91 - 120 days	79 848	68 778
121 - 365 days	78 106	65 253
> 365 days	5 678 228	5 018 236
	6 072 539	5 356 084
Debtor with credit balances		
Current	(17 707)	(338 860)
30 days	21 475	(1 113 677)
60 days	27 498	(178 125)
90 days	(71 161)	(162 849)
120 days	(68 557)	(199 963)
180 days	(3 000 333)	(1 953 941)
	(3 108 785)	(3 947 415)

Reconciliation of allowance for impairment of exchange transactions

Opening balance	23 133 811	27 421 184
Refuse removal	143 879	807 978
House rental	351 639	324 713
Cemetery	3 791 855	2 837 092
	31 390 967	27 421 184

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	91 424 587	40 179 671
Short-term deposits	-	317 226
Other cash and cash equivalents	96 481	99 667
	91 521 068	40 596 564

Notes to the Audited Annual Financial Statements

Figures in Rand

14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
FNB - Current Account - 71032635579	-	317 226	300 056	-	321 761	300 109			
ABSA - Current Account - 407078193 (Main Account)	879 675	11 595 343	11 514 546	1 077 421	11 623 183	11 535 368			
ABSA - Current Account - 407078486 (Salaries Account)	5 332 768	9 690 385	2 125 759	5 532 769	9 848 586	2 125 759			
ABSA - Call Deposit - 4078155655	40 458 293	56 867	57 165	40 458 293	57 152	57 165			
ABSA - Current Account - 4093302071 (Traffic Account)	3 241 625	2 157 698	282 539	3 241 625	2 157 698	282 539			
ABSA - Call Deposit - 4078155744	41 114 479	16 574 635	44 366	41 114 479	16 651 253	44 366			
Total	91 026 840	40 392 154	14 324 431	91 424 587	40 659 633	14 345 306			

The municipality has decided to close FNB account and deposited the money in Absa primary account.

15. Finance lease obligation

Minimum lease payments due

- within one year
- in second to fifth year inclusive

511 880
877 508

less: future finance charges

Present value of minimum lease payments

Present value of minimum lease payments due

- within one year
- in second to fifth year inclusive

480 166
706 994

Non-current liabilities
Current liabilities

480 166
706 994

It is municipality policy to lease computers under finance leases.

The average lease term is three years and the average effective borrowing rate was 19.5%.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

At the end of the finance lease contract, ownership of the leased assets will be retained by the municipality.

Notes to the Audited Annual Financial Statements

Figures in Rand

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)

Movement during the year

Balance at the beginning of the year
Additions during the year
Income recognition during the year

2 961 531	5 465 566	2 961 531
76 337 000	148 528 639	(151 490 170)
(78 841 035)		
2 961 531	-	-

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

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

See note 33 for reconciliation of grants from National/Provincial Government.

17. Provisions

Reconciliation of provision for rehabilitation of dumping-site - 30 June 2020

Opening	Current service	Interest costs	Total
Balance			
37 024 232	2 228 248	1 681 037	40 933 517
Rehabilitation of dumping-site			

Reconciliation of provision for rehabilitation of dumping-site - 30 June 2019

Opening	Interest costs	Total
Balance		
35 844 939	1 179 293	37 024 232
Rehabilitation of dumping-site		

The dumping site rehabilitation is created for the rehabilitation of the current operational site which is evaluated at each year-end to reflect the best estimate at reporting date. The site under consideration is at Giyani Section C landfill site. The valuation for the landfill site was performed by Mr. Drikus Fourie (PrQS) from 4E Consulting (Pty) Ltd.

The 2020 discounted value of the dumping site closure provision of R 40 933 517 represents an increase of R 3 909 285 compared to the provision of R 37 024 089 in the previous financial year. Composition of this change relate to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment amounts to R 1 681 037 and current costs is R 2 228 248.

The dumping site closure provision is calculated as the net present value of future cash flows based on the expected remaining life of the dumping site and based on the size of the area that had been used for waste disposal as at 30 June 2020.

Notes to the Audited Annual Financial Statements

Figures in Rand

2020 2019

18. Payables from exchange transactions

Trade payables	849 493	741 122
Retentions	33 130 833	27 806 892
Accrued leave pay	17 610 982	16 304 407
Accrued 13th cheque	2 958 312	2 805 371
Payroll creditors	41 972	92 907
Accruals	42 076 051	14 268 915
Unspecified direct deposits	943 712	3 022 457
Debtors with credit balances	3 105 843	3 947 418
Accrued overtime	1 005 510	1 352 254
101 722 708	70 341 743	

Inter-municipal account - Mopani District Municipality

Accumulated Surplus - Mopani Inter-municipal Account	27 070 274	18 277 544
Revenue - Water	15 409 509	14 124 471
Revenue - Sewerage	3 426 700	3 023 423
Revenue - Interest	8 384 447	6 968 277
Overheads - Employee related costs	(5 182 123)	(5 128 871)
Water and Sewerage connections	76 719	41 555
Overheads - Operational expenditure	(1 491 927)	(652 842)
Debt impairment	(4 493 739)	(9 685 276)
Gains and losses on provisions	111 549	101 994
Accounts Receivable-Water	(110 454 963)	(94 053 924)
Accounts Receivable-Sewerage	(17 681 255)	(17 490 235)
Accounts Receivable-Interest	(50 426 325)	(42 041 878)
Trade payables	1 386	-
Inventory	(2 336 000)	(2 398 593)
Accrued leave	615 694	637 807
Accrued bonus	106 731	113 862
Accrued overtime	(4 185)	(212 250)
Long service awards	232 000	259 216
Post- retirement medical contribution debts	912 000	996 333
Provision for doubtful debts	114 766 875	110 273 136
(20 956 633)	(16 846 251)	

19. Revenue

Service charges	6 723 206	4 999 750
Rental of facilities and equipment	1 009 753	959 362
Interest received (overdue accounts)	19 693 755	15 154 966
Agency services	1 112 284	240 071
Licences and permits	4 214 374	5 716 227
Gain on forfeited liability	192 223	-
Bad debts recovered	-	2 891
Actuarial gains	7 685 612	318 630
Other income	1 552 758	1 716 141
Interest received - investment	5 915 603	5 053 436
Property rates	57 980 741	40 659 276
Traffic fines	6 895 687	13 683 066
Government grants & subsidies	368 864 296	332 419 573
481 840 292	420 923 389	

Greater Giyani Municipality

(Registration number LIM31)
Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

19. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services

are as follows:

Service charges	4 999 750
Rental of facilities and equipment	6 723 206
Interest received (overdue accounts)	19 693 755
Agency services	1 112 284
Licences and permits	4 214 374
Gain on fair value measurements	5 716 227
Bad debts recovered	-
Actuarial gains	2 891
Other income	7 685 612
Interest received - investment	5 915 603
	5 053 436
48 099 568	34 161 474

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

Taxation revenue	57 980 741
Property rates	40 659 276
Traffic fines	6 895 687
Transfer revenue	13 683 066
Government grants & subsidies	368 864 296
	332 419 573
433 740 724	386 761 915

20. Service charges

Solid waste	4 499 765
Cementery	4 792 407
	223 441
6 723 206	4 999 750

21. Rental of facilities and equipment

Premises	84 996
Community services	153 734
Housing rental	717 500
	608 487
802 496	762 221

Facilities and equipment

Rental of facilities	207 257
	197 141
1 009 753	959 362

22. Interest on overdue accounts

Interest received (trading)	19 693 755
	15 154 966

23. Agency services

Water and Sanitation	1 112 284
	240 071

24. Licences and permits (exchange)

Licences and Permits	4 214 374
	5 716 227

Notes to the Audited Annual Financial Statements

Figures in Rand

	2020	2019
25. Gain on forfeited liability		
Gain on forfeited liability	192 223	-
26. Bad debts recovered		
Bad debts reversal	-	2 891
27. Actuarial gains		
Actuarial gains	7 685 612	3 18 630
The significant increase on actuarial gain was due to amongst others, the market condition, discount rate and the impact of COVID-19 and the total liability has decreased by 23% since the last valuation.		
28. Lease rentals on operating lease		
Premises		
Contractual amounts	1 721 422	1 669 656
29. Other income		
Advertisement	178 170	128 870
Application fees	1 063	490
Building plans	79 964	280 215
Clearance certificates	11 998	13 125
Commission	-	61 345
Confirmation letters	262 424	326 326
Escort fees	14 830	11 666
Insurance recoveries	-	1 026
Library fees	1 240	3 378
Sale of grave plots	78 827	85 038
Sale of refuse bins	76 251	78 063
Skip bins	337	-
Sundry income	192 812	93 211
Tender documents	382 552	549 637
Transfer and registrations	272 290	83 751
30. Investment revenue		
Interest revenue		
Call accounts	3 979 773	4 378 746
Bank	1 935 830	674 690
	5 915 603	5 053 436

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

31. Property rates

Rates received

	2020	2019
Residential	15 697 116	12 818 917
Commercial	16 412 441	5 279 917
State	25 399 684	22 343 830
Small holdings and farms	10 585	-
Public benefit organisations	3 248	111 153
Industrial	457 667	105 459
57 980 741	40 659 276	

Valuations

	2020	2019
Residential	2 413 635 368	1 512 826 635
Commercial	397 853 320	252 340 307
State	229 147 701	203 350 902
Institute	180 930 250	163 803 300
Agricultural	300 000	300 000
Public Open Space	62 505 300	20 866 800
Sport Centre	8 595 000	870 000
Industrial	67 958 172	32 527 548
Nature Reserve	25 000 300	19 350 000
Churches	23 191 000	15 546 750
3 409 116 411	2 221 782 242	

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Balances disclosed takes into annual supplementary valuation, since supplementary valuation are fluctuating.

The municipality has appointed a Municipal Property Valuer to compile the supplementary valuation roll for 2019/2020 and General Valuation Roll for implementation in the 2020/2025 financial years.

The significant increase in the market values from R 2 222 178 242 to R 3 409 116 411 are as results of new property developments in the 2019/2020 financial year and were included in the supplementary valuation roll.

32. Traffic fines

Traffic fines

6 895 687	13 666 613
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Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

33. Government grants and subsidies

Operating grants

Equitable share
Expanded Public Works Program (EPWP)
Finance Management Grant (FMG)
Local Govt Sector Education & Training Authority (LGSETA)
Municipal Disaster Relief Management

Capital grants

Municipal Infrastructure Grant (MIG)
Integrated National Electrification Grant (INEG)

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year
Current-year receipts
Conditions met - transferred to revenue
Not approved by Treasury

Integrated National Electrification Grant (INEG)

Balance unspent at beginning of year
Current-year receipts

Conditions met - transferred to revenue

Expanded Public Works Program (EPWP)

Current-year receipts
Conditions met - transferred to revenue

Finance Management Grant (FMG)

Current-year receipts
Conditions met - transferred to revenue

Municipal Disaster Relief Grant

Current-year receipts
Conditions met - transferred to revenue

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

34. Employee related costs

	2020	2019
Basic	87 916 823	82 469 614
Medical aid - company contributions	4 587 193	3 828 963
UIF	575 029	608 164
WCA	827 685	704 415
SDL	849 646	1 002 535
Bargain council	34 121	34 088
Defined contribution plans	15 597 244	15 053 924
Leave and bonus provision	1 431 452	902 008
Overtime payments	5 718 005	5 565 272
13th Cheques	6 152 031	6 046 550
Acting allowances	66 944	216 681
LSA and PFMA provision	3 869 001	3 517 367
Car allowance	10 806 303	9 698 867
Housing benefits and allowances	280 501	273 619
Standby allowance	144 180	129 971
Leave pay	893 222	1 444 756
Night Shift	296 718	262 127
Clothing allowance	15 000	20 000
Cellphone allowance	782 104	487 960
Rural Allowance	200 099	136 376

Remuneration of Municipal Manager

Annual Remuneration	1 064 593	1 028 252
Rural Allowance	48 987	46 776
Car Allowance	120 180	120 000
Contributions to UIF, Medical and Pension Funds	66 538	64 321
Subsistence and Travelling	33 425	-
Back-pay	32 327	31 574
Cellphone Allowance	16 800	12 600

Remuneration of Chief Financial Officer

Annual Remuneration	424 976	178 488
Rural Allowance	21 534	12 800
Cellphone Allowance	9 800	1 400
Contributions to UIF, Medical and Pension Funds	27 333	27 035
Acting Allowance	17 101	66 461
Subsistence & Travelling	8 987	-
Car Allowance	91 062	97 727
Backpay	17 641	-

Mr. D Mhangwana was appointed as the CFO on 01 December 2019 and Mr. F Nkuna and Mr. N Muhlari were acting CFO's from 01 July 2019 to 30 November 2019.

Notes to the Audited Annual Financial Statements

Figures in Rand

34. Employee related costs (continued)

Remuneration of Directors - Corporate & Shared Services:

	2020	2019
Annual Remuneration	658 453	630 332
Car Allowance	325 040	324 147
Cellphone Allowance	16 800	12 600
Contributions to UIF, Medical and Pension Funds	44 069	42 337
Subsistence & Travelling	21 311	-
Rural Allowance	40 216	38 400
Back-pay	26 547	25 996
1 132 436	1 073 812	

Remuneration of director Technical Services

Annual Remuneration	537 973	36 453
Rural Allowance	30 651	-
Car Allowance	200 000	-
Contributions to UIF, Medical and Pension Funds	70 628	2 516
Acting Allowance	9 601	51 945
Leave Pay	-	200 277
Cellphone Allowance	14 000	-
Subsistence & Travelling	18 875	-
Backpay	27 442	-
909 170	291 191	

Mr. RH Mashamba was appointed as the director for Technical Services on 01 September 2019 and Ms. KY Sinclair and Mr. NT Mahani were acting Technical Directors from 01 July 2019 to 31 August 2019.

Remuneration of Strategic Planning and LED

Annual Remuneration	319 698	-
Acting Allowance	-	19 477
Rural Allowance	18 495	-
Contributions to UIF, Medical and Pension Funds	62 772	-
Car Allowance	77 681	-
Cellphone Allowance	7 000	-
Subsistence & Travelling	11 161	-
Backpay	19 219	-
516 026	19 477	

Ms. KV Sithole was appointed as the director for Strategic Planning and LED on 01 January 2020.

Remuneration of Director Community Services

Annual Remuneration	751 674	723 680
Car Allowance	227 157	226 132
Rural Allowance	40 216	38 400
Contributions to UIF, Medical and Pension Funds	48 795	47 165
Subsistence & Travelling	37 656	-
Back-pay	26 547	25 996
Cellphone Allowance	16 800	12 600
1 148 845	1 073 973	

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

	2020	2019
35. Remuneration of councillors		
Mayor	905 259	862 606
Speaker	733 088	706 600
Councillors	21 237 616	21 005 296
Chief Whip	690 046	651 285
SDL	152 333	188 883
In-kind benefits	23 718 342	23 414 670
The Mayor, Speaker and the Chief Whip are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor and the Speaker have use of a Council owned vehicle for official duties.		
36. Depreciation and amortisation		
Property, plant and equipment	83 068 220	83 304 270
Intangible assets	2 146 299	1 829 796
	85 214 519	85 134 066
37. Impairment of assets		
Impairments		
Property, plant and equipment	3 915 500	34 700
38. Finance costs		
Finance leases	170 514	294 856
Interest on late payment	4 383	-
Interest expense - rehabilitation of dumping site	1 681 037	1 179 294
	1 855 934	1 474 150
39. Debt impairment		
Debt impairment - consumer debtors	36 000 825	28 165 345
40. Contracted services		
Presented previously		
Infrastructure services	4 297 035	4 675 892
Electrical services	26 341 473	30 101 224
Disaster management	298 000	-
Business and advisory services	19 289 442	17 526 058
Other Contractors	1 225 873	5 079 780
	51 451 823	57 382 954
41. Obsolete inventory written off		
Obsolete inventory written off	27 174	-

Notes to the Audited Annual Financial Statements

Figures in Rand

2020 2019

42. Repairs and maintenance

Repairs and maintenance - Equipments
Repairs and maintenance - Buildings
Repairs and maintenance - Other

14 542	349 047
48 849	183 436
4 544 800	3 942 114
4 608 191	4 474 597

43. General expenses

Accommodation
Advertising
Auditors remuneration
Bank charges
Bursaries
Catering services
Community development and training
Consulting and professional fees
Consumables
Computer software expenses
Hire
Insurance
Free basic electricity
Motor vehicle expenses
Fuel and oil
Postage and courier
Printing and stationery
Protective clothing
Subscriptions and membership fees
Telephone and fax
Travel - local
Legal services
Electricity
SME support
Incidental costs
Interest relief - overdue accounts
Other expenses

2 052 583	4 546 546
209 185	808 356
4 325 852	4 815 901
240 892	344 864
149 571	217 369
410 905	737 580
5 136 500	4 770 100
4 239	2 076 553
4 315 819	4 471 931
373 236	606 348
581 554	1 010 685
465 220	456 965
13 687 838	11 216 860
144 028	132 694
2 574 088	3 283 709
92 232	85 570
22 848	388 552
1 389 596	999 316
1 772 760	1 749 540
1 032 745	870 597
2 597 856	6 829 521
3 505 742	8 504 393
1 821 383	1 922 492
600 000	-
165 471	4 960
185 128	95 828
479 430	939 758
48 336 701	61 886 988

44. Auditors' remuneration

Audit fees

4 325 852	4 815 901
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Notes to the Audited Annual Financial Statements

Figures in Rand

	2020	2019
45. Cash generated from operations		
Surplus	79 572 271	24 875 677
Adjustments for:		
Depreciation and amortisation	85 214 519	85 134 066
Loss on assets written off	4 374 289	7 327
Contracted services transferred from WIP	26 316 975	-
Obsolete inventory written-off	27 174	-
Impairment loss	3 915 500	34 700
Debt impairment	36 000 825	28 165 345
Movements in retirement benefits	(3 858 301)	(581 479)
Movements in provisions on rehabilitation	3 909 285	1 179 293
Changes in working capital:		
Inventories	(230 104)	749 453
Receivables from exchange transactions	(5 655 313)	(4 253 433)
Consumer debtors	(38 623 038)	(33 673 836)
Other receivables from non-exchange transactions	(24 486 269)	(4 166 737)
Payables from exchange transactions	31 380 968	1 468 689
VAT	(1 729 102)	(2 519 917)
Unspent conditional grants and receipts	(2 961 531)	(2 504 035)
	193 168 148	93 915 113

Notes to the Audited Annual Financial Statements

Figures in Rand

46. Commitments

Authorised capital expenditure

Contract approved and some services have been rendered

- Rehabilitation of streets in all sections
- Upgrading Nkhensani access road
- Construction of Landfill site and waste Disposal
- Mageva sports centre
- Electrification of villages : Mhlava - Willem ,Sekhing ,Mballo & Shivilani
- Homu 14B to 14A upgrading from gravel to tar
- Makosha access road upgrading from gravel to paving
- Upgrading of Civic Centre parking lot
- Refurbishment of Giyani stadium and section A tennis court
- Formalisation of settlement
- Energising of 51 Highmast lights
- Upgrading of Makhuva road D3187 from gravel to tar
- Rehabilitation of Giyani stadium, Section A tennis court and Shivilani sport
- Refurbishment of Gawula sports centre
- Alternative access road to Giyani
- Section F from gravel to paving
- Upgrading of Xikukwane from gravel to tar
- Electrification of Mbalula Village
- Electrification of Dzidzingi village
- Section E upgrading from gravel to tar
- Construction of Civic centre phase 3
- Electrification of villages Sekhing
- Development Of Waste Disposal Site
- Nkomo Upgrading From Gravel To Tar
- Energising of 51 Highmast lights (Muteo Consulting)
- Construction Of Culvert Bridge At Bonwana Village
- Construction of Ngove Regravelling

Contract approved but where services have not been rendered

- Supply & delivery of 100m precast concrete palisade fence
- Public transport shelters - Turnkey
- Construction Of Culvert Bridge At Maphatha Village
- Installation Of Three (03) Solar High Mast At Giyani Cbd
- Supply & Installation Of Air Conditioners
- Supply & installation of inner perimeter palisade fencing at storeroom

Total capital commitments

Contract approved and services have been rendered

Contract approved but where services have not been rendered

110 316 596	156 318 210
-------------	-------------

106 080 570	154 747 073
4 236 026	1 571 137

4 236 026	1 571 137
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195 000	-
998 097	-
2 762 263	-
199 500	-
81 166	-

106 080 570	154 747 073
-------------	-------------

2 172 099	2 172 099
578 893	-
1 712 476	1 901 277
17 150 435	838 721
7 667 934	-
13 139 746	4 029 422
4 440 194	-
3 642 888	3 642 888
3 316 836	3 316 836
138 368	138 368
2 325 382	-
9 027 938	-
1 456 165	-
661 716	661 716
5 005 475	3 063 853
43 475 561	13 213 003
11 306 670	9 378 395
2 652 499	-
1 484 319	-
6 924 812	-
15 049 868	3 474 850
1 416 799	-
35 636 454	23 480 090
817 823	817 823
282 192	32 583

Contract approved and some services have been rendered

- Vodacom line
- Physical security at Traffic testing
- Office space rental
- Land use management scheme
- Property, plant and equipment Insurance
- Review of the GGM Spatial development framework

81 956	401 121
-	1 228 832
34 991	-
81 937	81 937
242 431	-
291 549	291 549

Greater Giyani Municipality

(Registration number LIM331)
Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

2019 2020

46. Comments (continued)

- Supply and delivery of tablets pouches and 3Gs
- Rezoning and subdivision of parks
- Proclamation program, land audit and land acquisition
- Township establishment of various villages
- Ngove township expansion
- Deeds registration Giyani Section F
- Site demarcation at Sikhunyani Village and site demarcation at Dzumeri
- Traditional Authority
- Street naming (including registration)
- General Valuation Roll
- Provision For Procurement Of Services: Municipal Standard Chart Of Accounts
- Financial System Support (Sage Evolution)
- Insurance

128 108	243 496
110 000	570 000
263 665	509 880
332 049	900 149
651 858	1 537 058
200 000	200 000
685 000	685 000
47 500	-
3 600 000	4 420 000
2 985 090	-
2 176 632	-
12 036 465	10 945 323

Contract approved but where services have not been rendered

121 930	-
557 348	-
385 963	-
-	-
-	-
193 750	-
168 000	-
87 266	-
117 244	-
128 350	-
195 640	-
169 487	-
1 059 737	1 255 241

Total operational commitments

Contract approved and services have been rendered
Contract approved but where services have not taken place at the reporting date

10 945 323	1 255 241
13 096 202	12 200 564

Total commitments

Total commitments

Authorised capital expenditure
Authorised operational expenditure

156 318 210	13 096 202
168 518 774	123 412 798

The following contracts are longer than 12 months

Contract start date	Contract end date	Contract amount
2019/02/01	2024/01/31	5 620 000
2019/07/30	2022/07/30	4 952 425
2019/07/30	2022/07/30	2 704 985
2018/06/05	2021/12/30	12 378 395
2017/12/29	2021/12/31	1 489 069

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality with a minimum lease payments of R 621 610.43 (2020) (R 621 610.43:2019) for photocopiers, office property and parking at Limpopo Economic Development Agency (R 979 390.47), and radiophones (R 62 380.00). Contingent rent is payable on the number of copies made for the month.

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

46. Commitments (continued)

Rental expenses relating to operating leases
Contingent rents
Sublease payments

58 041	1 663 380
89 255	1 590 138
1 721 421	1 679 393

47. Contingent Liabilities

The municipality has various claims of legal disputes with suppliers that are subject to mediation or legal process. The table below indicates the details of the claims:

Case Description

Eternity vs GGM. Suing the Municipality for services rendered	8 140 229	8 140 229
Mpongwa Hesekeani Emmanuel vs GGM. The plaintiff is suing the Municipality for damages he suffered as result of rain	1 000 000	1 000 000
Masingita property investment holdings(Pty) Ltd vs GGM. Claim against GGM for allegedly taking too long to approve the building plans	28 692 761	-
Lunnick Base Khoza vs GGM. The municipality is sued for damage to a car accident owing to its failure to fix potholes	66 531	-
Giyan! Action Committee. The municipality interdicts the respondent from disrupting the sale of sites	800 000	-
GGM vs TR construction & plant hire. The municipality is being sued for the claim of payment for the work allededly done whilst claimant was a subcontractor.	863 598	-
	39 563 119	9 140 229

Notes to the Audited Annual Financial Statements

Figures in Rand

48. Related parties

Relationships

Accounting Officer

Councillors

Members of key personnel

Refer to accounting officer's report note
Refer to general information on page 1 and 2
M T Shiviti Director Corporate and Shared Services
D Mhangwana Chief Financial Officer
R H Mashamba Director Technical Services
K V Sithole Director Strategic Planning and LED
M I Khosa Director Community Services

Related party transactions

Remuneration of management

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

48. Related parties (continued)

Management class: Councillors

2020

Name	Basic salary	Data Card	Cellphone Allowance	Backpay	Car Allowance	SDL	Total
Cllr. SS Mathebula	260 620	3 600	40 800	12 699	86 873	2 787	407 379
Cllr. MP Hlungwani	498 306	3 600	40 800	24 281	166 102	4 992	738 081
Cllr. MR Mashale	467 162	3 600	40 800	22 764	155 721	4 169	694 216
Cllr. NHP Ndaba	467 162	3 600	40 800	22 764	155 721	4 703	694 750
Cllr. TE Baloyi	467 162	3 600	40 800	22 764	155 721	4 703	694 750
Cllr. DE Baloyi	252 969	3 600	40 800	12 326	84 323	2 716	396 734
Cllr. B Gaveni	197 119	3 600	40 800	9 605	65 706	2 198	319 028
Cllr. E Malungana	252 969	3 600	40 800	12 326	84 323	3 044	397 062
Cllr. MI Shimange Fazi	197 119	3 600	40 800	9 605	65 706	2 198	319 028
Cllr. RO Mabasa	457 776	3 600	40 800	22 306	152 592	4 616	681 690
Cllr. TL Ndlovu	100 127	3 600	40 800	9 605	65 706	1 361	221 199
Cllr. S Makhubele	252 969	3 600	40 800	12 326	84 323	2 716	396 734
Cllr. MW Mthombeni	252 969	3 600	40 800	12 051	84 323	2 716	396 459
Cllr. PT Mokgobi	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. FC Makoseni	215 859	3 600	40 800	17 352	67 314	2 043	346 968
Cllr. XJ Valoyi	252 969	3 600	40 800	12 326	84 323	2 716	396 734
Cllr. BA Shibambu	622 881	3 600	40 800	30 351	207 627	5 436	910 695
Cllr. CM Siweya	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. NR Khandhela	197 119	3 600	40 800	9 605	65 706	2 198	319 028
Cllr. GE Kobane	252 969	3 600	40 800	12 326	84 323	2 716	396 734
Cllr. EN Mabunda	260 620	3 600	40 800	12 699	86 873	2 787	407 379
Cllr. SG Mthombeni	220 498	3 600	40 800	12 326	73 499	2 109	352 832
Cllr. NN Baloyi	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. MC Mhlongo	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. RE Ngoveni	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. TR Maluleke	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. MA Khosa	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cllr. T Makhubele	197 119	3 600	40 800	9 605	65 706	1 973	318 803

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

48. Related parties (continued)

Cilir. TN Mthombeni	252 969	3 600	40 800	12 326	84 323	2 427	396 445
Cilir. HW Mhlari	260 620	3 600	40 800	12 699	86 873	2 490	407 082
Cilir. RN Sekgobela	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. TM Makhuvele	252 969	3 600	40 800	12 326	84 323	2 427	396 445
Cilir. MP Mathevula	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. XB Mkansi	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. DC Mashimbye	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. RS Khosa	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. HR Rikhotso	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. MJ Chauke	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. RC Rikhotso	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. KA Manganyi	467 162	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. JS Khosa	197 119	3 600	40 800	22 764	155 721	4 703	694 750
Cilir. MT Chauke	32 744	600	6 800	9 605	65 706	1 973	318 803
Cilir. AF Mthombeni	197 119	3 600	40 800	-	10 915	395	51 454
Cilir. DT Shivuri	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. MP Hlungwani	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. N Maluleke	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. MA Makamu	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. BI Mashele	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. AM Mthombeni	260 620	3 600	40 800	12 699	86 873	2 787	407 379
Cilir. PS Mabulana	260 620	3 600	40 800	12 699	86 873	2 490	407 082
Cilir. TC Manganyi	197 119	3 600	40 800	9 605	65 706	2 198	319 028
Cilir. SS Kubayi	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. AE Mboweni	260 620	3 600	40 800	15 030	84 323	2 473	406 846
Cilir. NM Madzanye	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. SC Mahlawule	239 523	3 600	40 800	12 699	79 841	2 283	378 746
Cilir. TC Zitha	197 119	3 600	40 800	9 605	65 706	2 198	319 028
Cilir. HR Shivambu	197 119	3 600	40 800	9 605	65 706	2 198	319 028
Cilir. MJ Makhubela	197 119	3 600	40 800	9 605	65 706	2 198	319 028
Cilir. SR Nkuna	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. P Mazivuko	197 119	3 600	40 800	9 605	65 706	1 973	318 803
Cilir. TS Hlungwana	197 119	3 600	40 800	9 606	65 706	1 973	318 804
Cilir. NJ Zitha	154 095	3 000	34 000	14 108	54 792	1 513	261 508
Cilir. TP Chaka	122 807	2 400	27 200	22 858	43 877	1 161	220 303

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

48. Related parties (continued)

2019

	15 019 901	222 000	2 516 000	769 976	5 038 131	152 334	23 718 342
Name	Basic salary	Back Pay	Data Card	Cellphone	Car Allowance	SDL	Total
Cllr. SS Mathebula	427 511	17 028	3 600	40 800	142 504	5 388	636 831
Cllr. MP Hlungwani	485 507	14 856	3 600	40 800	161 835	6 195	712 793
Cllr. MR Mashale	455 163	13 928	3 600	40 800	151 721	5 040	670 252
Cllr. NHP Ndaba	455 163	13 928	3 600	40 800	151 721	5 665	670 877
Cllr. TE Baloyi	455 163	13 928	3 600	40 800	151 721	5 665	670 877
Cllr. JH Bilankulu	232 280	7 771	3 300	37 400	77 427	3 078	361 256
Cllr. DE Baloyi	246 472	7 542	3 600	40 800	82 157	3 271	383 842
Cllr. B Gaveni	192 056	5 877	3 600	40 800	64 019	2 647	308 999
Cllr. E Malungana	246 472	7 542	3 600	40 800	82 157	2 932	383 503
Cllr. MI Shimange	192 056	5 877	3 600	40 800	64 019	2 647	308 999
Cllr. RO Mabasa	446 018	13 649	3 600	40 800	148 673	5 561	658 301
Cllr. TL Ndlovu	175 684	22 249	3 600	40 800	64 019	2 383	308 735
Cllr. S Makhubele	246 472	7 542	3 600	40 800	82 157	3 271	383 842
Cllr. MW Mthombeni	246 705	7 542	3 600	40 800	82 157	3 273	384 077
Cllr. PT Mokgobi	192 056	5 877	3 600	40 800	64 019	2 383	308 735
Cllr. FC Makoseni	192 056	5 877	3 600	40 800	64 019	2 383	308 735
Cllr. XJ Valoyi	246 472	7 542	3 600	40 800	82 157	3 271	383 842
Cllr. BA Shibambu	433 298	9 314	3 600	40 800	144 433	4 779	636 224
Cllr. CM Siweya	192 056	5 877	3 600	40 800	64 019	2 383	308 735
Cllr. NR Khandlhelala	192 056	5 877	3 600	40 800	64 019	2 647	308 999
Cllr. GE Kobane	246 472	7 542	3 600	40 800	82 157	3 271	383 842
Cllr. EN Mabunda	253 926	7 771	3 600	40 800	84 642	3 357	394 096
Cllr. SG Mthombeni	192 056	5 877	3 600	40 800	64 019	2 383	308 735
Cllr. NN Baloyi	192 056	5 877	3 600	40 800	64 019	2 383	308 735
Cllr. MC Mhlongo	192 056	5 877	3 600	40 800	64 019	2 383	308 735
Cllr. RE Ngweni	192 056	5 877	3 600	40 800	64 019	2 383	308 735
Cllr. TR Maluleke	192 056	5 877	3 600	40 800	64 019	2 383	308 735
Cllr. MA Khosa	192 056	5 877	3 600	40 800	64 019	2 383	308 735
Cllr. T Makhubele	192 056	5 877	3 600	40 800	64 019	2 383	308 735

Greater Giyani Municipality

(Registration number LIM331)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

48. Related parties (continued)

Cllr. TN Mthombeni	246 705	7 548	3 600	40 800	82 157	2 934	363 744
Cllr. HW Makubele	253 926	7 771	3 600	40 800	84 642	3 008	393 747
Cllr. RN Sekgobela	192 056	5 877	3 600	40 800	64 018	2 383	308 734
Cllr. TM Makhubele	246 471	7 541	3 600	40 800	82 157	2 932	363 501
Cllr. MP Mathewula	192 056	5 877	3 600	40 800	64 018	2 383	308 734
Cllr. XB Mkansi	192 056	5 877	3 600	40 800	64 018	2 383	308 734
Cllr. DC Mashimbye	192 056	5 877	3 600	40 800	64 018	2 383	308 734
Cllr. RS Khosa	192 056	5 877	3 600	40 800	64 018	2 383	308 734
Cllr. HR Rikhotso	192 056	5 877	3 600	40 800	64 018	2 383	308 734
Cllr. MJ Chauke	192 056	5 877	3 600	40 800	64 018	2 383	308 734
Cllr. RC Rikhotso	192 056	5 877	3 600	40 800	64 018	2 383	308 734
Cllr. KA Manganyi	455 163	13 928	3 600	40 800	151 721	5 665	670 877
Cllr. JS Khosa	192 056	5 877	3 600	40 800	64 018	2 383	308 734
Cllr. MT Chauke	192 056	5 877	3 600	40 800	64 018	2 383	308 734
Cllr. AF Mthombeni	192 056	5 877	3 600	40 800	64 018	2 383	308 734
Cllr. DT Shivuri	192 056	5 877	3 600	40 800	64 018	2 383	308 734
Cllr. MP Hlungwani	192 056	5 877	3 600	40 800	64 019	2 383	308 735
Cllr. N Maluleke	192 056	5 877	3 600	40 800	64 019	2 383	308 735
Cllr. MA Makamu	192 056	5 877	3 600	40 800	64 019	2 647	308 999
Cllr. BI Mashele	192 056	5 877	3 600	40 800	64 019	2 383	308 735
Cllr. AM Mthombeni	253 926	5 877	3 600	40 800	84 642	3 338	392 183
Cllr. SV Manganye	169 149	5 877	2 400	27 200	42 189	1 594	248 409
Cllr. PS Mabulana	253 926	7 771	3 600	40 800	84 642	3 008	393 747
Cllr. TC Manganyi	192 056	5 877	3 600	40 800	64 019	2 647	308 999
Cllr. SS Kubayi	242 056	5 877	3 600	40 800	64 019	2 383	368 735
Cllr. AE Mboweni	253 926	7 771	3 600	40 800	82 157	2 988	391 242
Cllr. NM Madzunge	242 056	5 877	3 600	40 800	64 019	2 383	368 735
Cllr. SC Mahlawule	242 056	5 877	3 600	40 800	64 019	2 647	368 999
Cllr. TC Zitha	242 056	5 877	3 600	40 800	64 019	2 647	368 999
Cllr. HR Shivambu	242 056	5 877	3 600	40 800	64 019	2 647	368 999
Cllr. MJ Makhubela	242 056	5 877	3 600	40 800	64 019	2 383	368 735
Cllr. SR Nkuna	242 056	5 877	3 600	40 800	64 019	2 383	368 735
Cllr. P Mazivuko	242 056	5 877	3 600	40 800	64 019	2 383	368 735
	15 130 098	467 084	221 700	2 512 600	4 898 655	184 533	23 414 670

Greater Giyani Municipality

(Registration number LIM31)

Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

49. Principal Agency Fees

Mopani District Municipality

The Municipality and Mopani District Municipality entered into legislated arrangement under which the municipality serves as an agent and Mopani District as a Principal. Under this arrangement, Greater Giyani Municipality performs water and sewer functions on behalf of the Mopani District, all monies earned by the Greater Giyani Municipality from water and sewer services are disclosed as a liability and any monies paid by Greater Giyani Municipality to ensure smooth running of the water and sewer functions are disclosed as a receivable by Greater Giyani Municipality.

Revenue - Agency fee 25%

1 112 284	240 070
(20 953 844)	(16 777 249)

Intermunicipal account

Department of Transport - Limpopo

The Municipality has entered into an agreement with the Department of Transport under which the Department serves as a Principal and the Municipality as an agent. Under this arrangement, the Municipality performs licencing functions on behalf of the department of transport and earns a commission of 20% of the total revenue collected from this services. The balance of 80% is transferred to the department of transport. The following is a summary of revenue as a result of the arrangements at year end.

Revenue - Agency fee 20%

6 895 687	13 683 066
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Notes to the Audited Annual Financial Statements

Figures in Rand

2020
2019

50. Correction of prior period errors

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

1. **Inventory**- Inventory with an amount of R 208 731 was understated in the prior year.

2. **Receivables from exchange transactions** - Receivable from exchange transaction was overstated by an amount of R 148 272 Mopani District (Water Services) was not accounted for in the prior year.

3. **Receivables from non-exchange transactions** -

Traffic amounting to R 1 478 450 relating 2017/2018 was overstated in the prior year. R 1 027 400 (R 1 268 750 less R 241 350) was overstated in the prior year.

4. **VAT Receivables** - VAT Receivable of R 132 445 was understated in the prior year.

5. **Investment property**- Investment property worth of R 37 031 169 was not recognised in the prior years.

6. **Property, plant and equipment**

The amount of R 14 703 740 was due to the fair value on plant & machinery, community assets, buildings, furniture & fittings. Revised useful life for plant & machinery, furniture and fittings, office equipment, IT equipment and Aircons. There are also reclassification of some community assets to municipal buildings.

7. **Intangible assets**- Intangible assets of R 12 500 less accumulated amortisation of R 1 062 was not accounted for in the prior year.

8. **Payables from exchange transactions**- Payables from exchange transactions of R 1 014 453 is due to accrued overtime that was not accounted for in the prior year.

9. **Traffic fines**

Paid traffic fines in the prior year were incorrectly included in the unpaid schedule of traffic fines resulting in overstatement of traffic fines by R 1 027 400.

10. **Employee related costs**- Employee related costs were overestimated with an amount R 1 352 254 due to overtime for 30 June 2019 that was not accrued.

11. **Depreciation and amortisation**- Amortisation of computer software was overstated by R 776 395 is a was not accounted for in the prior year.

12. **Debt impairment**

An adjustment of R 1 008 000 was made due to the paid traffic fines which were incorrectly accounted in the prior year debt impairment.

15. **General expenses** -General expenses were understated by R 221 250.

16. **Contracted Services** - Contracted services for R 21 749 684 were understated by completed projects for electrification of villages and R 328 308 was for Ntlyiso consulting (Revenue Services).

17. **Service charges**

Refuse removal of R 314 545 was understated in the prior year due to some properties which were not billed for refuse removal

18. **Irregular expenditure**

Irregular expenditure of R 858 161 (2017/2018) and R 9 280 766 (2018/2019) were not disclosed in the prior years respectively.

Notes to the Audited Annual Financial Statements

Figures in Rand

2020
2019

50. Correction of prior period errors (continued)

Statement of financial position

2019

	As previously reported	Correction of error	Restated
Inventories	2 335 282	208 731	2 544 013
Receivables from exchange transactions	20 502 101	(147 912)	20 354 189
Receivables from non-exchange transactions	48 757 634	(6 778 839)	41 978 795
VAT receivable	7 840 071	132 445	7 972 516
Investment property	20 270 000	37 031 169	57 301 169
Property, plant and equipment	902 097 273	(14 703 740)	887 393 533
Intangible assets	630 045	11 438	641 483
Payables from exchange transactions	(70 454 226)	112 483	(70 341 743)
Employee benefit obligation	(23 392 221)	-	(23 392 221)
Other receivables from exchange transactions	17 571 257	361 727	17 932 984
926 157 216	16 227 502	942 384 718	

Statement of financial performance

2019

	As previously reported	Correction of error	Restated
Traffic fines	14 710 466	(1 027 400)	13 683 066
Service charges	4 685 205	314 545	4 999 750
Employee related costs	(133 755 511)	1 352 254	(132 403 257)
Depreciation and amortisation	(85 910 461)	776 395	(85 134 066)
Debt impairment	(29 173 345)	1 008 000	(28 165 345)
Contracted services	(35 304 962)	(22 077 992)	(57 382 954)
General expenses	(62 108 218)	221 230	(61 886 988)
(326 856 826)	(19 432 968)	(346 289 794)	

Comments

2019

	As previously reported	Correction of error	Restated
Electronic document management	456 000	(456 000)	-
General Valuation Roll	-	4 420 000	4 420 000
Vodacom line	7 621	114 309	121 930
463 621	4 078 309	4 541 930	

Notes to the Audited Annual Financial Statements

Figures in Rand

2020
2019

50. Correction of prior period errors (continued)

Reclassifications

The following were reclassified from related party to Principal Agency Fee

Intermunicipal loan account - Mopani District Municipality

Department of Transport - Limpopo Province

Agency Fee - Mopani District Municipality

51. Risk management

Financial risk management

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

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Payables from exchange transactions	101 719 495	70 341 743	68 873 053
At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Payables from exchange transactions	70 341 743	68 873 053	53 640 488

The municipality has not defaulted on payables and lease commitment payments being either interest or capital and no re-negotiations of terms were made on any of these instruments

Notes to the Audited Annual Financial Statements

Figures in Rand

51. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2020	2019
Cash and cash equivalent	91 521 068	40 596 564
Receivables from exchange transactions	26 009 502	20 354 189
Receivables from non-exchange transactions	66 465 064	41 978 795
Other receivables from exchange transactions	20 555 197	17 932 984
VAT Receivable	9 701 618	7 972 516

Market risk

Interest rate risk

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

52. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R 1 021 265 855 and that the municipality's total assets exceed its liabilities by R 1 021 265 855.

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

53. Deviations

Closing balance	1 665 663	3 671 499
Anric Enterprises (Section 36 (1) a (i))	-	31 476
Mercedes-Benz (Section 36 (1) a (i))	-	102 810
Smith Power Equipment (Section 36 (1) a (i))	-	22 962
Workshop Electronics (Section 36 (1) a (i))	-	92 058
Hasler Business Systems (Pty) Ltd (Section 36 (1) a (i))	-	145 346
Vodacom (Section 32)	-	763 939
Vodacom (Section 32)	-	613 584
Group 1 Nissan (Section 32)	-	400 297
Vodacom (Section 32)	-	182 895
Mavambo ITS (Section 32)	-	1 316 132
Mhvasi Holdings (Pty) Ltd (Section 36 (a)(i) in an emergency)	-	209 000
Giyan Medical Centre (Section 36 (a)(i) in an emergency)	-	164 516
Mvuri Park Trading 40 (Section 36 (a)(i) in an emergency)	-	139 380
015 Preeminent Solution (Section Policy 36 (a)(i) in an emergency)	-	67 900
MWX Holdings (Section 36 (a)(i) in an emergency)	-	1 084 867
	1 665 663	3 671 499

Notes to the Audited Annual Financial Statements

Figures in Rand

2020 2019

54. Fruitless and wasteful expenditure

Opening balance as previously reported	1 467	226 107
Add: Fruitless and wasteful expenditure - current period	17 696	23 676
Less: Amount written off - by the council	(7 828)	(248 316)
Closing balance	11 335	1 467

MPAC recommended that an amount of R 9 870.28 should be recovered.

55. Irregular expenditure

Opening balance as previously reported	18 921 759	15 927 780
Correction of prior period error	-	858 161
Restated Opening Balance	18 921 759	16 785 941
Add: Irregular Expenditure - previously not disclosed	-	9 280 766
Add: Irregular Expenditure - for the period	16 319 958	-
Less: Amount written off by the council	(25 600 724)	(7 144 948)
Closing balance	9 640 993	18 921 759

R 9 640 992.69 for periods 2015/16 and 2016/17 respectively is still under investigation by MPAC.

56. Unauthorised expenditure

Opening balance as previously reported	248 657 470	217 997 372
Add: Unauthorised expenditure incurred during the year	-	30 660 098
Less: Amount authorised by council for 2016/2017	(11 544 739)	-
Less: Amount authorised by council for 2017/2018	(206 452 633)	-
Less: Amount authorised by council for 2018/2019	(30 660 098)	-
Closing balance	-	248 657 470

The municipality has not yet determined unauthorised expenditure to date.

57. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Opening balance	34 129	34 087
Current year subscription / fee	(34 129)	(34 087)
Closing balance	-	-

Audit fees

Current year subscription / fee	4 632 780	4 815 901
Amount paid - current year	(4 622 936)	(4 815 901)
Closing balance	9 844	-

PAYE and UIF

Opening balance	21 804 223	20 284 294
Current year subscription / fee	(21 804 223)	(20 284 294)
Closing balance	-	-

Greater Giyani Municipality

(Registration number LIM331)
Audited Annual Financial Statements for the year ended 30 June 2020

Notes to the Audited Annual Financial Statements

Figures in Rand

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

Pension and Medical Aid Deductions

Opening balance	23 766 247	22 307 999
Current year subscription / fee	(23 766 247)	(22 307 999)
	-	-

VAT

VAT receivable	9 701 618	7 972 516
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VAT output payables and VAT input receivables are shown in note .

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Mboweni Agrey Ernest	3 395	59 399	62 794
Cllr Chauke Mukhacani Juring	3 730	57 274	61 004
Cllr Shivambu Hasani Richard	3 829	27 895	31 724
Cllr Baloyi Tintswalo Elizabeth	2 473	1 764	4 237
Cllr Makamu Matfakhale Alpheus	2 990	4 243	7 233
	16 417	150 575	166 992

30 June 2019	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr Mboweni Agrey Ernest	2 147	50 843	52 990
Cllr Chauke Mukhacani Juring	2 645	47 616	50 261
Cllr Shvambu Hasani Richard	3 203	18 263	21 466
Cllr Baloyi Tintswalo Elizabeth	2 250	818	3 068
Cllr Makamu Matfakhale Alpheus	682	1 483	2 165
Cllr Manganyi Khazamula Abraham	1 386	4 263	5 649
Cllr Bilankulu John Hlengani	1 132	367	1 499
	13 445	123 653	137 098

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

58. Supply in-service state

Employee in service of state	1 651 037	1 233 596
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Notes to the Audited Annual Financial Statements

Figures in Rand

2020
2019

59. Events after the reporting date

The Covid-19 lockdown had a negative impact on the municipal budgets due to the fact that municipality was expected to carry additional responsibilities and costs in dealing with this pandemic. These additional responsibilities include higher levels of services such as more frequent refuse removal, water provision in water constrained communities (to substantiate what is provided by District Municipality), extra-ordinary cleansing of public facilities, monitoring of social gatherings, environmental health inspections etc. Municipal revenues have also been affected and declined as a result of the closing of the economy due to lockdown.

Additional allocation for financial year 2020/21, in terms of the DORA, (Act No. 4 of 2020), the municipality received an additional amount on Equitable Share allocation for an amount of R 62 275 000.00 from the original main allocation of R 307 293 000, this brought the total allocation for the 2020/21 financial year to R 369 568 000 in relation to the Equitable Share. The adjustment was considered for in the budget for 2020/21.

The municipality received an additional amount of R298 000.00 per DORA to address the Covid-19 implications, Section 23(3) of the Municipal Budget and Reporting Regulation dictates that if a national or provincial government allocates additional revenue to a municipality, the mayor or the municipality must at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustment budget, table an adjustments budget referred to in section 28(2)(b) of the MFMA in the municipal council to appropriate these additional revenues. The Council was held on the 15th June 2020 to approve the additional funding for Covid-19.

Fruitless and wasteful expenditure were identified during August 2020 amounting to R 72 301 in respect of penalty for late payment to the Office of Compensation Commissioner.

The following litigations were noted by the Municipality during audit:

1. GGM vs Botshabelo Consulting Engineers: Contractual disputes.

2. GGM vs Dane projects (pty) Ltd. Contractual disputes.

3. GGM vs PGN Civils (pty) Ltd: Contractual disputes.

The director for community services has since resigned from the Municipality on the 17 July 2020..