SUBMISSION OF THE 2020/2021 OVERSIGHT REPORT ON THE 2020/2021 ANNUAL REPORT FOR NEWCASTLE MUNICIPALITY (MM2/1/2)

EXECUTIVE SUMMARY

In terms of Section 129 of The Local Government Municipal Finance Management Act 56 of 2003, the council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled to council, in terms of Section 127 of The Local Government Municipal Finance Management Act 56 of 2003, adopt an oversight report containing the council's comments on the annual report.

In terms of Section 121 of The Local Government Municipal Finance Management Act No 56 of 2003 and Section 46 of The Local Government Municipal Systems Act No 32 of 2000, each municipality must prepare an Annual Report for each financial year. The purpose of the Annual Report is to:

- To provide a record of the activities of the municipality or entity;
- To provide a report on performance in service delivery and against the budget;
- To provide information that supports the revenue and expenditure decisions made; and
- To promote accountability to the local community for decisions made.

RECOMMENDATIONS:

- (i) That council having considered the Newcastle Municipality 2020/2021 Annual Report, adopts the 2020/2021 Oversight Report in terms of Section 129 (1) of The Local Government Municipal Finance Management Act, Act 56 of 2003 without any reservations.
- (ii) That the Newcastle Municipality Annual report 2020/2021 be approved in terms of Section 127 of The Local Government Municipal Finance Management Act 56 of 2003.
- (iii) That the status on progress made in addressing the 2020/2021 issues raised by the auditor-general be noted.
- (iv) That the Newcastle Oversight Report 2020/2021 be made public in accordance with Section 129 (3) of The Local Government Municipal Finance Management Act 56 of 2003.
- (v) That the Oversight Report and Annual Report for the 2020/2021 financial year be submitted to the Provincial Legislature in terms of Section 132(2) of The Local Government Municipal Finance Management Act 56 of 2003 and to the MEC for Co-operate Governance and Traditional Affairs (COGTA) in terms of Section 46 of the Local Government Municipal Systems Act 32 of 2000
- (vi) That the Auditor-General Management Action Plan be a standing item on the MPAC agenda and progress reports be submitted to MPAC accordingly.

PURPOSE OF THE OVERSIGHT REPORT

The purpose of the 2020/2021 Oversight Report of MPAC is to provide an analysis of the accuracy of the report as compiled by administration.

- Review of past recommendations and the extent to which progress had been achieved.
- Departmental inputs on the compilation of the Annual Report
- Public Participation as per the legislative requirements
- To promote accountability to the local community for the decisions made throughout the year by the municipality.
- The processes as undertaken by MPAC in dealing with the Annual Report.

BACKGROUND

In terms of Section 129 of The Local Government Municipal Finance Management Act 56 of 2003 states that the

- (i) The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the Council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council:
 - (a) Has approved the annual report with or without reservations.
 - (b) Has rejected the annual report; or

(c) Has referred the annual report back for revision of those components that can be revised.

REPORT:

Attached as Annexures for the 2019/2020 Oversight Report is the:

- Annual Financial Statements of the Municipality
- The Auditor General Report
- Report of Audit Committee
- The Annual Performance Report
- Uthukela Water Annual Report
- Management Action Plan to address Auditor General Findings
- Auditor General Management Action Plan

FUNCTIONS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

The function of the Municipal Public Accounts Committee are as follows:

- Undertake a review and analysis of the Annual Report.
- Invite, receive, and consider inputs from Councillors and Portfolio Committees, on the Annual Report.

- Consider written comments received on the Annual Report from the public consultation process.
- Conduct Public Hearing(s) to allow the local community or any organs of state to make representations on the Annual Report.
- Receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.
- Preparation of the draft Oversight Report, taking into consideration, the views and inputs of the public, representative(s) of the Auditor-General, organs of state, Council's Audit Committee and Councillors.

ADOPTION AND PUBLIC CONSULTATION PROCESS

The Annual Report for 2020/2021 was tabled to Council on the 26th of January 2022 in compliance with The Local Government Municipal Finance Act 56 of 2003, which requires under Section 127(2) that:

"The Mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the Annual Report of the municipality."

The Annual Report for 2020/2021 was made public on the Municipal Website from the 2nd of February 2022 and a notice was published in the local newspaper 31st of January 2022.

Members of the community and other stakeholders were invited to submit written comments/inputs on the Newcastle Municipality Annual Report 2020/2021. The 2020/2021 Annual Report was furthermore also submitted in terms of Section 127(5) (b) to the Auditor-General (AG) of South Africa, Provincial Treasury (Kwa-Zulu Natal) and the Department of Corporate Governance and Traditional Affairs (COGTA) (Kwa-Zulu Natal).

The closing date for public comments was on the 24th of February 2022. There were no comments received by the municipality from the Newcastle Rate Payers Association and the department of Corporate Governance and Traditional Affairs (COGTA).

ANNUAL REPORT CHECKLIST						
FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	RESPONSIBI DEPARTMEN
The annual financial statement (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General	Have the required standards been met – refer audit report and report of Audit committee for views on this?	Included in Annexure A of the 2020/2021 Annual Report	 Newcastle Municipality received an 'UNQUALIFIE D AUDIT" opinion. 	 Appropriate budgeting and improved expenditure management towards ensuring a funded budget and reduced 	Immediately	Acting MM and { BTO
				going concern risk. • Implement and monitor the water	On-going	Acting MM and { Technical Servic
				reduction plan to reduce High non-revenue water loss and unmetered properties.	Ongoing	SED: BTO
				Monthly reconciliation		

ANNUAL REPORT CHECKLIST

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FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	DEPARTMEN
				s	Immediately	AMM and SED: E
	_			conducted to		
				improve		
				financial		
				0		
				ee t	Immediately	SED: BTO
				risk or		
				misstatement		
				S.		
				Strategy to		
				reduce UIFW		
				Expenditure		
				be monitored		
			and the second	on a		
				continuous		
				basis.		
				Controls be		
				reviewed for		
				the	Immediate	Acting MAM
				prevention		
				and detection		
				of non-		
				compliance		
				with SCM		
				prescripts		
			Part of the state	towards		
				ensuring		

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	DEPA	RESPONSIBL DEPARTMEN
				completenes s and			
				couracy			
				Irregular,			
				Fruitiess and Wasteful			
				expenditure.			
				 Municipality has 			
				commenced			
				with the			
				development			
				ot Comuliance			
				Framework to			
				improve		SED:	Tech
				compliance;		Services	
				and • Long			
				outstanding			
			A State of the sta	unresolved			
				and re-			
				occurring			
				findings.			

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FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	RESPONSIBL
The Auditor-General's reports on the financial statement of the municipality and the	<i>Is the audit report included in the annual report as tabled?</i>	Included in Annexure D of the 2020/2021 Annual Report	Annexure D – The Auditor General Report for the 2020/2021 Financial	n/a	n/a	n/a
entities	If not, when will the audit report be tabled?		Year			
	What are causes of the delays?					

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	DEPARTMEN
	What actions are being taken to expedite the report?					
Any explanations that may be necessary to clarify issues in connection with the	Taking into consideration the audit report and the audit committee	Notes to the financial statements Annexure A.	Notes to the Annual Financial Statements (Annexure A)	Monitoring of the Auditor General Management Action	Immediately (Quarterly)	Acting Muni Manager
tinancial statements	comments, is sufficient explanation of financial issues contained in the					
	Notes to the statements?					

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	DEPARTMEN
An assessment by the accounting officer on any matters on municipal taxes and services charges, including municipal	Has an adequate assessment been included? Is there sufficient explanation of the causes of the arrears	Annexure A Annual Financial Statement	An adequate response has been included by the Municipal Manager.	The Municipality must address aging infrastructure and apply for grant funding if necessary.	Immediately	SED: Tech Services
60000	and of Actions to be taken to remedy the situation. Is any other action			Awareness campaigns to be conducted on water usage and paying of consumer accounts	April 2022	SED: BTO/Tech services
	required to be taken?			Water restrictions to commence	1st of July 2022	SED: BTO
					Ongoing	SSED: BTO

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FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	RESPONSIBL
				Identification of consumers not paying municipal bills		
				to continue.	1 st of July 2022	SED: BTO and { Technical Servic
				Legalization of water and sewer connections.		
					Immediately	SED: Tech Services
				Water and sewer reticulation for areas without access to a		
				basic level of water and sewer.	Immediately (monthlv)	SED: Tech Services
				Submission of a Water Audit Report to MPAC		

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	DEPARTMEN
Particulars of any corrective action taken or to be taken in response to issues	Taking into account the audit report, audit opinion and the views of the	Annexure of the 2020/2021 Annual Report	As per the Auditor General opinion the Municipality received an Unqualified Audit Opinion. MPAC	Implementation of the findings of the forensic report.	Immediately	WW
reports.	audit committee, council should consider: • To what extent does the report indicate serious or		tion 1 experience Consec ment nted tely.	MPAC requests a full investigation for all UIFW expenditure and Consequence Management be implemented immediately.	Immediately	SED: BTO
	minor financial? Issues? to what extent are the same issues repeated from		Management Action Plan to Address AG Findings	Approval and Implementation of the Management Action Plan to Address all Auditor General	Immediately	AMM – CRO
	previous? Audits?			Findings. Monthly progress reports of		

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FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	RESPONSIBL
	 Is the action proposed considered to be adequate to effectively? address the issues raised in the audit 			the same be submitted to MPAC.		
	 report? Has a schedule of action to be 					
	taken been included in the annual? Report, with annronriate due					
	dates?					

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	DEPARTMEN
An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives for revenue collection from each revenue	Has the performance met the expectations of council and the? Community? Have the objectives been met? What explanations	Statement of comparison of Budget and Actual Information Page 10- 11 of the AFS. Appropriation Statement	Depreciation and asset impairment	Each department present the Revenue Enhancement Strategy that must be specific to the functions of each unit within the department.	Next MPAC Meeting	ALL SED'S
e and for e	have been provided				Next MPAC meeting	
	achievement? What was the impact on the service delivery and expenditure? Objectives in the budget? Council should comment and draw conclusions on			Assessment of all municipal assets (moveable assets) and report to be tabled to MPAC by August 2022.		SED: BTO

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	RESPONSIBL
	Explanations provided.					
An assessment by the municipal entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the	Has the performance met the expectations of council and the Community? Have the performance	Annual Performance Report page	The performance of uThukela Water has not met the expected standards of performance.	Quarterly SDBIP Review of uThukela Water be submitted to MPAC and to Council.	Ongoing	WW
service delivery agreements or other agreement between the entity and the municibalitv	objectives been met? What explanations have been provided for any non-			Follow-up on the Development of the Bulk Master Plan.	Ongoing	SED: TECHN SERVICES
	achievement?					AMM – MD UTW
	What was the impact on the service delivery and expenditure?			The Report on the Review of Board members at uThukela Water be submitted	Ongoing	
	Objectives in the budget?			as per last financial year's resolution.		
	Council should comment and draw		74 2	Joint Council meeting for all shareholder municipalities for	Ongoing	MM, UTW anc shareholder Uthukela Water.

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FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	RESPONSIBI DEPARTMEN
	conclusions on performance and Explanations provided.			uThukela Water, uThukela Water Board members, COGTA and Newcastle Municipality be convened. of follow up on attendance of meetings for WSA's and shareholders. The Service Level Agreement between Newcastle Municipality and Uthukela Water be reviewed.	Ongoing	MM Acting Manager
Any information as determined by the municipality, the entity	Review any other information that has been included in regard to the AFS.	Annexure A – 2020/2021 Annual Report	Annual Financial A Statements for H Newcastle H Municipality and r	An Oversight Action Plan be developed based on all recommendations	Ongoing	MM/ All SED's

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	RESPONSIBI
or its parent municipality			Annual Financial Statements for uThukela Water.	made by MPAC. Monthly reports of the same to be submitted to MPAC.		
Recommendations of the audit committee in relation to the AFS and the audit report of the municipality and its entities	Have the recommendations of the audit committee in regard to the AFS been adequately	Included in Chapter 9 of the Annual Report 2020/2021	All recommendations from Audit Committee	The Audit Committee Recommendations be implemented as specified in Chapter 9 of the 2020/2021 Annual Report.	Ongoing	ALL SED'S
	addressed by the municipality and/or the entity? What actions need to			ess the ee	Ongoing	All SED'S
	be taken in terms of these recommendations?				30 August 2021	SED:BTO
	Conclusions on these recommendations and the actions required.			a) That the revised draft AFS 2020/21 be submitted to All Audit committee members for final review before		
				the end of business 30 August 2021		

CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	DEPARTMEN
Should be incorporated in the oversight report.			 b) that there be confirmation that the draft AFS 2020/21 internal Audit findings have been addressed 	Ongoing	SED:BTO
			c) that pending (a)and (b) above the draft AFS be recommended to Council for adoptions	Ongoing	SED: BTO and A Municipal Manag

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FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	RESPONSIBI DEPARTMEN
Allocations received by and made to the		Annexure A – Annual Financial Statements				n/a
municipality	Details of disclosure received from			n/a	n/a	
	another organ of state in the national or provincial sphere					
	Details of allocations received from a municipal, entity or another municipality					
	Details of allocations made to any other organ of state, another municipality's or a municipal entity					
	Any other allocations made to the municipality under					

RESPONSIBI DEPARTMEN	
IMPLEMENTATION DATE	
MPAC RECOMMENDATIO NS	IJa
MPAC INPUT /CONSIDERATIONS	
FINANCIAL REPORTING TO BE CONSIDERED	Annexure A – Annual Financial Statement
CONSIDERATIONS AS PER CHECKLIST	Section 214 (1)© of the constitution The report should disclose: • Details of allocations received from any municipality or other organ of state. ß Details of any allocations made to a municipality or other organ of state. • Other information as may be prescribed. Have these
FINANCIAL MATTERS	Allocations received by and made to the municipal entity

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FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	RESPONSIBI DEPARTMEN
	allocations					
	and made?					
	Does the					
	audit report confirm the					
	correctness of					
	the				1	
	allocations					
	received in			The Standard and the		
	terms of					
	DORA and					
	provincial					
	budgets?					
	Does the					
	audit report or					
	the audit					
	committee					
	recommend					
	any action?			the state of the second second		
	Council					
	should					
	comment and					
	draw					
	conclusions					
	no					
	information					

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIO NS	IMPLEMENTATION DATE	DEPARTMEN
The Annual	and explanations provided. Section 46 of the	Annexure B – Annual				
Performance Reports of the municipality and its entity	Local Government Municipal Systems Act 32 of 2000	Performance Report for Newcastle Municipality and Annexure E – Annual Performance Report for Uthukela Water		NA		

RESOLUTIONS

- (a) In terms of Section 129 (1) of The Local Government Municipal Finance Management Act 56 of 2003, council having considered the 2020/2021 Annual Report for Newcastle Municipality, adopts the Oversight Report and 2020/2021 Annual Report without reservations.
- (b) In terms of Section 127 of The Local Government Municipal Finance Management Act 56 of 2003 the 2020/2021 Annual Report be approved.
- (c) In accordance with Section 129(3) of The Local Government Municipal Finance Management Act 56 of 2003, the Newcastle Oversight Report 2020/2021 be made public.
- (d) In terms of Section 132(2) of The Local Government Municipal Finance Management Act 56 of 2003 that the Oversight Report and Annual Report for the 2020/2021 financial year be submitted to the Provincial Legislature
- (e) That it be noted that the Management Response Plan to the Auditor-General Report be a standing item on the MPAC agenda and that it be noted that progress reports be submitted on a quarterly basis to MPAC to ensure accountability.
- (f) That the status on progress made in addressing the 2020/2021 issues raised by the auditor-general be noted.

CONCLUSION

The purpose of the Oversight Report is to provide an accurate overview of the process of the financial and non-financial performance during the period under review.

As indicated in the Checklist for the Annual Report, the MPAC is also pleased to note that all components of the 2020/2021 Annual Report are included as is required in terms of Section 121(3) of The Local Government, Municipal Finance Management Act 56 of 2003 as follows:

- The 2020/2021 Annual Financial Statements of the municipality,
- The 2020/2021 Auditor General report
- The 2020/2021 Report of the Audit Committee
- The 2020/2021 Annual Performance Report of the municipality prepared by the municipality in terms of Section 46 of The Local Government Municipal System Act 32 of 2000.
- The Auditor General's audit report in terms of Section 45 (b) of The Local Government Municipal Systems Act 32 of 2000.
- An assessment by the municipality 's accounting officer of any arrears on municipal taxes and service charges.
- Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports.
- Any explanation that maybe necessary to clarify issues that are in connection with the financial statements.

COUNCIL

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SUBMISSION OF THE 2020/21 OVERSIGHT REPORT ON THE 2020/21 ANNUAL REPORT FOR NEWCASTLE MUNICIPALITY: MUNICIPOAL MANAGER: MM 2/1/2

Report seen by:

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2022



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(Registration number KZ252)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

General Information

Mayor

Executive Committee

Councillors

æ **Clir Dr NNG Mahlaba Clir VV Bam Cllr SB Buthelezi Cllr EJC Cronje Cllr RN Mdluli Cllr RM Molelekoa Clir TM Nzuza Cllr SE Shabangu Clir M Shunmugam Cllr LL Bosman Cllr MV Buhali Cllr TJC Danisa Clir XNM Diadla Cllr BS Dlamini Cllr TN Dlamini Cllr DX Dube Cllr NP Dukashe Clir FP Gama Clir VF Hadebe Cllr SB Hlatshwayo** Cllr A Khoza Cllr BV Khumalo **Clir PJ Khumalo** Cllr VD Kubeka Cllr C Liu Cllr NK Majozi **Cllr FA Malinga Clir AP Meiring Cllr BPN Mhlongo** Cllr SG Miya Clir HN Mkhwanazi **Clir TP Mkhwanazi CIIr MS Mlangeni** Cllr SW Mngomezulu **Cllr NG Mnguni CIIr AS Mokoena Cllr MV Molefe Cllr MV Mthembu Cllr PB Mwali CIIr VP Mzima** Cllr TM Ndaba **Cllr RB Ndima Clir SS Ndlamandla** Cllr MS Ndlovu **Clir PF Ndlovu Clir ME Ngcobo Clir BC Ngema Cllr DR Ngema** Cllr D Ngwenya

General Information

	Cllr SJ Nhlapho Cllr SN Nkosi Cllr JB Nkwanazi Cllr MJ Ntshangase Cllr DM Sibiliwane Cllr LT Sikhosane Cllr JS Sithole Cllr JS Sithole Cllr GMB Thwala Cllr LG Thwala Cllr LG Thwala Cllr JA Vorster Cllr SA Yende Cllr MF Zikhali Cllr VG Zondo Cllr NS Zulu Cllr SZ Zulu Cllr SZ Zulu
Grading of local authority	4
Chief Finance Officer (CFO)	SM Nkosi
Accounting Officer	Mr V Govender
Registered office	37 Murchison Street Newcastle 2940
Business address	37 Murchison Street Newcastle 2940
Postal address	Private Bag X 6621 Newcastle 2940
Bankers	Nedbank
Auditors	Auditor General South Africa
Attorneys	DBM Attorneys
Audit Committee Members	Y Haffejee - Chairperson TL Radebe T Rabelani Z Nkosi NC Mchiki

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The 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 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 2022 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.

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out from page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2021 and were signed on its behalf by:

Mr V Govender

Municipal Manager (Acting)

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	8	18 806 337	13 514 303
Other financial assets		-	277
Receivables from exchange transactions	9	99 418 303	76 970 990
Receivables from non-exchange transactions	10	16 002 938	15 480 338
Consumer debtors from exchange transactions	11	504 404 673	460 110 589
Consumer debtors from non-exchange transactions	11	136 908 187	118 581 590
Cash and cash equivalents	12	9 500 299	36 268 498
		785 040 737	720 926 585
Non-Current Assets			
Investment property	3	327 734 618	342 104 618
Property , plant and equipment	4	6 470 545 398	6 717 953 930
Intangible assets	5	1 257 668	2 224 607
Heritage assets	· 6	11 757 932	11 670 232
Investments in associates	7	187 056 075	217 333 222
		6 998 351 691	7 291 286 609
Total Assets		7 783 392 428	8 012 213 194
Liabilities			
Current Liabilities			
Other financial liabilities	17	30 987 268	28 756 915
Finance lease obligation	15	109 927	392 517
Payables from exchange transactions	20	796 421 953	817 389 293
VAT payable	21	18 539 020	11 776 300
Consumer deposits	22	27 501 909	24 939 318
Unspent conditional grants and receipts	16	41 232 304	45 749 330
Defined benefit plan	18	11 406 000	9 752 000
		926 198 381	938 755 673
Non-Current Liabilities			
Other financial liabilities	17	362 011 519	393 156 433
Finance lease obligation	15	42 180	135 823
Defined benefit plan	18	155 397 002	150 357 002
Provision for rehabilitation of landfill site	19	59 199 647	52 106 817
		576 650 348	595 756 075
Total Liabilities		1 502 848 729	1 534 511 748
Net Assets		6 280 543 699	6 477 701 446
Reserves			
Housing Development fund	13	29 806 660	28 807 981
Self-insurance reserve	14	435 241	532 983
Accumulated surplus		6 250 301 798	6 448 360 482
Total Net Assets		6 280 543 699	6 477 701 446

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	1 013 748 409	951 787 140
Rental of facilities and equipment	25	7 093 441	7 794 524
Other Revenue	27	18 701 443	9 873 986
Interest received	28	6 660 722	8 517 417
Total revenue from exchange transactions		1 046 204 015	977 973 067
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	342 533 924	320 486 063
Licences and Permits		101 472	8 106
Transfer revenue	30	620 020 457	500 500 007
Government grants & subsidies	26	639 932 157 5 401 977	560 539 037 10 506 938
Fines, Penalties and Forfeits	20		
Total revenue from non-exchange transactions		987 969 530	891 540 144
Total revenue	23	2 034 173 545	1 869 513 211
Expenditure			
Employee related costs	31	546 878 068	547 200 066
Remuneration of councillors	32	25 611 680	25 754 358
Repairs and Maintenance	33	44 151 131	55 255 973
Depreciation and amortisation	34	351 084 296	345 298 647
Finance costs	36 37	64 979 614	74 116 845
Debt Impairment	38	217 027 951	312 233 449
Bulk purchases Contracted services	39	559 335 056 230 421 048	515 427 307 183 514 102
General Expenses	40	137 731 271	143 984 814
Total expenditure		2 177 220 115	2 202 785 561
Operating deficit		(143 046 570)	(333 272 350)
Share of deficit in investment in associates		(30 277 147)	(27 972 811)
Actuarial gains/losses		12 908 000 [°]	9 608 477
Impairment loss	35	(25 822 582)	(22 841 959)
Inventories losses/write-downs		(117 170)	-
Profit/(Loss) on Sale of Assets		(50 052 096)	5 553 870
Public contributions and donations		39 249 962	15 589 293
		(54 111 033)	(20 063 130)
		(197 157 603)	(353 335 480)

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Self Insurance Reserves	Total reserves	Accumulated surplus	Total net assets
Balance at 01 July 2019	28 021 720	497 014	28 518 734	6 685 905 348	6 714 424 082
Changes in net assets					
Deficit for the year	-	-	-	(353 335 480)	(353 335 480)
Revenue	-	-	-	(3 812 908)	(3 812 908)
Department of Labour	-	-	-	(7 726 762)	(7 726 762)
Eskom	-	-	-	18 814 120	18 814 120
Invoices cancelled	-	-	-	2 152 975	2 152 975
Transfer of income surplus to trust capital	786 261	-	786 261	(786 261)	-
Transfer of capital surplus to trust capital	-	35 969	35 969	(35 969)	-
Prior year error loans	-	-	-	(21 264 441)	(21 264 441)
Prior year error assets	-	-	-	130 587 908	130 587 908
Prior Year Error, Leave Adjustment	-	-	-	(2 138 048)	(2 138 048)
Total changes	786 261	35 969	822 230	(237 544 866)	(236 722 636)
Restated* Balance at 01 July 2020	28 807 981	532 983	29 340 964	6 448 360 338	6 477 701 302
Deficit for the year	-	-	-	(197 157 603)	(197 157 603)
Transfer to Housing Development Fund	998 679	-	998 679	(998 679)	-
Transfer of Self Insurance Reserves Eskom	-	(97 742)	(97 742) -	97 742	-
Total changes	998 679	(97 742)	900 937	(198 058 540)	(197 157 603)
Balance at 30 June 2021	29 806 660	435 241	30 241 901	6 250 301 798	6 280 543 699

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 083 861 952	992 823 652
Grants		635 415 131	572 849 094
Interest income		6 660 722	8 517 417
		1 725 937 805	1 574 190 163
Payments			
Employee costs and Councillors remuneration		(568 958 990)	(568 428 992)
Suppliers		(990 347 232)	(801 959 985)
Finance costs		(42 720 784)	(56 364 696)
		(1 602 027 006)	(1 426 753 673)
Net cash flows from operating activities	42	123 910 799	147 436 490
Cash flows from investing activities			
Purchase of property , plant and equipment	4	(124 427 766)	(101 061 332)
Proceeds from sale of property, plant and equipment	4	1 649 005	6 061 037
Proceeds from sale of Investment property	3	1 478 261	660 000
Purchase of other intangible assets	5	-	(172 929)
Purchases of Heritage Assets	6	(87 700)	(182 000)
Net cash flows from investing activities		(121 388 200)	(94 695 224)
Cash flows from financing activities			
Net movements in long term loans		(28 914 561)	(25 754 868)
Movement on finance lease		(376 233)	(717 102)
Net cash flows from financing activities		(29 290 794)	(26 471 970)
Net increase/(decrease) in cash and cash equivalents		(26 768 195)	26 269 296
Cash and cash equivalents at the beginning of the year		36 268 498	9 999 201
Cash and cash equivalents at the end of the year	12	9 500 303	36 268 497

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and	Refer to Appendix
igures in Rand					actual	
tatement of Financial Perform	ance					
Revenue						
Revenue from exchange ransactions						
Service charges	1 015 135 576	• • •		1 013 748 409	2 934 656	
Rental of facilities and equipmen		(1 053 286)	7 441 797 18 861 926		(348 356) (160 483)	
Other own revenue nterest Received	15 741 334 8 821 674	3 120 592 (1 342 000)	7 479 674		(818 952)	
				1 046 204 015	1 606 865	
Fotal revenue from exchange ransactions	1 048 193 667	(3 596 517)	1 044 597 150	1 040 204 015	1 000 005	
Revenue from non-exchange ransactions						
Property rates	396 532 173	(47 296 929)	349 235 244	342 533 924	(6 701 320)	
icences and Permits	15 174	-	15 174	101 472	86 298	
Fransfer revenue						
Bovernment grants & subsidies	662 833 006	64 550 963	727 383 969	000 001 000	(187 749 600)	
ines, Penalties and Forfeits	13 114 402	(4 500 506)	8 613 896		(3 211 919)	
otal revenue from non- exchange transactions	1 072 494 755	12 753 528	1 085 248 283	887 671 742	(197 576 541)	
lotal revenue	2 120 688 422	9 157 011	2 129 845 433	1 933 875 757	(195 969 676)	
Expenditure						
Employee costs	(594 311 981)	46 090 308	(548 221 673) (546 878 068)	1 343 605	
Remuneration of councillors	(28 455 633)	1 104 000	(27 351 633) (25 611 680)		
Repairs and Maintenance	-	-	-	(44 151 131)		
Depreciation and amortisation	(420 387 391)	24 352 000	(396 035 391 (20 000 000) (351 084 296)	44 951 095 (5 822 582)	
mpairment loss/ Reversal of mpairments	-	(20 000 000)	(20 000 000) (25 822 582)	(3 022 302)	
inance costs	(42 881 638)	-	(42 881 638) (64 979 614)	(22 097 976)	
Debt Impairment	(184 699 817)	18 599 173) (217 027 951)		
Bulk purchases	(660 670 964)	71 431 493) (559 335 056)	29 904 415	
Contracted Services	•) (230 421 048)	223 083 166 28 985 730	
Other expenditures	(128 347 276)) (137 731 271)		
otal expenditure	(2 397 473 762))(2 203 042 697)	207 008 968	
Operating deficit	(276 785 340)	(3 420 892) 108 904 432	(280 206 232 108 904 432) (269 166 940) 100 297 788	11 039 292 (8 606 644)	
ransfers Recognised Capital	-	108 904 432	100 304 432		12 908 000	
Share of surpluses or (deficits)	-	(32 000 574)	(32 000 574		1 723 427	
rom Investments in associates		(02 000 01 1)	•	. (,		
nventories losses/write-downs	-	-	-	(117 170)		
Profit/(Loss) on sale of assets	-	-	-	(50 052 096)	(50 052 096)	
Bains from transfer of functions between entities not under common control	-	-	-	39 249 962	39 249 962	
	-	76 903 858	76 903 858	72 009 337	(4 894 521)	
Deficit before taxation	(276 785 340)	73 482 966) (197 157 603)	6 144 771	

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis						
Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis		Refer to Appendix
Actual Amount on Comparable Basis	(276 785 340)	(177 484 114)	(454 269 454) (197 157 603)	257 111 851	

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	between final budget and	Refer to Appendix
Figures in Rand					actual	
Statement of Financial Positior	ı					
Assets						
Current Assets						
Inventories	13 295 587	218 716	13 514 303	10 000 007	5 292 034 78 583 116	
Receivables from exchange transactions	36 838 125	-	36 838 125	115 421 241	10 203 110	
Consumer debtors	377 278 135	172 376 865	549 655 000	641 312 859	91 657 859	
Cash and cash equivalents	72 553 078	19 694 369	92 247 447	9 500 299	(82 747 148)	
	499 964 925	192 289 950	692 254 875	785 040 736	92 785 861	
Non-Current Assets						
Investment property	355 563 618	-	355 563 618	021 101010	(27 829 000)	
Property , plant and equipment	6 638 511 968			6 470 545 398	(167 966 570)	
Intangible assets	1 823 057	(1 132 744)	690 313 11 670 232	LOL 000	567 355 87 700	
Heritage assets Investments in associates	11 488 232 204 693 191	182 000 30 234 660	234 927 851	11 757 932 187 056 075	(47 871 776)	
	7 212 080 066			6 998 351 691	(243 012 291)	
Total Assets	7 712 044 991			7 783 392 427	(150 226 430)	
Liabilities					(/	
Current Liabilities						
Bank overdraft	-	62 801 078	62 801 078	-	(62 801 078)	
Other financial liabilities	28 756 915	-	28 756 915	30 987 268	2 230 353	
Finance lease obligation	-	-	-	109 927	109 927	
Payables from exchange transactions	367 022 000	84 940 327	451 962 327	796 421 953	344 459 626	
VAT payable	-	-	-	18 539 020	18 539 020	
Consumer deposits	24 738 459	175 552	24 914 0 11		2 587 898	
Unspent conditional grants and	-	-	-	41 232 304	41 232 304	
receipts Defined benefit plan	8 667 735	1 084 265	9 752 000	11 406 000	1 654 000	
	429 185 109	149 001 222	578 186 331	926 198 381	348 012 050	
Non-Current Liabilities Other financial liabilities	375 896 360	208 115 921	584 012 281	362 011 519	(222 000 762)	
Finance lease obligation		- 200 110 021	-	42 180	42 180	
Defined benefit plan	177 199 141	-	177 199 141		(21 802 139)	
Provision for rehabilitation of	30 286 083	-	30 286 083	59 199 647	28 913 564	
landfill site	583 381 584	208 115 921	791 497 505	576 650 348	(214 847 157)	
Total Liabilities	1 012 566 693			1 502 848 729	133 164 893	
Net Assets	6 699 478 298			6 280 543 698	(283 391 323)	
Net Assets		• • • • • •			· · · · · · · · · · · · · · · · · · ·	
Reserves Housing Development Fund	27 976 000	931 982	28 907 982	29 806 660	898 678	

Statement of Comparison of Budget and Actual Information

	Approved	Adjustments	Final Budget	Actual amounts		Refer to
	budget			on comparable basis	between final budget and	Appendix
Figures in Rand					actual	
Insurance reserve	534 119	(1 136)	532 983	435 241	(97 742)	
Accumulated surplus	6 355 514 317	178 980 156	6 534 494 473	6 250 301 797	(284 192 676)	
Total Net Assets	6 384 024 436	179 911 002	6 563 935 438	6 280 543 698	(283 391 740)	

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis	Ammunanal	A altreature e este	Einel Dudget	A shual and sumta		Defecto
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis		Refer to Appendix
Figures in Rand					actual	
Cash Flow Statement						
Cash flows from operating activ	vities					
Receipts						
	1 178 027 945	```		1 083 861 952	(49 574 997)	
Grants	753 380 999	56 907 402	810 288 401		(174 873 270)	
interest received	2 496 963	(124 000)	2 372 963	6 660 722	4 287 759	
	1 933 905 907	12 192 406	1 946 098 313	1 725 937 805	(220 160 508)	
Payments						
Employee costs and payments to; suppliers	1 740 736 401)	(38 641 288))(1 559 306 222)		
Finance costs	(42 881 638)	-	(42 881 638) (42 720 784)	160 854	
	1 783 618 039)	(38 641 288)	1 822 259 327	(1 602 027 006)	220 232 321	
Net cash flows from operating activities	150 287 868	(26 448 882)	123 838 986	123 910 799	71 813	
Cash flows from investing activ	ities					
Purchase of property , plant and equipment	(125 547 994)	(24 842 336)	(150 390 330)) (124 427 766)	25 962 564	
Proceeds from sale of property , plant and equipment	18 000 000	-	18 000 000	1 649 005	(16 350 995)	
Proceeds from sale of nvestment property	-	-	-	1 478 261	1 478 261	
Purchases of heritage assets	-	-	-	(87 700)	(87 700)	
Net cash flows from investing activities	(107 547 994)	(24 842 336)	(132 390 330) (121 388 200)	11 002 130	
Cash flows from financing activ	ities					
Increase (decrease) in consumer deposits		-	2 000 000	-	(2 000 000)	
Movement in long term loans	(28 756 915)	-	(28 756 915) (28 914 561)	(157 646)	
Finance lease payments	-	-	-	(376 233)	(376 233)	
Net cash flows from financing activities	(26 756 915)	-	(26 756 915) (29 290 794)	(2 533 879)	
Net increase/(decrease) in cash and cash equivalents	15 982 959	(51 291 218)	(35 308 259) (26 768 195)	8 540 064	
Cash and cash equivalents at the beginning of the year	28 060 000	8 184 336	36 244 336	36 268 498	24 162	

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Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised Variance expenditure	Variance	Actual Actual outcome of as % of a final budget b	Actual outcome as % of original budget
2021											
Financial Performance Property rates Service charges Investment revenue Transfers recognised -	396 532 173 1 015 135 576 8 821 674 662 833 006		 (47 296 929) 349 235 244 (4 321 823) 1 010 813 753 (1 342 000) 7 479 674 64 550 963 727 383 969 			349 235 244 1 010 813 753 7 479 674 727 383 969	342 533 924 1 013 748 409 6 660 722 539 634 369		(6 701 320) 2 934 656 (818 952) (187 749 600)) 98 % 100 % 89 % 74 %	86 % 100 % 81 %
Other own revenue	37 365 993	(2 433 200)) 34 932 793			34 932 793	31 298 333		(3 634 460)	% 06 (84 %
Total revenue (excluding capital transfers and contributions)	2 120 688 422	9 157 011	9 157 011 2 129 845 433			2 129 845 433 1 933 875 757	1 933 875 757		(195 969 676)	91 %	91 %
Employee costs Remuneration of	(594 311 981) (28 455 633)) 46 090 308) 1 104 000	3 (548 221 673)) (27 351 633)		1 1	(548 221 673) (27 351 633)) (546 878 068)) (25 611 680)		1 343 605 1 739 953	100 % 94 %	92 % 90 %
Depreciation and asset	(184 699 817) (420 387 391)) 18 599 173) 4 352 000	3 (166 100 644) 0 (416 035 391)	-		(166 100 644) (416 035 391)) (217 027 951)) (351 084 296)		(50 927 307) 64 951 095) 131 % 84 %	118 % 84 %
Finance charges Materials and bulk	(42 881 638) (660 670 964)) 194 508 677	- (42 881 638) 7 (466 162 287)	2 5		(42 881 638) (466 162 287)) (64 979 614)) (559 335 056)		(22 097 976) (93 172 769)) 152 %) 120 %	152 % 85 %
Contracted services Other expenditure	(337 719 062) (128 347 276)) (115 785 152) (161 446 905	(337 719 062) (115 785 152) (453 504 214) (128 347 276) (161 446 909) (289 794 185)	(1)		(453 504 214) (289 794 185)) (274 572 179)) (137 731 271)		178 932 035 152 062 914	61 % 48 %	81 % 107 %
Total expenditure	(2 397 473 762)		(12 577 903)(2 410 051 665)	(1	1	(2 410 051 665)	(2 410 051 665)(2 177 220 115)	-	232 831 550	% 06	91 %
Surplus/(Deficit)	(276 785 340)		(3 420 892) (280 206 232)			(280 206 232)	(280 206 232) (243 344 358)		36 861 874	87 %	88 %

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Appropriation Statement

Figures in Kand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised Variance expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised -		- 108 904 432	108 904 432			108 904 432	100 297 788		(8 606 644)		92 % DIV/0 %
capital Actuarial gain/losses						1.0	12 908 000		12 908 000	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	(276 785 340	(276 785 340) 105 483 540 (171 301 800)	(171 301 800		1	(171 301 800	(171 301 800) (130 138 570)	(41 163 230	76 %	47 %
Share of surplus (deficit)		- 32 000 574	32 000 574	-		32 000 574	30 277 147		(1 723 427)) 95 %	DIV/0 %
or associate Inventory losses/ profit(loss) on sale of		ı				,	50 052 096		50 052 096	DIV/0 %	DIV/0 %
assets Public contributions and	·	1	·			,	(39 249 962)	(7	(39 249 962)	% 0//IO (DIV/0 %
Impairment loss Inventories losses/ write-							25 822 582 117 170		25 822 582 117 170	DIV/0 % DIV/0 %	DIV/0 % DIV/0 %
Surplus/(Deficit) for the (276 785 340) year	(276 785 340		73 482 966 (203 302 374)	(1	-	(203 302 374	(203 302 374) (197 157 603)	()	6 144 771	% 16	71 %

Appropriation Statement Figures in Rand

	Original E budget (Budget adjustments s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget Actual outcon	Actual outcome	Unauthorised Variance expenditure		Actual Ac outcome ou as % of as final or budget bu	Actual outcome as % of original budget
Cash flows											
Net cash from (used)	150 287 868		(26 448 882) 123 838 986			123 838 986	123 910 799		71 813	100 %	82 %
Net cash from (used)	(107 547 994)	(24 842 336	(24 842 336) (132 390 330)			(132 390 330)	(132 390 330) (121 388 200)		11 002 130	92 %	113 %
Net cash from (used) financing	(26 756 915)	·	. (26 756 915)	((26 756 915)	(26 756 915) (29 290 794)		(2 533 879)	109 %	109 %
Net increase/(decrease) in cash and cash equivalents	15 982 959	(51 291 218)) (35 308 259)		1	(35 308 259)	(26 768 195)		8 540 064	76 %	(167)%
Cash and cash equivalents at the beginning of the year	28 060 000	8 184 336	36 244 336			36 244 336	36 268 498		24 162	100 %	129 %
Cash and cash equivalents at year end	44 042 959	(43 106 882)	() 936 077			936 077	9 500 303		(8 564 226) 1 015 %	1 015 %	22 %

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Figures in Rand	Note(s)	2021	2020

1. Presentation of Annual Financial Statements

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

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

The annual financial statements are rounded off to the nearest R1.

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

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Interests in other entities

Investments in associates and/or joint ventures

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.4 Interests in other entities (continued)

An associate is an entity over which the investor has significant influence.

Binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

Consolidated annual financial statements are the annual financial statements of an economic entity in which assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets includes its share of changes in the investee's net assets that have not been recognised in the investee's surplus or deficit.

A joint arrangement is an arrangement of which two or more parties have joint control.

Joint control is the agreed sharing of control by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint venturer is a party to a joint venture that has joint control of that joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

1.5 Investment property

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

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

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

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

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

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

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

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.5 Investment property (continued)

Fair value

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

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

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

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

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

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

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

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

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

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

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

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.

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Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 years
Plant and machinery	Straight-line	5 years
Furniture and fixtures	Straight-line	7 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	5 years
IT equipment	Straight-line	5 years
Computer software	Straight-line	5 years
Infrastructure	Straight-line	7-80 years
Community	Straight-line	5-80 years
Other property, plant and equipment	Straight-line	5-10 years
Landfil site	Straight-line	5 years
Heritage	Straight-line	Infinite

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

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

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

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

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

Items of property , plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.6 Property , plant and equipment (continued)

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

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

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 years

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

Intangible assets are derecognised:

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

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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Accounting Policies

1.9 Heritage assets (continued)

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

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

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.

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

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

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.

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Accounting Policies

1.9 Heritage assets (continued)

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a 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).

1.10 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or

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Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;

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Accounting Policies

1.10 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and

- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.11 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

1.12 Inventories

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

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

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

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

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Accounting Policies

1.12 Inventories (continued)

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

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

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

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

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

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.

1.13 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:

[Specify judgements made]

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Designation

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

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

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

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

Identification

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

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

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

Value in use

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

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

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.13 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.

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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

Useful life is either:

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

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

[Specify judgements made]

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.

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.

1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.16 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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 benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 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 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.

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 annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

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.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

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.

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.

The entity shall recognise the net total of the following amounts as expense or revenue, 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 right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.16 Employee benefits (continued)

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.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.17 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

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

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

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

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

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

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

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

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

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

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

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

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

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

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

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.17 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability
 exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:

changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and

- an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the
 asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying
 amount does not differ materially from that which would be determined using fair value at the reporting date. Any
 such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If
 a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

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

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.17 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.18 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.

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

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

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.19 Revenue from exchange transactions (continued)

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;
- ownership nor effective control over the goods sold the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality: and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

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

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

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

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

1.20 Revenue from non-exchange transactions

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

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

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

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

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

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

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

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.

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Fines

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

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

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

1.21 Grants and transfers

Grants and transferes received or receivable are recognised as assets when the resources have been transfered to the Municipality and meet the defination and criteria for recognition as assets.

A corresponding liability is recognised to the extent that the grant and transfer recognised as an asset, is subject to conditions that require the Municipality either consumes the future economic benefit or service potential of the asset as specified, or that in the event that the conditions are bridged, the Municipality returns such future economic benefits or service potential to the transferor. The liability is transfered to the revenue when conditions attached to the grants and transferes are met. Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

1.22 Investment income

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

1.23 Borrowing costs

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

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

1.24 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.25 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.26 Comparative figures

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

1.27 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.28 Fruitless and wasteful expenditure

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

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

1.29 Irregular expenditure

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

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

1.30 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.31 Revaluation reserve

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

1.32 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that
 activity and in assessing its performance; and
- for which separate financial information is available.

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.32 Segment information (continued)

The resources of the municipality are allocated in line with the National Treasury Standard Classification, which is as follows:

- Executive and Council
- Financial and Administration
- Internal Audit
- Community and Social Services
- Sports and Recreation
- Public Safety
- Housing
- Health
- Planning and Development
- Road Transport
- Environmental Protection
- Energy Sources
- Water Management
- Waste Water Management
- Waste Management
- Air Transport

The resources are also allocated in line with the Municipal departments, which are as follows:

- Corporate Services
- Community Services
- Municipal Manager
- Delopment Planning and Human Settlement
- Budget and Treasury Office
- Technical Services

1.33 Budget information

The annual budget figures have been in accordance with the GRAP standards in an accrual basis, and are consistance with accounting policies used for the prepartion of these financial statements. The approved budget is the most recent adjustment budget approved by Council. The final budget is the most recently approved budget that has been adjusted for changes made in terms of the legislation and may not have been formally appoved again by Council.

The budget amounts are presented as a seperate, additional financial statement, called statement of comparison of budget and actual amount. Explanatory notes on material differences are provided in the notes to the financial statements. Material viriances are those variances that are 10% more or less than the approved budget. Comparative information is not required for, and has therefore has not been presented in the statement of comparison of budget and actual amounts.

1.34 Related parties

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

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

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

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.34 Related parties (continued)

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 annual financial statements.

1.35 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.

1.36 Cash and cash equivalents

Cash includes cash on hand, cash held with banks and call deposits. Cash equivalents are short-term bank deposit withe maturity of 3 months or less from inception, readilly convrtable into cash without significance changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any overdrafts

Notes to the Annual Financial Statements

Figures in Rand	2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Effective date:

2020

Expected impact:

Standard/ Interpretation:

		Years beginning on or after	
•	GRAP 18: Segment Reporting	01 April 2020	Unlikely there will be a material impact
٠	GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
٠	GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
•	GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
•	IGRAP 20: Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
٠	GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	The impact of the is not material.
٠	Directive 7 (revised): The Application of Deemed Cost	01 April 2020	The impact of the is not material.

2.2 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 2021 or later periods:

Standard/ Interpretation:

tandard/	Interpretation:	Effective date: Years beginning on or after	Expected impact:
•	GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact
•	iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
•	GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
•	GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact
•	Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

		2021			2020	
·	Cost / Valuation	Accumulated Carrying value depreciation and accumulated impairment	ırrying value	Cost / Valuation	Accumulated Carrying value depreciation and accumulated impairment	arrying value
Investment property	327 734 618		327 734 618	342 104 618	1	342 104 618
Reconciliation of investment property - 2021						
			Opening balance	Disposals	Re- classification	Total
Investment property		I	342 104 618	(775 000)	(13 595 000)	327 734 618
Reconciliation of investment property - 2020						
				Opening	Disposals	Total
Investment property				342 764 618	(000 099)	342 104 618
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.	available for inspec	ction at the	ļ			

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Notes to the Annual Financial Statements

Figures in Rand

Property , plant and equipment 4

					2021			2020	
			Cost / Valuatio	5	Accumulated (depreciation and accumulated impairment	Accumulated Carrying value depreciation and accumulated impairment	Cost / Valuation	Accumulated Carrying value depreciation and accumulated impairment	arrying value
Land			171	171 960 447	1	171 960 447	158 055 447		158 055 447
nds			428	428 095 794	(72 883 155)	355 212 639	420 805 425	(58 278 549)	362 526 876
tructure			9 433	9 433 082 706	(3 730 266 489)	5 702 816 217	9 547 022 030	(3 533 906 775)	6 013 115 255
Community			286		(89 371 683)	197 190 535	206 843 521	(75 747 511)	131 096 010
Leased Assets			~	965 330	(1 811 081)	154 249	3 632 660	(3 184 028)	448 632
Other Assets			205	205 594 461	(162 383 150)	43 211 311	223 706 495	(170 994 785)	52 711 710
Total			10 527	10 527 260 956	(4 056 715 558)	6 470 545 398	10 560 065 578	10 560 065 578 (3 842 111 648)	6 717 953 930
Reconciliation of property , plant and equipment - 2021	2021		,1						
		A 41414 - 44	T T	Turnefour	147-142C				TT

	Opening	Additions	Work In	Transfers	Write off	Disposal	Impairment Depreciation	Depreciation	Total
	balance		Progress						
Land	158 055 447	500 000	'	13 595 000	1	(190 000)	•	'	171 960 447
Buildings	362 527 331	5 125 517	3 517 397	ı	'	(1 353 000)	(756 065)		355 212 639
Infrastructure	5 961 314 068	62 613 127	54 322 689	•	(51 637 754)	•	(16 082 071)	(307 713 841)	5 702 816 218
Community	182 935 593	25 340 912	4 118 090	'	• •	•	(5 282 959)		197 190 535
Leased Assets	448 632	155 700	•	•	•	(2 494)	•		154 249
Other assets	52 711 292	7 935 440	I	'	(29 109)	•	(38 462)	(17 367 850)	43 211 311
	6 717 992 363	101 670 696	61 958 176	13 595 000	(51 666 863)	(1 545 494)	(22 159 557)	(349 298 922)	(349 298 922) 6 470 545 399

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

4. Property , plant and equipment (continued)

Reconciliation of property , plant and equipment - 2020

	Opening balance	Additions A	Additions Additions WIP Revaluations	tevaluations	Transfers received	Disposals	Work In Progress	Impairment	Impairment Depreciation Correction of	Correction of	Total
Land Buildinge	158 889 543		,	1		(165,000)	Movement			error	
Infrastructure	377 198 069 6 018 062 422	- 11 410 906	365 385 98 413 134	-	, ,	(100 (153 (124)		- (27 452)	- (14 655 547)	(960 629)	158 055 44
Community Other assets	199 674 755 EE 202 000	108 004	679 171		1 1		(11 850) (E 755)	(6 531 638)	(303 729 122)	- 124 206 108	5 961 314 06
Leased Assets	1 125 788	5 899 503 195 489			(48 008)		- -	(7 889 325) (80 548)	(9 675 841) (15 378 935)	44 584 7 016 312	182 935 59:
	6 810 253 545	17 613 902	00 467 600		r		•	1	(872 645)		04 111 29, 448 62
		700 010 11	060 /04 66	19 494 107	(48 008)	(508 124)	(17 605)	(14 528 963)	(344 312 090)	130 587 000	
Accete and a to the a											0111 992 36:

Assets subject to finance lease (Net carrying amount)

Other leased Assets			154 249	448 632	
Reconciliation of Work-in-Progress 2021					
Opening balance Additions/capital expenditure Transferred to completed items	Infrastructure 82 897 772 111 498 414 (54 171 203)	Community 2 758 086 4 118 090	Buildings 365 385 4 449 027 (931 629)	Total 86 021 243 120 065 531 (55 102 832)	
	140 224 983	6 876 176	3 882 783	150 983 942	
Reconciliation of Work-in-Progress 2020					
Opening balance Additions/capital expenditure Impairment of WIP	Infrastructure 74 905 847 98 413 134 -	Community 15 569 684 679 171 (1 515 788)	Buildings 365 385	Total 90 475 531 99 457 531	
Transferred to completed items Correction of Error	(90 409 762) (11 850)	(11 956 972) (11 956 -		(17 606) (17 606) (102 366 734) (11 850)	
	82 897 369	2 758 489	365 385	86 021 243	

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Notes to the Annual Financial Statements

Figures in Rand

2021

2020

4. Property, plant and equipment (continued)

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.

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets

		2021		2020	
	Cost / Acc Valuation am acc im	Accumulated Carrying value amortisation and accumulated impairment	Cost / Valuation	Accumulated Carrying value amortisation and accumulated impairment	arrying value
computer software, internally generated	15 583 125 ((14 325 457) 1 257 668	15 410 195	(13 185 588)	2 224 607
Reconciliation of intangible assets - 2021					
Committee and the second se		14	Opening halance	Amortisation	Total
computer soutware, internally generated			2 224 607	(966 939)	1 257 668
Reconciliation of intangible assets - 2020					
		Opening balance	Additions	Amortisation	Total
computer somware, internally generated		3 001 185	172 929	(349 507)	2 224 607

Notes to the Annual Financial Statements

Figures in Rand						
6. Heritage assets						
		2021			2020	
	Cost / Ac Valuation in	Accumulated Carrying value impairment losses		Cost / Valuation	Accumulated Carrying value impairment losses	arrying value
Art Collections, antiquities and exhibits	11 757 932		11 757 932	11 670 232		11 670 232
Reconciliation of heritage assets 2021						
				Opening	Additions	Total
Art Collections, antiquities and exhibits			I	11 670 232	87 700	11 757 932
Reconciliation of heritage assets 2020						
				Opening	Additions	Total
Art Collections, antiquities and exhibits			1	11 488 232	182 000	11 670 232
7. Investment in Associates						
Name of Entity	Listed/Unlisted	% Holding	% Holding		Carrying	Carrying
Uthukela Water	' 	34		34	l I or	217 333 222
8. Inventories						

51

13 911 918 (397 615)

19 203 952 (397 615)

Inventories (write-downs)

Water Stock Consumable stores

13 514 303

18 806 337

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
9. Receivables from exchange transactions		
Deposits (Eskom and Nedbank Building)	3 722 275	3 430 190
Sundry Debtors	1 453 053	1 988 244
Input VAT on invoices raised	94 242 975	71 552 556
	99 418 303	76 970 990
10. Receivables from non-exchange transactions		
Fines (Gross Balance)	64 827 139	60 641 499
Less: Provision for impairment	(48 824 201)	(45 161 161)
	16 002 938	15 480 338
Reconciliation of Gross Amount		
Opening Balance	60 641 498	51 194 382
Add: Fines recognised	4 647 120	10 323 001
Less: Fines received	(461 480)	(875 885)
	64 827 138	60 641 498
Reconciliation for Provision of Impairment		
Opening Balance	45 161 162	36 858 986
Add: Contribution	3 663 039	8 302 176
	48 824 201	45 161 162
		-
Total receivables from non-exchange transactions	16 002 938	15 480 338

Statutory receivables general information

••

Traffic fines are imposed in terms of section 54, 56 and 341 of Criminal Procedure Act51 of 1977 and Municipality bylaws 623 of 1977

Fines are followed up by issue of summons. Traffic fines can be contested in court and this can lead to a review of the amount of the fine

Receivables from non-exchange transactions past due but not impaired

	1 290 727 388	1 686 707 732
VAT and sundry services	53 446 699 185 281 035	54 961 006 196 403 152
Other	216 309 700	181 954 170
Waste water Refuse	211 866 003	329 159 732
Water	237 933 730	450 468 786
Electricity	158 904 828	166 873 529
Rates	226 985 393	306 887 357
Gross balances		
11. Consumer debtors		
Other fines	461 480	875 885
Traffic Fines	4 647 120	10 323 001
Receivables from non-exchange transactions impaired		
Opening Balance Add: Contribution for Impairment	45 161 162 3 663 039	36 858 975 8 297 048

Figures in Rand	2021	2020
11. Consumer debtors disclosure (continued)		
Less: Allowance for impairment		
Rates	(90 077 206)	(188 305 767)
Electricity	(8 880 566)	(52 515 635)
Water Waste water	(224 285 281) (141 696 264)	(330 143 872) (256 261 294)
Refuse	(98 989 819)	(129 878 181)
Other	(17 211 615)	(52 458 544) (98 452 254)
VAT and sundry services	(68 273 779) (649 414 530)	(1 108 015 547)
Net balance Rates	136 908 187	118 581 590
Electricity	150 024 262	114 357 894
Water Waste water	13 648 449 70 169 739	120 324 915 72 898 438
Refuse	117 319 881	52 075 989
Other	36 235 084	2 502 462
VAT and sundry services	117 007 257 641 312 859	97 950 898 578 692 186
Included in above is receivables from exchange transactions Electricity	158 904 828	166 873 529
Water	237 933 730	450 468 786
Waste water	211 866 003	329 159 732
Refuse	216 309 700 53 446 699	181 954 170 54 961 006
Other VAT and sundry services	185 281 035	196 403 152
	1 063 741 995	1 379 820 375
Included in above is receivables from non-exchange transactions (tax	es	
and transfers) Rates	226 985 393	306 887 357
	4 000 707 000	
Net balance	1 290 727 388	1 686 707 732
Rates	04 014 146	24 786 284
Current (0 -30 days) 31 - 60 days	24 214 146 16 493 113	12 041 333
61 - 90 days	9 471 070	10 759 545
91 - 120 days	8 818 561	9 903 773
121 - 365 days > 365 days	8 688 945 159 299 558	8 558 758 240 837 665
	226 985 393	306 887 358
Electricity Current (0 -30 days)	96 587 343	89 819 700
31 - 60 days	5 584 848	11 409 296
61 - 90 days	1 364 670	3 714 218
91 - 120 days 121 - 365 days	1 145 878 922 528	2 436 554 1 245 098
> 365 days	53 299 561	58 248 663
	158 904 828	166 873 529
Water		
Current (0 -30 days)	32 211 505	29 828 077
31 - 60 days	15 412 329 9 396 467	11 687 792
61 - 90 days 91 - 120 days	9 396 467 9 279 245	8 815 735 8 637 723
or induction	0210210	0.001.120

Figures in Rand	2021	2020
11. Consumer debtors disclosure (continued)		
11. Consumer debtors disclosure (continued) 121 - 365 days	40,404,470	
> 365 days	10 464 470 161 169 714	8 880 252
	******	382 619 208
	237 933 730	450 468 787
Waste water		
Current (0 -30 days)	8 169 533	8 153 870
31 - 60 days	11 402 153	6 993 749
61 - 90 days	6 387 376	6 026 606
91 - 120 days 121 - 365 days	6 251 916	5 867 407
> 365 days	6 086 907 173 568 118	5 580 418
···· ····	211 866 003	296 537 682
	211 800 003	329 159 732
Refuse		
Current (0 -30 days)	6 130 468	6 777 848
31 - 60 days 51 - 90 days	7 720 660	5 296 867
91 - 30 days	4 609 359	4 604 663
121 - 365 days	4 552 623 4 344 674	4 423 189 4 241 198
> 365 days	188 951 915	156 610 405
	216 309 699	181 954 170
		-
Other Current (0 -30 days)	237 783	4 540 405
31 - 60 days	3 748 741	1 542 195 730 584
51 - 90 days	2 765 794	630 259
91 - 120 days	2 080 525	704 311
121 - 365 days > 365 days	2 713 641	809 904
	41 900 216 53 446 700	50 543 753
	53 440 700	54 961 006
VAT and sundry services		
Current (0 -30 days) 31 - 60 days	(3 020 589)	(54 813 945)
61 - 90 days	6 136 387	6 046 360
91 - 120 days	3 417 893 3 288 006	3 470 525 9 467 688
121 - 365 days	3 372 283	3 110 164
> 365 days	172 087 055	229 122 360
	185 281 035	196 403 152
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	146 974 443	63 660 398
31 - 60 days 51 - 90 days	52 580 705	36 706 212
01 - 120 days	32 116 596 30 838 213	29 471 713 28 826 514
121 - 365 days	32 608 078	28 054 478
> 365 days	813 973 204	1 261 101 709
ess: Allowance for impairment	1 109 091 239	1 447 821 024
	(634 597 416)	(1 005 516 877)
	474 493 823	442 304 147
Current (0 -30 days)	97 873 878	44 745 497
Current (0 -30 days) 1 - 60 days	12 415 606	15 728 045
ndustrial/ commercial Current (0 -30 days) 81 - 60 days 61 - 90 days 91 - 120 days		

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
11. Consumer debtors disclosure (continued) > 365 days	46 185 479	130 808 808
- 505 days	167 567 676	208 197 899
Less: Allowance for impairment	(14 817 113)	(102 498 669)
	152 750 563	105 699 230
National and provincial government	1 434 621	(2 145 473)
Current (0 -30 days) 31 - 60 days	1 445 314	1 771 724
61 - 90 days	1 122 318	1 301 346
91 - 120 days	1 026 317	6 802 010
121 - 365 days	594 104	516 378 22 442 826
> 365 days	8 445 799 14 068 473	30 688 811
Total		
Current (0 -30 days)	246 282 942	106 260 422
31 - 60 days	66 441 625 37 402 889	54 205 981 38 021 552
61 - 90 days 91 - 120 days	35 408 490	41 440 646
121 - 365 days	36 586 959	32 425 790
> 365 days	868 604 482	1 414 353 343
	1 290 727 387	1 686 707 734
Less: Allowance for impairment	(649 414 530)	(1 108 015 546)
	641 312 857	578 692 188
Less: Allowance for impairment		
31 - 60 days	-	(3 347 812)
61 - 90 days	-	(4 739 279)
91 - 120 days	-	(5 801 183)
121 - 365 days > 365 days	- (649 414 530)	(7 085 914) (1 087 041 358)
•	(649 414 530)	(1 108 015 546)
Total debtor past due but not impaired	0.40,000,0.40	400.000.400
Current (0 -30 days)	246 282 942 66 441 625	106 260 422 50 858 169
31 - 60 days 61 - 90 days	37 402 889	33 282 273
91 - 120 days	35 408 490	35 639 463
121 - 365 days	36 586 959	25 339 876
> 365 days	219 189 952	327 311 985
	641 312 857	578 692 188
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 110 803 619)	(933 901 804)
Contributions to allowance	461 389 089	(174 113 743)
	(649 414 530)	(1 108 015 547)

Statutory receivables general information

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Property Rates are imposed in terms of Municipali Property Rates Act 6 of 2004, the tarrifs are imposed in terms of tarrif of charges approved by Council.

Receivables from consumer debtors

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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11. Consumer debtors disclosure (continued)

Receivables are amounts owing by consumers, and are presented in net impairement losses. The municipality has the credit control policy in place, and the exposure to credit risk is monitored on a ongoing basis. The municipalities compelled in terms of the constitutional mandate to provide all its residence with basic minimum services, without recourse to an assessment of credit worthiness. The municipality strategy for managing its risk includes encouraging residence to pay for services, through an outreach programme, incentives schemes and to intall water demand management devices that control water flow to households, as well as prepaid electricity meters for those consumers who struggle to pay for services. A deposit is also required for new service connections, serves as guarantee.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
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12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	283 946	14 785
Bank balances	7 550 154	691 584
Short-term Investments	1 666 199	35 562 129
	9 500 299	36 268 498

The municipality limits its exposure to credit resk by investing with only reputable financial institutions that have a sound credit rating, and with specific guidelines set in accordance with council's approved investment policy. Consequently, the municipality does not consider that there will be any significant exposure to credit risk.

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2021 30 June 2020		sh book balances 30 June 2020	
Nedbank - 1162667338	7 550 153 (2 892 139)	- 7 819 315	37 405 819	-
Call Investments			400.000	4 000 000
Standard Bank - 68450354/015			126 586	1 089 090
Standard Bank - 68450354/016			76 817 43 497	28 701 727
Standard Bank - 68450354/035				43 254
Standard Bank - 68450354/036			18 529 36 659	598 081 422 224
Standard Bank - 68450354/037			60 906	60 264
Standard Bank - 68450354/038 Standard Bank - 68450354/039			79 269	78 434
Standard Bank - 68450354/059 Standard Bank - 68450354/040			95 976	5 553 011
ABSA - 9288456248			64 584	64 952
ABSA - 9200450240 ABSA - 9300506428			545 946	529 582
Nedbank - 037648555441 46			117	113
Nedbank - 037648555441 47			117	113
Nedbank - 037648555441 48			117	113
Nedbank - 037648555441 49			117	113
Nedbank - 0376485555441 52			132 168	965 440
Nedbank - 037648555441 53			47	47
Nedbank - 037648555441 54			384 747	366 309
			1 666 199	38 472 867
Interest Income Interest on primary account Interest on investment accounts			494 239 2 328 036 2 822 275	763 086 1 999 623 2 762 709
13. Housing development fur	nd			
Opening balance Transfers in			28 807 982 998 678	28 021 720 786 261
			29 806 660	28 807 981
14. Self-insurance reserve				
Opening balance			532 983	497 014
Transfers in/(out)		_	(97 742)	35 969
			435 241	532 983
15. Finance lease obligation				
Minimum lease payments due			109 927	392 517
- within one year			103 341	592 517

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
15. Finance lease obligation (continued)		
- in second to fifth year inclusive	42 180	135 82
Present value of minimum lease payments	152 107	528 34
Non-current liabilities		
Current liabilities	42 180 109 927	135 82 392 51
	152 107	528 34
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Jnspent conditional grants and receipts		
Sports and Recreation	5 647 094	4 000 44
Ingogo Fresh Produce	5 647 084 11 353	1 980 418 11 353
Municipal Water Infrastructure Grant	8 516 370	17 196 148
Title Deed Restoration Grant	5 196 326	7 233 37
Dsizweni Art Centre	36 920	36 920
Skills Development Grant	1 546 185	905 45
Cleanest Town Environmental Management Framework	823 975	823 97
leighbourhood Partnership Development	502 871	502 87 [.]
Electrification Grant	5 939 933	6 267 00
xpanded Public Works Programme	-	6 267 094 6 738
itle Deeds Restorations	2 717 163	0730
Sports Maintenance Facilites Grant	10 220	10 220
NI Housing Grant	4 266 813	4 266 813
lewcastle Airport	1 815 281	1 815 281
Capacity Building Housing Accreditation	2 102 589	
Community Library Service Grant	201 733	381 454
Corridor Development	412 549	1 343 706
Carnegie Art Gallery	131 075	131 075
Provincialisation - Libraries	350 488 1 003 376	378 121 2 458 316
	41 232 304	45 749 330
7. Other financial liabilities		
At amortised cost DBSA loans	146 211 853	182 463 659
erms and conditions NBSA Bank loans erms and conditions	246 786 934	239 449 689
	392 998 787	421 913 348
		421 913 340
otal other financial liabilities	392 998 787	421 913 348
Ion-current liabilities		
t amortised cost	362 011 519	393 156 433
Current liabilities		
	30 987 268	28 756 915
3. Defined benefit plan		

Reconciliation of defined benefit plan - 2021

	Opening Balance	Current service costs	Benefits paid	Actuarial (Gain)/Loss	Interest cost	Change in policy	Total
Employee benefits	160 109 002	7 060 000	(9 752 000)	(12 908 000)) 15 166 000	7 128 000	166 803 002
			58				

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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2020

18. Defined benefit plan (continued)

Reconciliation of defined benefit plan - 2020

	Opening Balance	Current service costs	Benefits paid	Actuarial (Gain)/Loss	Interest costs	Total
Employee benefits	157 022 987	7 378 697	(8 667 535)	(9 608 477) 13 983 330	160 109 002
Non-current liabilities					155 397 002	150 357 002
Current liabilities					11 406 000	9 752 000
					166 803 002	160 109 002
Health Care Benefits					127 521 000	126 567 756
Balance at the beiginning of the year Current Service Cost					4 024 000	4 467 891
Benefits Paid					(5 897 000)	(5 137 186)
Acturial Loss/(Gain)					(7 310 000)	(10 013 982)
Interest					12 888 000	11 636 521
					131 226 000	127 521 000
Net Expenses Recognised in St	atement of Fin	ancial Perform	ance PEMA			
Current Service Cost					4 024 000	4 467 891
Benefits Paid					(5 897 000)	(5 137 186)
Acturial Loss/(Gain)					(7 310 000)	(10 013 982)
Interest					12 888 000	11 636 521
					3 705 000	953 244
Long Service Bonus Awards					32 588 000	30 455 229
Balance at the begining of the year Current Service Cost					3 036 000	2 910 806
Benefits Paid					(3 855 000)	(3 530 349)
Actuarial Loss/(Gain)					(5 598 000)	405 505
Interest					2 278 000	2 346 809
Change in policy					7 128 000	-
5 . ,					35 577 000	32 588 000
Net Expenses recognised in St	atement of Fina	ancial Perform	ance LSA			
Current Service Cost					3 036 000	2 910 806
Benefits Paid					(3 855 000)	(3 530 349)
Acturial Loss/(Gain)					(5 598 000)	405 505
Interest					2 278 000	2 346 809
Change in Policy					7 128 000	-
					2 989 000	2 132 771

Employee benefit cost provision: Assumptions

The Municipality offiers in-service members and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a members' death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme. The most recent actuarial valuations of the present value of the unfunded defined obligation was carried out as at 30 June 2021 by Arch Actuarial Consulting, a member of Actuarial Society of South Africa (ASSA). The present value of the defined obligation and all related current service costs and past service costs were measured using the projected units credit method. No other post retirement medical benefits are provided by the municipality.

It was assumed that the municipalitiy's health care arrangements and subsidy policy will remain as outlined in section 3. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationery adjustments. Implicit in this approach is the assumption that the current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable, and will continue.

Key financial assumptions used

res in Rand	202	:1	2020
Defined benefit plan (continued)			
punt rate		9.95%	
th care cost inflation rate			
of-health-care-cost-inflation discount rate		3.05%	
nded accrued liability			00
ent-service and interest cost			
		R4 024 000	
est cost arial (Gain)/Loss recognised in surplus /deficit			
	onverted into cash in the year an en	nployee attai	ns the servi
ount rate			
aral earnings inflation rate (long term) iffective discount rate			
earning used in valuation include an increase on the 01s oft July 2021 of 4 ngs increase was assumed to take place on 1 July 2022.			general
Demographic Assumption used (PEMA)			
	62		
nuation of membership at retirement			
ortion with a spouse dependent at retirement			
ality post employment	PA (90)-1 with a 1%		nprovement
traival from convision (Sample annual rate)			ta Mala
arawar nom services (Sample annual rate)			te-Male
	35 5%	5%	
	40 5%	5%	
	45 4%	4%	>
	50 3%	3%	, ,
	55+ 0%	0%	2
Demographic Assumption used (LSA)	60		
		iale Ra	te-Male
	20 9%	9%	
	30 6%	6%	
	40 5%	5%	
	50 3%	3%	
	55+ 0%	0%)
nded Accrued Liability value of liabilities	D 35 577 000		
nded accrued liabilities	R35 577 000		
ant service and interest cost			
ent-service cost	R3 036 000		
OST COST	R2 278 000		
parative of Vital Statistics	4000		
אראבואוונבת מאבומאב אמשו שבו אורב	12.2		
	res in Rand Defined benefit plan (continued) Aut rate h care cost inflation rate f-health-care-cost-inflation discount rate num subsidy inflation rate f-maximum-subsidy-inflation discount rate neded 30 June 2021 st cost article content age and a corred liability ant-service and interest cost ended 30 June 2021 st cost article	Defined benefit plan (continued) unit rate fractions inflation rate fractions in the series of and a 30 une 2021 at cost at cost Interset cost ended 30 une 2021 at cost Interset cost ended 30 une 2021 at cost Interset cost ended 30 une 2021 at cost Interset cost ended 30 une 2021 at cost Interset cost ended accrued itability Interset cost ended 30 une 2021 at cost Interset cost ended accrued itability Interset cost ended accrued itability Ity walls for include an increase on the 01s oft July 2021 of 4% as per SALGBC circular 23 of 20 ended accrued itability at refirement ended accrued itability at refirement ended accrued itability at refirement ended accrued (itability ended method accrued (itability ended method accrued (itability ended accrued liabilities ended accrued liabilities Interset cost ended accrued itabilities Interset cost ended accrued liabilities R35 577 000 ended accrued itabilities Interset cost ended accrued itabilities Interset cost ended accrued itabilities R35 577 000 ended accrued itabilities Interset cost ended accrued itabilities <td>tes in Rand 2021 Defined benefit plan (continued) unt rate 9,85%, for an excert for schedule inflation rate 9,85%, for an excert for schedule inflation rate 1,27%, the are continuous inflation rate 1,27%, the are continuous inflation rate 1,27%, the area continuous inflation rate 1,27%, the area continuous inflation rate 1,27%, the area continuous avail of accumulated leave days that is converted into cash in the year an employee attal the for an everal inflation rate 1,27%, the form everal inflation rate 1,27%, the form everal inflation rate 1,27%, the form</td>	tes in Rand 2021 Defined benefit plan (continued) unt rate 9,85%, for an excert for schedule inflation rate 9,85%, for an excert for schedule inflation rate 1,27%, the are continuous inflation rate 1,27%, the are continuous inflation rate 1,27%, the area continuous inflation rate 1,27%, the area continuous inflation rate 1,27%, the area continuous avail of accumulated leave days that is converted into cash in the year an employee attal the for an everal inflation rate 1,27%, the form everal inflation rate 1,27%, the form everal inflation rate 1,27%, the form

Figures in Rand	2021	2020
19. Provision for rehabilitation of landfill site		
The movement in the rehabilitation of landfill site		
Balance at the beginning of the year	52 106 817	28 843 889
Decrease)/Increase in provision Finance Charges recognised	- 7 092 830	19 494 107 3 768 821
	59 199 647	52 106 817
0. Payables from exchange transactions		
rade payables	360 160 933	532 187 054
etentions	38 193 905	44 315 257
utput VAT on Levies tale Cheques Written Back	176 521 731	127 166 521 (60 707
eave Pay Provision	32 410 854	27 789 083
onus Provision	11 015 049	11 920 291
ther Payables	178 119 481 796 421 953	74 071 794 817 389 293
1. VAT payable		
ax refunds payables	18 539 020	11 776 300
he VAT is imposed in terms of Value Added Tax Act 89 of 1991 and levied at 15%		
2. Consumer deposits		
lectricity & Water Deposits lousing Deposits	27 052 861 449 048	24 523 887 415 431
	27 501 909	24 939 318
3. Revenue		
Service charges	1 013 748 409	951 787 140
Rental of facilities and equipment	7 093 441 101 472	7 794 524
icences and permits undry revenue	8 341 750	8 106 2 106 036
ther income	564 474	548 480
ee income nterest received - investment	9 795 219 6 660 722	7 219 470 8 517 417
roperty rates	342 533 924	320 486 063
overnment grants & subsidies	639 932 157	560 539 037
ines, Penalties and Forfeits	5 401 977 2 034 173 545	10 506 938 1 869 513 211
he amount included in revenue arising from exchanges of goods or		3
ervices are as follows:	4 040 740 400	054 707 446
Service charges Rental of facilities and equipment	1 013 748 409 7 093 441	951 787 140 7 794 524
Sundry revenue	8 341 750	2 106 036
Other income	564 474 9 795 219	548 480 7 219 470
nterest received - investment	6 660 722	8 517 417
	1 046 204 015	977 973 067
The amount included in revenue arising from non-exchange transactions		
s as follows: Faxation revenue		
Property rates	342 533 924 101 472	320 486 063 8 106
icences or permits	101 472	ชาเ

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
23. Service concession arrangements (continued)		
Transfer revenue		
Government grants & subsidies	639 932 157	560 539 037
Fines, Penalties and Forfeits	5 401 977	10 506 938
	987 969 530	891 540 144
24. Service charges		
Sale of electricity	621 124 280	578 985 816
Sale of water	188 454 396	180 514 399
Sewerage and sanitation charges	112 145 578	109 101 099
Refuse removal	92 024 155	83 185 826
	1 013 748 409	951 787 140
25. Rental of facilities and equipment		
Premises		
Municipal Housing Venue hire	3 063 812	6 838 049
venue nire Rental - HDF	3 976 575 53 054	821 815 134 660
	7 093 441	7 794 524
		1104 524
26. Fines, Penalties and Forfeits		
Building Fines	555 739	34 000
llegal Connections Fines Dverdue Books Fines	177 811	119 119
Pound Fees Fines	3 137 18 170	17 468 13 350
Municipal Traffic Fines	4 647 120	10 323 001
	5 401 977	10 506 938
27. Other revenue		
Sundry revenue	8 341 750	2 106 036
Other income	564 474	548 480
Fee income	9 795 219	7 219 470
	18 701 443	9 873 986
Sundry Revenue		
Sundry Revenue		
nsurance Income Legal Fees Recoverable	1 416 466	40 858 1 273
R/D Admin Fee	169 107	227 960
Other Revenue	6 756 177	1 835 945
	8 341 750	2 106 036
Other Income		
Sales		
Burial Plots	551 212	354 010
Copies	6 816	56 821
Printing Swimming Tickets	4 800	23 319
Cantinuity Horee	1 646	114 330
	564 474	548 480

Fee Income

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
27. Other income (continued)		
Fees Advertising Signs	393 373	793 908
Building Plans	675 720	529 536
Business Letters	1 141 362	930 191
Cemetery	2 575 543	1 204 202
Meter Reading	250 624	236 367
Rates Clearance Certificate	978 132	576 323
Reconnection	3 098 316 297 587	2 284 336 235 167
Town Planning Other	192 087	329 857
Tender	192 475	99 583
	9 795 219	7 219 470
28. Interest Received		
Bank	2 822 275	2 762 709
Interest on arrea account	3 592 543	5 753 980
Other interest	245 904	728
	6 660 722	8 517 417
29. Property rates		
Rates received		
Residential	209 139 767	198 771 448
Commercial	176 489 664	167 075 735
State	9 683 158	10 485 637
Public Benefit Organisation	(41 672)	708 872
PSI Vacant Land	2 760 605 16 462 857	15 829 820
Agricultural	3 732 413	3 550 224
Specialises Non-Marketed	96 866	147 372
Less: Income forgone	(75 789 734)	(76 083 044)
	342 533 924	320 486 064
Valuations		
Residential	17 014 015 787	16 937 554 787
Commercial	6 072 559 000	6 065 323 000
State	2 444 933 000	2 444 813 000
Vacant	704 957 500	711 031 500
PSP	1 687 629 000	1 687 629 000
Agriculture	1 474 800 000 379 824 000	1 461 559 000 379 161 000
Unratable properties	29 778 718 287	29 687 071 287
	29 / /8 / 18 28/	29 06/ 0/1 28/

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

30. Government grants and subsidies

Operating grants Equitable share Museum Services	471 963 000 52 077	368 648 000 195 750
Finance Management Grant	1 700 000	1 700 000
Skills Development Grant Municipal Infrastructure Grant	639 088 38 962 037	4 085
Disaster Relief Grant		757 000
Community Library Service Grant	3 267 381 8 206 259	2 536 895
Municipal Water Infrastructure Grant EPWP Grant	2 901 738	3 091 262
Provincialisation and Library Grant	7 224 755	5 891 541

Figures in Rand	2021	2020
30. Government grants and subsidies (continued)		
Electrification Grant	94	-
Capacity Building	4 198 058	4 706 013
Sports maintenance facilities Grant	-	30 600
Energy Efficiency and Demand Side Management Grant	-	6 000 000
Tittle Deeds Restoration Grant	519 882	838 700
	539 634 369	394 399 846
Capital grants		
Community Library	934 961	
Neighbourhood Development Partnership	9 060 067	8 000 000
Vater Services Infrastructure Grant	18 270 519	22 787 153
Auseum Services	562 278	
Aunicipal Infrastructure Grant	71 469 963	112 580 000
Massification Grant		22 772 038
	100 297 788 639 932 157	166 139 191 560 539 037
	035 532 137	
Conditional and Unconditional		
ncluded in above are the following grants and subsidies received:		
Conditional grants received	167 969 157	191 891 037
Inconditional grants received	471 963 000	368 648 000
	639 932 157	560 539 037
inancial Management Grant		
Current-year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue	(1 700 000)	(1 700 000)
		<u> </u>
Sport and Recreation		
Balance unspent at beginning of year	1 980 418	1 980 418
Current-year receipts	3 666 666	
	5 647 084	1 980 418
ngogo Fresh Produce		
Balance unspent at beginning of year	11 353	11 353
Aunicipal Infrastructure Grant		
Current-year receipts	110 432 000	112 580 000
Conditions met - transferred to revenue	(110 432 000)	(112 580 000)
Disaster Relief Grant		
Current-year receipts	-	757 000
Conditions met - transferred to revenue	-	(757 000)
Auniainal Matau Infractoriation Connet		
Aunicipal Water Infrastructure Grant		
Balance unspent at beginning of year	17 196 148	3 276 300

Figures in Rand	2021	2020
30. Government grants and subsidies (continued) Current-year receipts Conditions met - transferred to revenue	35 000 000 (26 476 778)	40 000 000 (22 787 152)
Adjustment	(17 203 000) 8 516 370	(3 293 000) 17 196 148
Title Deeds Restoration		
Balance unspent at beginning of year Current-year receipts	7 233 371 1 200 000 (519 882)	8 072 071 -
Conditions met - transferred to revenue Adjustment	(5 196 326) (5 196 326) 2 717 163	(838 700) 7 233 371
Osizweni Art Centre		
Balance unspent at beginning of year	36 920	36 920
Skills Development Grant		
Balance unspent at beginning of year Current-year receipts Conditions met - transferred to revenue	905 456 1 279 817 (639 088)	909 545 - (4 089)
	1 546 185	905 456
Cleanest Town		
Balance unspent at beginning of year	823 975	823 975
Environmental Management Framework		
Balance unspent at beginning of year	502 871	502 871
leighbouring Development Partnership Grant		
Current-year receipts Conditions met - transferred to revenue	15 000 000 (9 060 067)	-
	5 939 933	· · · ·
Electrification Grant Balance unspent at beginning of year	6 267 094	14 000 000
Current-year receipts Conditions met - transferred to revenue Other	7 000 000 (7 000 094) (6 267 000)	(7 732 906)
		6 267 094
Expanded Works Programme Incentive		
Balance unspent at beginning of year Current-year receipts Conditions met - transferred to revenue	6 738 2 895 000 (2 901 738)	3 098 000 - (3 091 262)
	-	6 738
Sports Maintenance Facilities Grant		
Balance unspent at beginning of year Conditions met - transferred to revenue	10 220	40 820 (30 600)
6E		

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
30. Government grants and subsidies (continued)		
	10 220	10 220
All Housing Grants		
Balance unspent at beginning of year	4 266 813	4 266 813
Current-year receipts Conditions met - transferred to revenue	120 903 440 (120 903 440)	76 966 343 (76 966 343)
	4 266 813	4 266 813
Newcastle Airport		
Balance unspent at beginning of year	1 815 281	1 815 281
Capacity Building Housing		
Current-year receipts Conditions met - transferred to revenue	6 300 647 (4 198 058)	-
	2 102 589	-
Fort Amiel Museum		
Balance unspent at beginning of year	381 454	370 454
Current-year receipts Conditions met - transferred to revenue	300 000 (479 721)	193 000 (182 000)
	201 733	381 454
Community Library Service Grant		
Balance unspent at beginning of year Current-year receipts	1 343 706 2 312 000	1 343 796 2 160 000
Conditions met - transferred to revenue Other	(4 202 341) 959 184	(2 536 985) 376 895
	412 549	1 343 706
Corridor Development		
Balance unspent at beginning of year	131 075	131 075
Carnegie Art Gallery		
Balance unspent at beginning of year	378 121	198 871
Current-year receipts Conditions met - transferred to revenue	107 000 (134 633)	193 000 (13 750)
	350 488	378 121
Provincialisation- All Libraries		
Balance unspent at beginning of year	2 458 316	2 180 751
Current-year receipts Conditions met - transferred to revenue	6 729 000 (7 224 745)	6 546 000 (5 891 541)
Other	(959 184)	(376 894)
	1 003 387	2 458 316
31. Employee related costs		

Basic

333 368 379

339 920 278

Figures in Rand	2021	2020
31. Employee related costs (continued)		
Medical aid - company contributions	17 470 630	18 633 485
UIF SDL	2 135 239	2 291 262 379
Leave pay provision charge	25 689 885	26 249 802
Defined contribution plans	59 383 546	60 209 111
Travel, motor car, accommodation, subsistence and other allowances	14 236 079	13 665 507
Overtime payments	38 332 041	38 823 943
Long-service awards	3 882 846	4 509 331
Car allowance	22 242 760	23 237 063
Housing benefits and allowances	6 857 860	7 595 214
Group insurance	7 792 980	7 033 518
Barganing council	140 481 1 864 456	144 618 1 685 146
Night work allowance Termination benefits	6 928 987	9 753 308
	546 878 068	547 200 066
Remuneration of municipal manager		
Acting Allowance	176 576	167 215
Remuneration of chief finance officer		
Annual Remuneration	951 070	605 440
Car Allowance	240 199	151 360
Annual Bonuses	77 799	54 181
Contributions to UIF, Medical and Pension Funds	171 400	110 343
Leave paid/sold	-	36 612
Other	119 1 440 587	18 771 976 707
	1 440 507	970707
Remuneration of Executive Drectors & Municipal Manager		
Annual Remuneration	5 406 562	5 079 599
Car Allowance	813 938	801 350
Annual Bonuses	386 309	488 115 707 371
Contributions to UIF, Medical and Pension Funds	734 401 254 882	167 215
Acting Allowances Leave Paid/en-cashed	204 002	36 612
Other	614	71 570
	7 596 706	7 351 832
Community Services		
Community Services	171 804	798 637
Annual Remuneration	171 804 44 238	798 637 199 660
Annual Remuneration Car Allowance	44 238 74 637 27 667	199 660 145 207 132 199
Annual Remuneration Car Allowance Annual Bonuses Contributions to UIF, Medical and Pension Funds Other	44 238 74 637 27 667 20	199 660 145 207
Annual Remuneration Car Allowance Annual Bonuses Contributions to UIF, Medical and Pension Funds	44 238 74 637 27 667	199 660 145 207 132 199

Figures in Rand	2021	2020
31. Employee related costs (continued)		
Development and Planning Services		
•		
Annual Remuneration Car Allowance	895 477 193 014	778 901 165 000
Annual Bonuses	81 850	141 618
Contributions to UIF, Medical and Pension Funds	213 588	188 238
Other	119	10 371
Acting Allowances	<u> </u>	1 284 128
		1 204 120
nternal Audit		
Annual Remuneration	1 047 078	907 312
Car Allowance Annual Bonuses	126 171	86 856
Contributions to UIF, Medical and Pension Funds	85 075 190 259	74 937 164 952
Other	119	9 781
	1 448 702	1 243 838
Corporate Services		
Annual Remuneration	936 924	793 897
Car Allowance	210 316	198 474
Annual Bonuses Contributions to UIF, Medical and Pension Funds	76 007 129 703	72 172 110 003
Other	129 703	9 795
	1 353 069	1 184 341
Fechnical		
Annual Remuneration	1 377 214	1 195 412
Contributions to UIF, Medical and Pension Funds	1 785	1 636
Other	119	12 057
	1 379 118	1 209 105
2. Remuneration of councillors		
<i>M</i> ayor	900 271	831 630
Deputy Mayor	728 375	585 581
Executive Committee Members	4 674 326	4 439 662
Speaker Councillors	728 375 17 177 437	563 230 18 321 500
Chief Whip	685 403	639 280
/IPAC Chairperson	666 493	333 883
Fraditional Leaders	51 000	39 592
	25 611 680	25 754 358

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
0		

32. Employee related costs (continued)

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has two full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards

Mayor

•		
Annual Remuneration	560 000	513 333
	215 471	197 515
Car Allowances	40 800	37 400
Cellphone allowances Contributions to UIF, Medical Aid and Pension	84 000	83 382
	900 271	831 630
Deputy Mayor		
	448 419	336 314
Annual Remuneration	171 891	129 067
Car Allowances		
Cellphone allowances	40 800	30 600
Contributions to UIF, Medical Aid and Pension Other	67 263	50 505 39 096
Other	728 373	585 582
	128 313	565 562
Speaker		
Annual Remuneration	448 419	336 314
	171 891	130 344
Car Allowances	40 800	30 600
Cellphone allowances	67 623	51 004
Contributions to UIF, Medical Aid and Pension Other	07 023	14 968
	728 733	563 230
Chief Whip		
Annual Remuneration	420 393	385 360
Car Allowances	161 151	147 722
Cellphone allowances	40 800	37 400
Contributions to UIF, Medical Aid and Pension	63 059	57 804
Other	-	10 994
	685 403	639 280
33. Repairs and Maintenance		
Repairs and Maintenance Buildings	3 391 764	2 534 204
Repairs and Maintenance Infrastructure	31 363 960	42 629 073
Repairs and Maintenance Land	286 503	164 449
Repairs and Maintenance Movables	9 108 904	9 928 247
	44 151 131	55 255 973
	1	

Figures in Rand	2021	2020
34. Depreciation and amortisation		
Property , plant and equipment Intangible assets	350 117 357 966 939	344 312 090 986 557
	351 084 296	345 298 647
35. Impairment loss		
Impairments	00.450.557	44 500 700
Property , plant and equipment Fines	22 159 557 3 663 039	14 539 783 8 302 176
	25 822 596	22 841 959
36. Finance costs		
Non-current borrowings	41 797 407	44 886 092
Provisions and Current borrowings Interest Expense	22 323 678 858 529	18 210 969 11 019 784
	64 979 614	74 116 845
37. Debt impairment		
Debt impairment	183 997 551	174 113 742
ndigents written off Bad debts written - Council resolution	14 597 835 18 432 565	33 566 637 104 553 070
	217 027 951	312 233 449
38. Bulk purchases		
Electricity - Eskom	436 880 517	404 371 472
Nater	122 454 539 559 335 056	111 055 835 515 427 307
Electricity losses		
Jnits purchased	428 083 451	414 578 816
Jnits sold	(395 378 086)	(388 090 062)
Fotal loss	32 705 365	26 488 754
Percentage Loss: Fechnical losses	8 %	6 %
	0 %	
Estimated cost per unit (Rands)	R 0.78	R0.78

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
38. Bulk purchases (continued)		
Estimated cost of loss (Rands)	R25 510 185	R20 661 228
Electricity distribution losses comprise of the following: Administrative losses Administrative losses refers to the difference between the income generate revenue that is recovered. Administrative losses are minimal as the munici		
Technical losses Technical losses within the municipality are made up of standard line losse and traffic lights.	es, unmetered own consumption, free basic electr	icity, street lighting
Non-technical losses Non-technical losses refers to unrecorded electricity delivery. Illegal conne consumption not being recorded.	ctions, faulty and incorrect calibration of meters o	ontribute to
Water losses		
	32 136 904	31 938 151
Units purchased Units sold	(21 218 848)	(19 386 51)

Units purchased Units sold Total	32 136 904 (21 218 848) 10 918 056	31 938 151 (19 386 512) 12 551 639
Percentage Loss: Technical losses	34 %	39 %
Bulk Tariff (R/KL)	R3.83	R3.48
Water losses (Rands)	R41 816 154	R43 679 892

Water distribution losses comprises of the following:

Physical/Real losses

Leaking from transmission and distribution mains (leaks and burst pipes) as well as leaking on services connections up to the customer's meter were noted as physical losses.

Commercial / Apparent losses

Unathorised consumptions consisting of illegal connections, meter bypass and illegal uses of fire hygrant were noted as apparent losses, futhermore customer meter inaccuracy due to old meter and intermittent water supply were also reason for the losses. Human error from manual reading and capturing of data resulted in meter reading errors, data handling and accounting errors.

39. Contracted services

Outsourced Services Security Services VIP Toilets Plant Hire	39 295 453 41 679 950 27 640 718	31 203 572 3 101 245 21 349 439
Consultants and Professional Services Professional Services Legal Cost	57 136 784 23 037 529	57 405 490 15 252 294
Contractors Other	41 630 614 230 421 048	55 202 062 183 514 102
40. General expenses		
Auditors remuneration Bank charges Entertainment	5 186 267 4 384 789 3 916	4 421 922 3 806 819 33 957

Figures in Rand	2021	2020
40. General expenses (continued)		
Insurance	7 218 762	6 796 863
Community development and training	6 211 668	5 566 432
IT expenses	13 482 683	10 567 185
Magazines, books and periodicals	18 497	21 672
Motor vehicle expenses	8 199 880	5 918 175
Subsistence and Travelling	516 051	1 252 356
Fuel and oil	463 492	410 141
Postage and courier Printing and stationery	3 233 584 1 705 062	3 244 375
Promotions	1 576	1 428 009 32 055
Protective clothing	4 067 834	2 943 872
Repairs and maintenance	11 726	22 617 826
Royalties and license fees	28 867	160 738
Staff welfare	16 680	-
Subscriptions and membership fees	6 682 712	1 238 735
Telephone and fax	4 155 826	10 561 262
Training	3 821 845	3 475 876
Assets expensed	409 463	20 850
Advertising	313 162	4 769 193
Other expenses	42 812 517	38 428 928
Contribution to post retirement Material	14 188 000 4 766 120	7 378 697 2 618 425
Skills Developent Levy	3 255 574	3 935 907
Rental Office machines	2 574 718	2 334 544
	137 731 271	143 984 814
11. Auditors' remuneration		
Audit Fees	4 808 996	4 105 349
Audit Committe	377 271	316 573
	5 186 267	4 421 922
42. Cash generated from operations		
Deficit	(197 157 603)	(353 335 480)
	(187 157 005)	
Adjustments for:	(187-157-005)	(000 000 100)
	351 084 296	345 298 647
Depreciation and amortisation Share of deficit in associate	351 084 296 30 277 147	345 298 647 27 972 811
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation	351 084 296	345 298 647 27 972 811 (9 608 477)
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus	351 084 296 30 277 147 (12 908 000)	345 298 647 27 972 811 (9 608 477) (1 263 951)
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations	351 084 296 30 277 147 (12 908 000) (39 249 962)	345 298 647 27 972 811 (9 608 477) (1 263 951) (15 589 293)
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations mpairment of assets	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544	345 298 647 27 972 811 (9 608 477) (1 263 951) (15 589 293) 14 528 963
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations Impairment of assets Debtors Impairment - other receivables from non-exchange	351 084 296 30 277 147 (12 908 000) (39 249 962)	345 298 647 27 972 811 (9 608 477) (1 263 951) (15 589 293) 14 528 963 8 302 176
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations Impairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544	345 298 647 27 972 811 (9 608 477) (1 263 951) (15 589 293) 14 528 963 8 302 176 142 090 706
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations Impairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from non-exchange	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039	345 298 647 27 972 811 (9 608 477) (1 263 951) (15 589 293) 14 528 963 8 302 176 142 090 706 32 023 037
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations mpairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from non-exchange Debtors Impairment - receivables from non-exchange Bad debts written off - receivables from exchange	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039	345 298 647 27 972 811 (9 608 477) (1 263 951) (15 589 293) 14 528 963 8 302 176 142 090 706 32 023 037 138 119 706
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations mpairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from non-exchange Debtors Impairment - receivables from non-exchange Pad debts written off - receivables from exchange Profit on sale of assets	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039	345 298 647 27 972 811 (9 608 477) (1 263 951) (15 589 293) 14 528 963 8 302 176 142 090 706 32 023 037 138 119 706 (5 552 913)
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations mpairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from non-exchange Bad debts written off - receivables from exchange Profit on sale of assets WIP Movement	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039 - - 217 027 951	345 298 647 27 972 811 (9 608 477) (1 263 951) (15 589 293) 14 528 963 8 302 176 142 090 706 32 023 037 138 119 706 (5 552 913)
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations mpairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from non-exchange Bad debts written off - receivables from exchange Profit on sale of assets WIP Movement mpairement of Inventory Current service cost- Employee benefit liability	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039 - - 217 027 951 50 052 096	345 298 647 27 972 811 (9 608 477) (1 263 951) (15 589 293) 14 528 963 8 302 176 142 090 706 32 023 037 138 119 706 (5 552 913) (364 929)
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations mpairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from non-exchange Bad debts written off - receivables from exchange Profit on sale of assets WIP Movement mpairement of Inventory Current service cost- Employee benefit liability Finance costs- Employee benefit liability	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039 - - 217 027 951 50 052 096 - - 117 170 7 060 000 15 166 000	345 298 647 27 972 811 (9 608 477) (1 263 951) (15 589 293) 14 528 963 8 302 176 142 090 706 32 023 037 138 119 706 (5 552 913) (364 929) 10 821 7 378 697 13 983 330
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations mpairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from non-exchange Bad debts written off - receivables from exchange Profit on sale of assets WIP Movement mpairement of Inventory Current service cost- Employee benefit liability Finance costs- Employee benefit liability Finance costs- Rehabilitation provision	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039 - 217 027 951 50 052 096 - 117 170 7 060 000 15 166 000 7 092 830	$\begin{array}{c} 345\ 298\ 647\\ 27\ 972\ 811\\ (9\ 608\ 477)\\ (1\ 263\ 951)\\ (15\ 589\ 293)\\ 14\ 528\ 963\\ 8\ 302\ 176\\ 142\ 090\ 706\\ 32\ 023\ 037\\ 138\ 119\ 706\\ (5\ 552\ 913)\\ (364\ 929)\\ 10\ 821\\ 7\ 378\ 697\\ 13\ 983\ 330\\ 3\ 768\ 821\\ \end{array}$
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations mpairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from non-exchange Bad debts written off - receivables from exchange Profit on sale of assets VIP Movement mpairement of Inventory Current service cost- Employee benefit liability Finance costs- Employee benefit liability Finance costs- Rehabilitation provision Movement in leave on bonus provisions	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039 - - 217 027 951 50 052 096 - - 117 170 7 060 000 15 166 000 7 092 830 (905 242)	$\begin{array}{c} 345\ 298\ 647\\ 27\ 972\ 811\\ (9\ 608\ 477)\\ (1\ 263\ 951)\\ (15\ 589\ 293)\\ 14\ 528\ 963\\ 8\ 302\ 176\\ 142\ 090\ 706\\ 32\ 023\ 037\\ 138\ 119\ 706\\ (5\ 552\ 913)\\ (364\ 929)\\ 10\ 821\\ 7\ 378\ 697\\ 13\ 983\ 330\\ 3\ 768\ 821\\ 4\ 037\ 340\\ \end{array}$
Depreciation and amortisation Share of deficit in associate Sain on Actuarial Valuation Accumulated surplus Public contribution and donations mpairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment of - receivables from exchange Profit on sale of assets VIP Movement mpairement of Inventory Current service cost- Employee benefit liability Finance costs- Employee benefit liability Finance costs- Rehabilitation provision Movement in leave on bonus provisions Movement in employee benefit liability	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039 - 217 027 951 50 052 096 - 117 170 7 060 000 15 166 000 7 092 830	$\begin{array}{c} 345\ 298\ 647\\ 27\ 972\ 811\\ (9\ 608\ 477)\\ (1\ 263\ 951)\\ (15\ 589\ 293)\\ 14\ 528\ 963\\ 8\ 302\ 176\\ 142\ 090\ 706\\ 32\ 023\ 037\\ 138\ 119\ 706\\ (5\ 552\ 913)\\ (364\ 929)\\ 10\ 821\\ 7\ 378\ 697\\ 13\ 983\ 330\\ 3\ 768\ 821\\ 4\ 037\ 340\\ \end{array}$
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations mpairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from non-exchange Debtors Impairment - receivables from exchange Debtors label of assets WIP Movement mpairement of Inventory Current service cost- Employee benefit liability Finance costs- Employee benefit liability Finance costs- Rehabilitation provision Movement in leave on bonus provisions Movement in employee benefit liability Changes in working capital:	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039 	$\begin{array}{c} 345\ 298\ 647\\ 27\ 972\ 811\\ (9\ 608\ 477)\\ (1\ 263\ 951)\\ (15\ 589\ 293)\\ 14\ 528\ 963\\ 8\ 302\ 176\\ 142\ 090\ 706\\ 32\ 023\ 037\\ 138\ 119\ 706\\ (5\ 552\ 913)\\ (364\ 929)\\ 10\ 821\\ 7\ 378\ 697\\ 13\ 983\ 330\\ 3\ 768\ 821\\ 4\ 037\ 340\\ (8\ 667\ 535) \end{array}$
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations mpairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from non-exchange Debtors Impairment - receivables from exchange Debtors alle of assets WIP Movement mpairement of Inventory Current service cost- Employee benefit liability Finance costs- Employee benefit liability Finance costs- Rehabilitation provision Movement in leave on bonus provisions Movement in employee benefit liability Changes in working capital: nventories	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039 - 217 027 951 50 052 096 - 117 170 7 060 000 15 166 000 7 092 830 (905 242) (2 624 000) (5 409 204)	345 298 647 27 972 811 (9 608 477) (1 263 951) (15 589 293) 14 528 963 8 302 176 32 023 037 138 119 706 (5 552 913) (364 929) 10 821 7 378 697 13 983 330 3 768 821 4 037 340 (8 667 535) 515 033
Depreciation and amortisation Share of deficit in associate Sain on Actuarial Valuation Accumulated surplus Public contribution and donations mpairment of assets Debtors Impairment - receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment of - receivables from exchange Detors Impairment of Inventory Current service cost- Employee benefit liability Finance costs- Employee benefit liability Finance costs- Rehabilitation provision Movement in leave on bonus provisions Movement in employee benefit liability Changes in working capital: nventories Receivables from exchange transactions	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039 - 217 027 951 50 052 096 - 117 170 7 060 000 15 166 000 7 092 830 (905 242) (2 624 000) (5 409 204) (22 447 312)	$\begin{array}{c} 345\ 298\ 647\\ 27\ 972\ 811\\ (9\ 608\ 477)\\ (1\ 263\ 951)\\ (15\ 589\ 293)\\ 14\ 528\ 963\\ 8\ 302\ 176\\ 142\ 090\ 706\\ 32\ 023\ 037\\ 138\ 119\ 706\\ (5\ 552\ 913)\\ (364\ 929)\\ 10\ 821\\ 7\ 378\ 697\\ 13\ 983\ 330\\ 3\ 768\ 821\\ 4\ 037\ 340\\ (8\ 667\ 535)\\ 515\ 033\\ 4\ 475\ 078\\ \end{array}$
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations mpairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from exchange Pototis Impairment - receivables from exchange Profit on sale of assets WIP Movement mpairement of Inventory Current service cost- Employee benefit liability Finance costs- Employee benefit liability Finance costs- Rehabilitation provision Movement in leave on bonus provisions Movement in employee benefit liability Changes in working capital: nventories Receivables from exchange transactions Consumer debtors	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039 - 217 027 951 50 052 096 - 117 170 7 060 000 15 166 000 7 092 830 (905 242) (2 624 000) (5 409 204) (22 447 312) (279 648 631)	$\begin{array}{c} 345\ 298\ 647\\ 27\ 972\ 811\\ (9\ 608\ 477)\\ (1\ 263\ 951)\\ (15\ 589\ 293)\\ 14\ 528\ 963\\ 8\ 302\ 176\\ 142\ 090\ 706\\ 32\ 023\ 037\\ 138\ 119\ 706\\ (5\ 552\ 913)\\ (364\ 929)\\ 10\ 821\\ 7\ 378\ 697\\ 13\ 983\ 330\\ 3\ 768\ 821\\ 4\ 037\ 340\\ (8\ 667\ 535)\\ \hline 515\ 033\\ 4\ 475\ 078\\ (304\ 105\ 438)\\ \end{array}$
Depreciation and amortisation Share of deficit in associate Sain on Actuarial Valuation Accumulated surplus Public contribution and donations mpairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment of - receivables from exchange Profit on sale of assets VIP Movement mpairement of Inventory Current service cost- Employee benefit liability Finance costs- Employee benefit liability Finance costs- Rehabilitation provision Movement in leave on bonus provisions Movement in leave on bonus provisions Movement in employee benefit liability Changes in working capital: nventories Receivables from exchange transactions Duber receivables from non-exchange transactions	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039 217 027 951 50 052 096 117 170 7 060 000 15 166 000 7 092 830 (905 242) (2 624 000) (5 409 204) (22 447 312) (279 648 631) (4 185 639)	$\begin{array}{c} 345\ 298\ 647\\ 27\ 972\ 811\\ (9\ 608\ 477)\\ (1\ 263\ 951)\\ (15\ 589\ 293)\\ 14\ 528\ 963\\ 8\ 302\ 176\\ 142\ 090\ 706\\ 32\ 023\ 037\\ 138\ 119\ 706\\ (5\ 552\ 913)\\ (364\ 929)\\ 10\ 821\\ 7\ 378\ 697\\ 13\ 983\ 330\\ 3\ 768\ 821\\ 4\ 037\ 340\\ (8\ 667\ 535)\\ \hline 515\ 033\\ 4\ 475\ 078\\ (304\ 105\ 438)\\ (9\ 447\ 116)\\ \end{array}$
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations mpairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from exchange Poti on sale of assets WIP Movement mpairement of Inventory Current service cost- Employee benefit liability Finance costs- Employee benefit liability Finance costs- Rehabilitation provision Movement in leave on bonus provisions Movement in employee benefit liability Changes in working capital: noventories Receivables from exchange transactions Dother receivables from non-exchange transactions Dther financial assets	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039 - 217 027 951 50 052 096 - 117 170 7 060 000 15 166 000 7 092 830 (905 242) (2 624 000) (5 409 204) (22 447 312) (279 648 631) (4 185 639) 277	$\begin{array}{c} 345\ 298\ 647\\ 27\ 972\ 811\\ (9\ 608\ 477)\\ (1\ 263\ 951)\\ (15\ 589\ 293)\\ 14\ 528\ 963\\ 8\ 302\ 176\\ 142\ 090\ 706\\ 32\ 023\ 037\\ 138\ 119\ 706\\ (5\ 552\ 913)\\ (364\ 929)\\ 10\ 821\\ 7\ 378\ 697\\ 13\ 983\ 330\\ 3\ 768\ 821\\ 4\ 037\ 340\\ (8\ 667\ 535)\\ 515\ 033\\ 4\ 475\ 078\\ (304\ 105\ 438)\\ (9\ 447\ 116)\\ 1\ 369\\ \end{array}$
Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations mpairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from non-exchange Debtors Impairment - receivables from exchange Profit on sale of assets WIP Movement mpairement of Inventory Current service cost- Employee benefit liability Finance costs- Rehabilitation provision Movement in leave on bonus provisions Movement in employee benefit liability Changes in working capital: nventories Receivables from exchange transactions Donsumer debtors Dither receivables from non-exchange transactions Dither financial assets	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039 217 027 951 50 052 096 117 170 7 060 000 15 166 000 7 092 830 (905 242) (2 624 000) (5 409 204) (22 447 312) (279 648 631) (4 185 639)	$\begin{array}{c} 345\ 298\ 647\\ 27\ 972\ 811\\ (9\ 608\ 477)\\ (1\ 263\ 951)\\ (15\ 589\ 293)\\ 14\ 528\ 963\\ 8\ 302\ 176\\ 142\ 090\ 706\\ 32\ 023\ 037\\ 138\ 119\ 706\\ (5\ 552\ 913)\\ (364\ 929)\\ 10\ 821\\ 7\ 378\ 697\\ 13\ 983\ 330\\ 3\ 768\ 821\\ 4\ 037\ 340\\ (8\ 667\ 535)\\ \hline 515\ 033\\ 4\ 475\ 078\\ (304\ 105\ 438)\\ (9\ 447\ 116)\\ \end{array}$
Adjustments for: Depreciation and amortisation Share of deficit in associate Gain on Actuarial Valuation Accumulated surplus Public contribution and donations Impairment of assets Debtors Impairment - other receivables from non-exchange Debtors Impairment - receivables from exchange Debtors Impairment - receivables from non-exchange Bad debts written off - receivables from exchange Profit on sale of assets WIP Movement Impairement of Inventory Current service cost- Employee benefit liability Finance costs- Rehabilitation provision Movement in leave on bonus provisions Movement in employee benefit liability Enances in working capital: Inventories Receivables from exchange transactions Consumer debtors Other receivables from non-exchange transactions Other financial assets Payables from exchange transactions VAT Unspent conditional grants and receipts	351 084 296 30 277 147 (12 908 000) (39 249 962) 22 159 544 3 663 039 - 217 027 951 50 052 096 - 117 170 7 060 000 15 166 000 7 092 830 (905 242) (2 624 000) (5 409 204) (22 447 312) (279 648 631) (4 185 639) 277 (20 062 243)	$\begin{array}{c} 345\ 298\ 647\\ 27\ 972\ 811\\ (9\ 608\ 477)\\ (1\ 263\ 951)\\ (15\ 589\ 293)\\ 14\ 528\ 963\\ 8\ 302\ 176\\ 142\ 090\ 706\\ 32\ 023\ 037\\ 138\ 119\ 706\\ (5\ 552\ 913)\\ (364\ 929)\\ 10\ 821\\ 7\ 378\ 697\\ 13\ 983\ 330\\ 3\ 768\ 821\\ 4\ 037\ 340\\ (8\ 667\ 535)\\ \hline 515\ 033\\ 4\ 475\ 078\\ (304\ 105\ 438)\\ (9\ 447\ 116)\\ 1\ 369\\ 97\ 119\ 688\\ \end{array}$

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
42. Cash generated from operations (continued)	123 910 799	147 436 490
43. Commitments		
Authorised capital expenditure		
 Already contracted for but not provided for Infrastructure Assets Community Assets Other 	156 402 129 498 234 101 242 157 001 605	58 978 157 193 284 6 504 076 65 675 517
Not yet contracted for and authorised by accounting officer • Infrastructure Assets		143 367 436
Total capital commitments Already contracted for but not provided for Not yet contracted for and authorised by accounting officer	157 001 605 - 	65 675 517 143 367 436 209 042 953

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due	1 110 932	1 666 398
- within one year - in second to fifth year inclusive	-	1 110 932
	1 110 932	2 777 330

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Annual Financial Statements for the year ended 30 June 2021

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44. Contingencies

Plantiff: SJ Zulu

There is litigation process against the municipality relating to the dispute SJ Zulu has lodge an application to cease excavation and construction of sewerage pumpstation project initiated by the municipality. The case is in High Courtand the estimated costs is R20 million and R350 000 of legal costs.

Plantiff: Rusha/Dylan Peterson

There is litigation process against the municipality relating to the dispute with Rush Peterson where has allegations that the municipality was negligent, leaving the drainage water pipes open in public space that was accessible to children. Her child was injured. The case now is in her son's name Dylan and he is now over 18 years. The claim for damages now is R2 800 000. Estimated legal costs is R5 000.

Plantiff: Sibiya (Ingogo Fresh Produce)

There is litigation process against the municipality relating to the dispute with Mr Sibiya whereas there was an agreement between the municipality and Mr Sibiya to pay the rental of R1500 per month on the portion of land belonging to Mr Sibiya now demands R30 000 instead of R1500. EXCO authorised that the matter be handled by COGTA.

Plantiff: Minister of Water Affairs

The Minister of Water Affairs is suing the municipality for services of water rendered for the period April 2002 to 31 August 2016. An arrangement has been made to pay this in instalments of 3 years. An amount sued for is R35 906 412.22 and estimated legal costsare R380 000.

Plantiff: Small Enterprise Finance Agency SOC Ltd

Summons were issued against the municipality for R1 100 000 and estimated legal costs of R350 000.

Plantiff: Bigen Services Africa PTY (LTD)

The former service provider objected to the municipality's appointment of another service provider to take over the debt management services. Legal costs of R250 000.

Plantiff: Miracle Mile Investments

This is a collection matter for outstanding money wherin fraud was perpetrated. The monies outstanding with interest will be in the region of R 1 100 000. Legal costs of R90 000

Plantiff: New Intergrated Credit Solution (NICS)

Dispute regarding the non payment of services for invoices amounting to R36 000 000. Legal costs of R3 000 000.

Plantiff: Scarlet Hibus Inestments 220 (PTY) LTD

The municipality has been sued an estimated amount of R42 000 000. Legal costs of R1 500 000

Plantiff: Nomsa Communal Property Association and 2 Others

The municipality has been sued an estimated amount of R1 100 000. Legal costs of R420 000

Plantiff: HG Khumalo

The municipality is being sued an of amount of R250 000 for failure to ensure proper storm water reticulation, estimated legal costs of R50 000

Plantiff: Chapps Construction CC

The municipality is being sued an of amount of R2 700 000, estimated legal costs of R500 000

Plantiff: Zanele Khumalo

The municipality is being sued an of amount of R400 000 , estimated legal costs of R120 000

Plantiff: ZEST Family Trust

An illegal structure was erected on portion 1 of ERF 10805 encroaching on ERF 10807 situated at Huttenheights, estimated legal costs of R250 000.

Plantiff: VN Trading and Projects (PTY) LTD

The municipality is being sued an amount of R3 000 000 for damages of failing to fulfil the terms of a service contract.

Plantiff: Mageba Capital Projects CC

The municipality is being sued the amount of R20 000 000 for holding time and for failing to fulfill an as and when required service contract.

Plantiff: Contour Technology

The municipality is being sued R1 000 000 for an unsuccessful bid to install prepaid meters for the municipality.

Plantiff: Violet Sky Trading

The municipality is being sued R3 000 000 for implemeentation and use of a software system.

INSURANCE CLAIMS FROM THIRD PARTIES PUBLIC LIABILITY

Alistair Kevin van Wyk for personal injuries, Sued an amount of R6 000 000 and estimated legal costs of R5 000. Diaan and AJ Von Broembsen for property damage due to rain storm. Sued amount is R220 580 and estimated legal fees is R5 000.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

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44. Contingencies (continued)

Olivia Sizani Nzimande for motor vehicle claim. Sued amount R109 550 and estimated legal costs of R5 000. Vusi Mahlangu for vehicle damage claim. Sued amount R140 835 and estimated legal costs of R50 000 Vishal Heerelal for personal injuries. Sued amount is R1 050 000 and estimated legal fees is R5 000 Nicole Adale Pillay for vehicle damage claim. Sued amount R101 327 and estimated legal costs of R5 000 Chemile Dlabehlezi Dladla for personal injuries, Sued an amount of R6 000 000 and estimated legal costs of R5 000. SK Made/Shories for personal injuries while attending Youth celebration, Sued an amount of R10 000 000 and estimated legal costs of R5 000.

LABOUR REVIEWS AND BARGAINING COUNCIL

Ravesh Sing & 3 others, they have launched a grivience on non appointments on some posts. The estimated legal costs are R20 000 LP Flkile Ntshingila (Traffic Wardens). unfair labour practice. The municipality is being sued for R5 000 000.

ZB Maduna, unfair labour practice

N Nkutha, unfair labour practice

SAMWU obo Mpanza unfair labour practice. The municipality is being sued for R20 000, estimated legal costs R20 000 SAMWU obo LP Zulu & others unfair labour practice. The municipality is being sued for R3 400 000, estimated legal costs R400 000 SAMWU & IMATU obo members, unfair labour practice. The municipality is being sued for R180 000 000, estimated legal costs R1350 000 CZ Malembe, the municipality is being sued R400 000 to R600 000, estimated legal costs R200 000 Bongani P Ngubane unfair labour practice

Mhlaliseni James Masondo, unfair labour practice, estimated legal costs R250 000

Douglas B Nkosi, unfair labour practice, claim amount R1 500 000 to R2500 000.

Neetha Ticka Ragunanan, former employee suing municipality over unpaid monies for leave pay, long services and other ancillary monies amounting to R173 000.

P Mbanjwa, unfair labour practice.

B Govender, unfair labour practice.

IO Radebe, unfair labour practice.

45. Related parties

The Municipality is in a relationship with Uthukela Water (Pty) Ltd as the water service provider for the provision of bulk water.

The Municipality does not soley have significant control of the entity as it owns 34% of its interest.

The Municipality is also in a relationship with Dr Pixley Isaka Seme Local Municipality for the provision of bulk water services at Charlestown.

The Municipality also has councillors and senior managers, who are responsible for leadership, governance and management of the municipality. These are also disclosed as related parties in line with GRAP standards.

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related

parties Uthukela Water Dr Pixley ka Isaka Seme Local Municipality	(116 667 909) (702 931)	(85 470 035) (3 713 603)
Bulk Water Purchases Uthukela Water	122 454 539	111 055 835

Newcastle Municipality

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Notes to the Annual Financial Statements

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45. Related parties (continued)								
Remuneration of management								
Management class: Counciliors								
2021								
		Basic salary	Pension Medical Aid Contribution Contributio	Medical Aid Contributio n /	Motor C Vehicle Allowance	Cellphone and Housing other Allowance Allowances	Housing Allowance	Total
Name Executive Committee Members Other Councillors		4 643 187 9 371 825	665 068 1 109 260	78 160 2 504	1 977 028 3 916 235	482 800 2 270 613	588 000 8 434 243 507 000 17 177 437	3 434 243 7 177 437
		14 015 012	1 774 328	80 664	5 893 263	2 753 413	1 095 000 25 611 680	5 611 680
2020								
	Basic salary	Pension Contribution	Medical Aid Contribution	Motor Vehicle Cellphone and Allowance other Allowances	le Celiphone an other Allowances	e and Housing r Allowance nces		Total
Name Executive Committee Members Other Councillors	3 074 778 11 394 164	443 644 1 448 985	73 942 33 101	1 351 310 4 237 436		40	455 644 715 000 1	5 805 212 19 949 146

46. Change in estimate

Property, plant and equipment

The useful life of certain assets of property, plant and equipment have been reviewed and re-assessed by management during the reporting period to reflect a more accurte pattern of the consumption expected to be derived from these assets. The changes were made prospectively from the beginning of the reporting period. Depreciation is accounted for over the reassessed remaining useful lives of the assets. The impact of the change in accounting estimate is as follows:

Property, plant and equipment

25 754 358

1 170 644

2 526 354

5 588 746

107 043

1 892 629

14 468 942

Figu	res in Rand		2021	2020
47.	Prior-year adjustments			
	ollowing prior period errors adjustments occurred:			
Erro	1			
	erty, Plant and Equipment			
	orrection of Opening Balance of Land (PPE) erties on Land are removed from the register as are regi	istered as private owner on Deeds		
he -	effect of the transaction is as follows:			
	ase/(Decrease)	Land	(679 096.00)	
ncre	ase/(Decrease)	Loss on disposal of assets	679 096.00	
Jpor lupli sse	orrection of Opening Balance of Infrastracture (PPE physical verification and consultation with stakeholders cation of assets on FAR was established upon physical is identified in the register as well as the same assets of effect of the transaction is as follows:	it was established that the assets do not l verification, through identification of simila	belong to the Municipa r locations and compo	lity and nents of
	ase/(Decrease)	Infrastructure-Cost	(24 015 996)	
	ase/(Decrease)	Accumulated Depreciation Infra Loss on disposal of assets	9 209 561 14 806 435	
cre	ase/(Decrease)	Loss on disposal of assets	14 000 430	
	ase/(Decrease)	Depretiation	938 355	
ICLE	ase/(Decrease)	Nett Profit and Loss	(938 355)	
urir aptı he hcre	orrection of Opening Balance of Infrastracture (PPE g the physical verification and review of the fixed asset ired on the fixed assets register. These assets were add effect of the transaction is as follows: ase/(Decrease) ase/(Decrease) ase/(Decrease)	register, assets were identified that were ir		ut were not
ocre	ase/(Decrease)	Depreciation	5 139 059	
	ase/(Decrease)	Nett Profit and loss	(5 139 059)	
Corre liccu The ncre ncre	Ifrastractrure Zero Balance Correction ection of assets previously depreciated to zero. For these mulated depreciation and depreciation since no change iffect of the transaction is as follows: ase/(Decrease) ase/(Decrease) ase/(Decrease)		h no remaining carryin 16 258 455	
ncre	ase/(Decrease)	Infrastructure Depreciation	4 408 356	
	ase/(Decrease)	Nett Profit and Loss	(4 408 356)	
Corre accu The ncre ncre	ther Assets Zero Balance Correction ection of assets previously depreciation to zero. For thes mulated depreciation and depreciation since no change effect of the transaction is as follows: ase/(Decrease) ase/(Decrease) ase/(Decrease)	e assets to be given a carrying value requ inestimate could be applied on assets with Accumulated Depreciation Other Accumulated Impairment Other Accumulated Surplus	ired a complete restate no remaining carrying 5 570 827 1 208 (5 572 035)	ement of thei g value.
			. ,	
	ase/(Decrease) ase/(Decrease)	Depreciation on Other Nett Profit and Loss	1 267 076 (1 267 076)	
Durir apti The ncre	orrection of Opening Balance 2020 Other Assets g the physical verification and review of the fixed asset irred on the fixed assets register. These assets were ado affect is as follows: ase/(Decrease) ase/(Decrease)	register, assets we identified that were in s led in accordance with directive 7 at deem Cost Other Assets Accumulated Depreciation Other	service on the floor, bu ed cost. 5 510 727 (4 066 867)	t were not
	ase/(Decrease)	Accumulated surplus	(1 443 860)	
	ase/(Decrease) ase/(Decrease)	Depreciation Accumulated Depreciation Other	339 354 (339 954)	
		77		
		77		

Notes to the Annual Financial Statements

Figures in Rand					2021	2020	
47. Prior-year	adjustments (con	tinued)			420 540 000 70		
			130 542 906 .76				
Error 2							
	i nancial Liabilities I year, it was discove	red that there was an e	rror in the opening I	palance as per lo	an register and statement	s (Late	
	ansaction is as follow	s:					
Increase)/Decreas ncrease/(Decrease			Annuity Loans Finance Cost		(21 264 441) 21 264 441		
·			Tinance Cost		21 204 441		
		red that Department of s:	Labour was not pai	d in the correct fi	nancial year		
ncrease/(Decrease	e)		Creditor Payme		7 726 763		
ncrease/(Decrease			Workmens Con		(6 949 977)		
ncrease/(Decrease	=)		Interest Expens	e	(779 786)		
			n Eskom (interest) v	vas recorded in t	he incorrect financial year		
he effect of the transformed to	ansaction is as follow	S:	Interest Expens	e	(18 814 120)		
ncrease)/Decreas			Creditor Payme		18 814 120		
	l year, it was discover ansaction is as follows e		correctly charged of Interest on arre Debtors Interes Debtors Sundry	ar account t charges	unts in the previous years; 3 812 908 (1 332 084) (2 480 824)		
voices Reversed		sly charged for letigatio	n was revised				
The effect of the tra	ansaction is as follows						
ncrease/(Decrease ncrease/(Decrease			Creditor Payme Accumulated S		(2 152 975) 2 152 975		
	~)		/ 1000111010100 0	arpido			
	l year, there was a lea ansaction is as follows	ave adjustment on dism s:	nissed employees w	ho have not bee	n paid out.		
ncrease/(Decrease	,		Salaries Accrue		2 138 048		
crease/(Decrease	3)		Employee Cost	5	(2 138 048)		
8. Comparativ	ve figures						
he following recla	ssifications adjustme	nt occurred:					
Comparative Figu Revenue	res	2020/21	2019/20	Differnces	Comments		
Service Charges		951 787 140	951 556 727	230 413	Reclassified from O to Service Charges Reading Fees, Serv Connection Fees)	(Meter	
Other Revenue		9 873 986	10 113 462	(239 476)	Reclassified from O to Licence & Permit Charges (Meter	s, Service	

Reading Fees, Service Connection Fees)

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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48. Comparative figures (continued)

Profit /Loss on sale of assets	5 553 870	5 552 913	957	Reclassified from Other Revenue to Profit/ Loss on sale of assets
Licences and Permits	8 106		8 106	Reclassified from Other Revenue to Licence & Permits
Expenditure Employee Costs	547 200 066	553 909 140	(6 709 074)	Reclassified from Employee Costs to General Expenses (Workmens Compensation & SDL)
Remuneration of Councillors	25 754 358	25 935 889	(181 531)	Reclassified from Remuneration of Councilors to General Expenses (SDL)
Collection Costs		1 285 179	(1 285 179)	Reclassified from Collection Costs to Contracted Services
Contracted Services	183 514 101	148 377 188	35 136 913	Reclassified from General Expenses to Contracted Services
General Expenses	143 984 814	170945 944	(26 961 130)	Reclassified from Contracted Services to General Expenses

49. Risk management

Financial risk management

Market risk

The municipality's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Market is the risk that changes in the market prices, such as interest rate and foreign-exchange rate that may affect the Municipality's income or value of financial instrument. The Municipality manages the market risk on investment by engaging on short-term call accounts, which are withdrawn without any material changes in the interest rate. The risk on loans is managed by ensuring that all interest rates of loans are fixed for the duration of the loan term.

Operational risk

The Municipality is exposed to the operational risk in the normal operationg of its business. This risk managed the development and monitoring of risk registers and through the deligation and segregation of duties. Operational risk is also managed through the development and implementation of various policies and standard operating procedures.

Liquidity risk

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

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

Newcastle Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020

49. Risk management (continued)

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

Cash and cash equivalents9 500 590Other receivables115 421 240Receivables from consumer debtors641 312 850	92 451 328
766 234 69	707 412 005

50. Going concern

As at 30 June 2021, the municipality had an accumulated surplus (deficit) of 6 250 301 798 (2020: 6 448 360 482) and that the municipality's current liabilities exceed its current assets by 141 157 645 (2020: 217 829 088).

The 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.

We draw attention to the fact that at 30 June 2021, the municipality had an net deficit of R197 157 603 (2020: R353 335 480) and the municipality's Cash and Cash equivalents is R9 500 299 (2020: R36 268 498) which is not sufficient to cover the current liabilities of the municipality. The current assets are less that the current liabilities, the collaction rate has improve a little bit but there is still a risk that all the outstanding debtors might not be collected. Over the next 12 months, the municipality is still committed to ensure the expenditure is kept within the finded and approved budget.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the Provincial and National government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

51. Events after the reporting date

Civil unrest

The Municipality experienced the impact of the civil unrest during the month July 2021, where a number of businesses were looted and vandalised in townships and other surrounding arrears. This resulted in a number of businesses and people who are rates and service consumers of the municipality being closed and a number of people laid-of respectively. The financial impact of the civil unrest is not considered to have their adjusting effect in the financial statements of the reporting period.

Grants roll-over applications

In August 2021 the Municipality submitted applications to the National and Provincial Tresuries of the roll-over of the unspent conditional grants in respect of the Water Service Infrastructure grants, National Development Parnership grant and the provincial grants with the department of Arts and Culture. Treasuries did not approve roll-over applications for R5 939 933 for Neighbouring Development Partnership Grant and R8 516 370 for Water Services Infrastructure Grant.

Council resolution to write-off assets

In August 2021 Council approved the write-off of the assets that either could not be identified or with zero carrying values as at 30 June 2021. The resolution was subsequent to the physical asset verification process which was conducted and concluded during the reporting period. As such, the asset register and the annual financial statements were adjusted to reflect the impact of this resolution.

52. Unauthorised expenditure

Opening balance as previously reported	967 778 930	918 057 612
Opening balance as restated Add: Expenditure identified - current	967 778 930	918 057 612 49 721 318
Closing balance	967 778 930	967 778 930

Newcastle Municipality Annual Financial Statements for the year ended 30 June 2021

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	igures in Rand	2021	2020
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53. Fruitless and wasteful expenditure

	44 40 440 740
Opening balance as previously reported 55 822 3	11 42 446 743 - 779 786
Correction of prior period error (Department of Labour)	- //9/00
Opening balance as restated 55 822 3	
Eskom 41	
SARS 835 4	
DBSA	- 115 761
Ithala 28	
Retentions Overpayment	- 763 709
Arena Holdings	- 88 579
Telkom 35	
Bytapex	- 19 325
ABSA	- 60 747
Auditor General	- 5412
Itec Finance 11	
Dr Prixley ka Isaka Seme Local Municipality 2 3	** ·=·*·•
Employee: Mr TP Mlangeni (Deceased)	- 20 119
Salary Overpayment 55 2	•• ••••
Salary Overpayment 43 0	
Zanele Plumbers	- 320 037
New Intergrated Credit Solution 2 633 5	12 -
Closing balance 59 403 6	88 55 822 311
54. Irregular expenditure	
Opening balance as previously reported 466 707 3	08 370 225 064
Opening balance as restated 466 707 3	08 370 225 064
Add: Irregular Expenditure - current 31 645 2	
Closing balance 498 352 5	18 466 707 308

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Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

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54. Irregular expenditure (continued)		
Incidents/cases identified in the current year include those listed below:		
Payments made to contracts where SCM procedures were not followed		
	ı	125 728
Amadleiandawonye Trading	'	
Amajuba Cateres	·	64 500
Bhekisiwe Electrical Investements	888 447	·
	68 085	
	872 699	479 359 5 220 255
		GZU 228 8
	224 322 E 660 600	23 /34 40 #33 6#50
	000 800 C	12 332 030
	55 601	4/2 003 268 502
		700 007
Tast reutionougy Hamisa Constructions		11 924 FUN DND
		24 400
	1	31 108
	•	
	'	488 /50
	•	000 000
Impumeleio Consulting Engineering	3 992 017	7 200 048
Itec Tiyende (PTY) Ltd	'	400 878
Ithala Properties	137 451	70 009
Jayshree Moodley & Associates		81 729
Jenny Internet	32 199	131 484
Klus Civils		2 495 374
Kusile Engineering CC		226 234
Lekotiopo Associates		70 000
		15 255
M-Charlie Trading	1 042 170	11 902 397
MI & Security Intelligence	•	1 063 258
Madudla Contractors	1	3 146 923
Magubane Plant and Contractors	298 219	1 246 451
Mbodvula Trading/NBN Civils		1 879 018
Metgovis		78 218
Moralla Shopping Complex		80 960
Msalela Transport		1 562 496
Ngidi and Company Inc		64 800
Njengamanje Trading cc	5 724 320	4 227 724
Northern Cleaning Services		871

Figures in Rand	2021	2020
54 Irregular exnenditure (continued)		
	•	207 966
Onter Statems		155 355
		17 334
	•	120 000
Bavindra Manikalland Company Inc	•	227 368
	•	15 853
Rovel Haskoning DHV		3 090 981
	F	211 634
S, & M 2 wave random		34 911
	2 604 756	200 000
Shalom-Yeshini melkirise Kontrakteurs		10 000
		93 104
		11 811 732
Somkhanda Plant Hire	853 908	3 567 333
Supreme Range General Supplier		77 269
TJ Mphela Demolition Masimula		103 940
Tactical Security Services	5 478 419	10 917 211
The Image House	•	48 300
Uhhiya t⁄a Fast Moving Trading		63 250
Umpisi Construction and Plant Hire	•	3 127 477
Uphokophela Trading	•	500 000
Uvika Trading	•	11 000
Veros Trueth Verification Centre		8 540
Vodacom		457 800
Water Skills	•	166 221
Wemntomnyama Trading cc		139 095
Zanele Plumbers	131 383	36 130
Zenawe	996 659	500 099
Hloniphane Trading Ent. cc	2 041 294	•
insidedata South (PTY) Ltd	282 676	'
NN Land Survey Office	35 880	
Zero Defect Construction	199 000	•

Annual Financial Statements for the year ended 30 June 2021

Newcastle Municipality

As at the end of the reporting period, the Municipality had not concluded investigations into the unauthorised, irregular, fruitless and wastefull expenditures. Strides by the MPAC are however at an advance state to finalise the invitigations and to submit it's recommendations to Council for approval.

Awards to close family members in the service of state

The Municipality identify the following for awards made to close familt members of the employees in service of the state in terms of section 45 of the Municipal Supply Chain Management Regulations.

	2020 2020		16 021			8 796 076 2 535 421 6 572 200 6 260 655 (7 219 715) -	8 148 561 8 796 076		163 044 479 847 5 648 490 4 105 339 (5 636 731) (3 942 295) (163 044) (479 847) 11 759 163 044		6 942 137 18 303 623 11 872 671 91 259 200 44 487 655) (84 317 063) (6 942 137) (18 303 623) 7 385 016 6 942 137		7 007 10 552 223 0 819 124 847 609 0 415) (115 090 602)	
Newcastle Municipality Annual Financial Statements for the year ended 30 June 2021 Notes to the Annual Financial Statements	Figures in Rand	54. Irregular expenditure (continued)	Employed in the service of the state Bangwati catering and services	55. Additional disclosure in terms of Municipal Finance Management Act	Contributions to organised local government	Opening balance Current year subscription / fee 6 577 Amount paid - current year	8 14	Audit fees	16; Copening balance 5 64; Current year subscription / fee 5 64; Amount paid - current year (16; Amount paid - previous years 11;	PAYE and UIF	Opening balance6 942 137Current year subscription / fee91 872 671Current year subscription / fee(84 487 655)Amount paid - current year(6 942 137)Amount paid - previous years7 385 016	Pension and Medical Aid Deductions	Opening balance9 757 007Current year subscription / fee121 410 819Amount paid - current year(118 060 415)	

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
55. Additional disclosure in terms of Municipal Finance Management Act (continued) Amount paid - previous years	(9 757 007)	(10 552 223)
	3 350 404	9 757 007
VAT		
VAT receivable VAT payable	(2 178 876) 20 272 389	(3 074 315) 14 850 615
=	18 093 513	11 776 300

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2021	Outstanding more than 90 days plus	Total
Councillor MP Sibilwane	4 249	4 249
30 June 2020	Outstanding more than 90 days plus	Total
Councillor VP Mzima	436	436
56. Utilisation of Long-term liabilities reconciliation		
Long-term liabilities raised	392 998 787	421 913 348

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

57. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

VIP Toilets, repairs and maintenance services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviations Section 36

15 745 009 319 171

58. Accounting by principals and agents

Details of an entity as an agent are as follows

The Municipality has entered in to principal-agent with the Department of Human Settlement and Department of Energy Settlements and provision of housing and electricity infrastructure connections respectively. The mandate to provide these services lies with the two departments, however the municipality is acting as an agent on behalf of the two departments to provide such services. The assets constructed are not capitalised in the books of the Municipality. The revenue and expenditure in relation to such agreement is also not accounted for in the financial statements, except those that relate to the municipality as an agent.

The following principal-agent transactions were accounted for;

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

58. Accounting by principals and agents (continued)

Grants transfers Housing grant Electrification grant	120 903 440 7 000 000	76 966 343 7 732 906
	127 903 440	84 699 249
Expenditure Housing projects Electrification	120 903 440 7 000 000 127 903 440	76 966 343 7 732 906 84 699 249
Agent fees Housing Accreditation fees	6 300 647	4 706 013

Entity as principal

Details of the entity as a principal are as follows:

Ontec had a contract of providing prepaid vending system for the municipality and also a 3rd party vending solution enabling 3rd party vendors to sell electricity tokens on our behalf.

Ontec collected and banked collections from the third party vendors almost on daily basis and banked these into our municipal account. For these services hosting fees for the system and commission on collections was paid to Ontec monthly as stipulated on the attached contract.

At the end of the financial year Ontech still had collections amounting to R810 626.90 that had not been paid to the municipality. Ontech paid R657 221.72 of the outstanding amount in 8 days to the municipality and the remainder in 2 months.

The are no cost implications for the entity if the principal-agent arrangement is terminated because the contract between the municipality and the agent ended on 30 June 2021

Fee paid

Fee paid as compensation to the agent	1 906 037	1 752 632
ree paid as compensation to the agent	1 900 037	1 752 652

59. Covid-19 Pandemic

The Municipality continued to experience the devastating impact of the Covid-19 pandemic during the year, which has created significant challenges to the Municipality, business sector and the community of Newcastle at large. The impact required the Municipality to act swiftly to repriorotise its expenditure and to respond to the under-collection of revenue due to the business and individuals' economic impact. The Municipality was also required to implement measuress to ensure the safety of its empployees, councillors and community. During the year, the Municipality was required to adopt a Special Adjustment Budget in September 2020 in order to appropriate grant transfers to respond to the impact of Covid-19.

The following transactions relates to the revenue and expenditure in respect of the Covid-19

Grant transfers Disaster relief grant Equitable share	- 68 899 000	757 000
	68 899 000	757 000
Covid-19 expenditure		
Protective equipment	341 352	1 675 880
Thermometer	101 714	49 552
Other	93 680	33 780
	536 746	1 759 212

60. Segment Reporting

Newcastle Municipality Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand

rigules in Rahu					2021	2020
	eporting (continued)					
Deparmental	2021 Budget	2021 Actual	2021 Budget	2021 Actual	2021 Surplus	-
Clasification	Income	Income	Expenditure	Expenditure	(Deficit)	(ovespent)
Corporate	145 939 532	94 290 127	188 150 873	174 701 238	(80 411 111)	13 449 635
Services						10 100 011
Community	155 038 757	185 559 040	289 493 883	271 017 569	(85 458 528)	18 476 314
Services	4 500 000		04 400 004	00 004 440	(00.004.440)	7 704 000
Office of the	1 500 000	-	91 428 834	83 694 446	(83 694 446)	7 734 388
Municipal						
Manager Development	205 899 789	19 359 605	228 589 191	131 736 557	(112 376 952)	96 852 634
Planning and	200 099 709	19 339 003	220 303 131	131 730 337	(112 570 552)	30 032 034
luman						
Settlement						
Budget and	388 678 849	402 577 600	234 323 661	218 148 005	184 429 595	16 175 656
reasury Office				2.0.0000		
echnical	1 341 692 938	1 386 123 763	1 410 065 797	1 405 769 928	(19 646 165)	4 295 869
Services					(,	
		0.000.010.100	0.440.050.000		(407 457 007)	450.004.400
	2 238 749 865	2 087 910 135	2 442 052 239	2 285 067 743	(197 157 607)	156 984 496
) e mantine antal	2020 Budget	2020 Actual	2020 Budget	2020 Actual	2020 (Surplus)	Rudget under
Departmental	2020 Budget		2020 Budget		Deficit	/ (overspent)
Clasification	Income	Income 81 960 067	Expenditure	Expenditure 272 568 593		(110 237 665)
	72 655 150	01 900 007	162 330 928	272 000 093	(190 608 526)	(110 237 003)
Services Community	144 081 322	145 314 219	315 782 469	301 372 258	(156 058 039)	14 410 211
Services	144 001 322	140 514 219	313702409	301 372 230	(150 056 059)	14 4 10 2 1 1
Office of the	1 750 000	_	87 972 084	80 993 749	(80 993 749)	6 978 335
/lunicipal	1750 000	-	01 912 004	00 330 743	(00 000 (40)	0 970 555
/anager						
Development	127 710 042	18 982 558	162 673 327	51 914 180	(32 931 622)	110 759 147
Planning and	127 7 10 042	10 902 000	102 073 327	31 314 100	(32 331 022)	110 / 55 14/
luman						
Settlemnt						
Budget and	351 629 872	365 210 781	162 711 489	186 099 368	179 111 413	(23 387 879)
reasury Office	001 020 072	000 210 701		100 000 000		(10 007 070)
echnical	1 223 833 330	1 292 217 250	1 453 862 997	136 937 161	(77 119 911)	84 525 836
Services					(
	1 921 659 716	1 903 684 875	2 345 333 294	1 029 885 309	(353 335 480)	88 312 939
Standard	2021 Budget	2021 Actual	2021 Budget	2021 Actual	2021 Surplus	Budget
Clasification	Income	Income	Expenditure	Expenditure	(Deficit)	under/(over
						ent)
Executive and	7 149 120	11 773 558	77 988 628	77 031 308	(65 257 750)	957 3
Council						
inancial and	528 969 261	484 994 728	470 292 980	422 328 995	62 665 733	47 963 9
Administration						
nternal Audit	-	-	6 670 202	5 176 360	(5 176 360)	1 493 8
Community and	12 902 872	42 075 963	34 318 020	32 561 102	9 514 861	1 756 9 [.]
Social Services						
Sports and	696 605	110 367	76 116 975	74 834 815	(74 724 448)	1 282 1
Recreation						
ublic Safety	9 676 443	5 060 843	63 796 654	59 508 236	(54 447 393)	4 288 4
lousing	184 305 992	8 079 004	362 873 621	360 858 024	(352 779 020)	2 015 5
lealth	60 640	18 698	8 720 774	8 675 009	(8 656 311)	45 7
lanning and	100 859 882	85 557 181	83 293 503	81 394 052	4 163 129	1 899 4
evelopment	AF 666 666		040 404 005	007 000 177	(400 000 400)	F 00 1 F
Road Transport	35 266 268	38 962 037	213 424 025	207 822 475	(168 860 439)	5 601 5
nvironmental	-	-	10 000	9 332	(9 332)	6
Protection	700 / 00 / / /	740 540 044		E07 000 000	440.070.004	44.040.1
	702 108 441	710 518 814	609 785 396	567 838 922	142 679 891	41 946 4
		323 035 800	301 663 424	277 928 535	45 107 265	23 734 8
Vater	303 897 618	020 000 000				
Vater Nanagement			00 107 050	70 545 000	405 000 704	40.050 -
Water Management Waste Water	303 897 618 220 987 879	239 452 022	86 497 959	73 545 228	165 906 794	12 952 7
Energy Sources Nater Management Naste Water Management	220 987 879	239 452 022				
Water Management Waste Water			86 497 959 45 717 268	73 545 228 34 754 817	165 906 794 103 329 119	12 952 73 10 962 4

2021

2020

Newcastle Municipality Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

60. Segment Reporting (continued)

Air Transport	166 647	187 185	882 810	800 533	(613 348)	82 277
	2 238 749 865	2 087 910 136	2 442 052 239	2 285 067 743	(197 157 607)	156 984 496
Standard Clasification Executive and	2020 Budget Income 7 805 383	2020 Actual Income 17 929 208	2020 Budget Expenditure 97 456 365	2020 Actual Expenditure 276 500 567	2020 Surplus (Deficit) (258 571 358)	Budget under / (Overspent) (179 044 202)
Council Financial and Administration	418 229 639	429 241 640	393 542 619	331 957 192	93 588 898	57 889 877
Internal Audit	-	-	1 144 393	331 847	(331 847)	812 546
Community and	8 835 315	10 719 678	35 230 264	26 807 393	(16`087 715)	8 442 871
Social Services						
Sports and	707 432	413 066	72 492 379	70 447 637	(70 034 571)	2 044 742
Recreation Public Safety	13 501 374	11 119 757	71 987 808	77 226 919	(66 107 162)	(5 248 111)
Housing	118 857 141	9 209 621	132 698 099	20 563 848	(11 354 227)	112 134 251
Health	57 741	38 855	7 370 628	7 384 298	(7 345 443)	(13 670)
Planning and	49 555 462	126 046 932	92 841 355	92 593 825	33 453 107	247 530
Development						
Road Transport	-	-	229 790 712	422 518 587	(421 660 983)	(191 870 271)
Environmental	-	-	10 000	8 151	(8 151)	1 849
Protection Energy Sources	679 115 893	654 701 319	582 056 564	358 677 084	296 024 234	223 379 480
Water	297 238 352	315 239 350	494 768 380	435 847 891	(120 608 541)	58 920 489
Management	281 230 332	515255550	494 700 300	100 017 001	(120 000 041)	00 020 400
Waste Water	210 472 812	209 696 582	63 154 809	71 673 876	142 412 659	(4 129 114)
Management						· · · · ·
Waste	117 124 460	119 174 602	68 997 919	64 356 925	54 817 677	4 640 994
Management						
Air Transport	158 712	154 267	1 800 000	1 693 720	(1 539 453)	106 280
	1 921 659 716	1 903 684 877	2 345 342 294	2 258 589 760	(353 335 480)	(88 312 939)

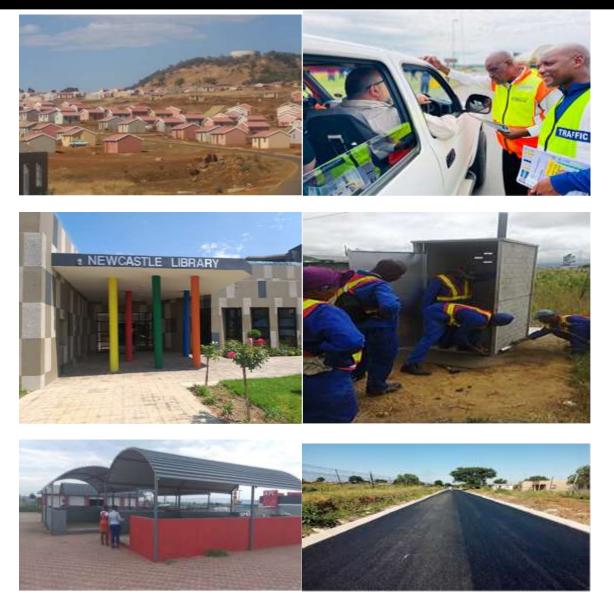
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NEWCASTLE MUNICIPALITY



ANNUAL PERFORMANCE REPORT



EXECUTIVE SUMMARY

The 2020/2021 Annual Performance Report represents the year-end performance results for the financial year under review. The Annual Performance Report is compiled by the Monitoring and Evaluation Unit after reviewing all Key Performance Indicators on the Top-Layer Service Delivery Budget Implementation Plan (TLSDBIP). The TLSDBIP comprises of the six National Key Performance Area's (NKPA's), these are: Basic Services, Cross Cutting, Good Governance, Financial Viability, Local Economic Development and Institutional Development. All NKPA's contain Key Performance Indicators (KPI's) and each KPI has a target that is measurable, specific, attainable, reliable and time-bound. All Capital Projects have been linked to a KPI on the TLSDBIP. The TLSDBIP has been attached per each KPA as Annexures A - F. The Annual Performance Report is a summary of the performance achieved and not achieved for the municipality and provides a comparative of the performance information to prior years.

The Graph below represents a summary of the overall performance for 2020/2021 on the Top-Layer Service Delivery Budget Implementation Plan:

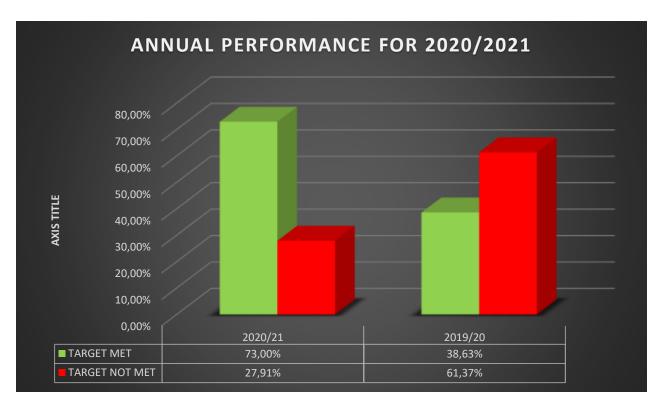


Figure 3 OVERAL ORGANISATION PERFORMANCE OF THE TLSDBIP FOR 2020/2021

The chart above demonstrates the overall organisational performance for the 2020/2021 financial year, based on the information above only 73 % of targets were achieved and 27 % of targets that

were set were not achieved. The Municipality has improved the overall performance of the municipality by 34%.

PERFORMANCE MANAGEMENT PROCESS

The M & E Unit from the 1st working day till the 10th working day of every quarter conducts a 100% review of the performance information as submitted from departments in terms of relevance, sufficiency, accuracy and reliability. The TLSDBIP is reviewed against the approved targets and KPI's. The capital projects are monitored and evaluated every month from the 1st working day of the month to the 5th working day of the month by evaluating the actual financial and non-financial performance based on the approved cash-flow projections per month and the Project Implementation Plans (PIP's). The M & E Unit uses a Performance Management Checklist (Annexure C) to review the performance information submitted by departments. The Performance Management (PMS) Checklist is based on Relevance, Sufficiency and Accuracy of the portfolio of evidence submitted to the M & E unit by departments. If a target as specified in the Top-layer SDBIP has not been achieved, a reason for variance with supporting evidence must be submitted together with a recommended corrective action that must be implemented in the next quarter. The PMS Checklist has prompting questions based on relevance, sufficiency and accuracy, with a dropdown list with specific answers to ensure that each M & E official reviews the performance information systematically. The purpose of the PMS Checklist is to ensure that actuals are fully supported by the evidence submitted.

The following table provides a description on the criteria that is used to assess performance information

Relevance	Closely connected or appropriate to what is being measured/ assessed
Sufficiency	Enough or adequate evidence to support the actual
Reliable	Evidence that is good in quality, credible and trustworthy.

Table 1 CRITERIOR TO ASSESS PERFORMANCE INFORMATION

The performance dashboard is used to score departments based on the actuals reported and the portfolio of evidence submitted to the M & E unit. Departments are required to submit sufficient

evidence to support the actual performance reported and if a reason for variance is reported, supporting evidence must be submitted.

The following table, based on the legislative framework for performance management and the PMS Framework provides a summary of the various performance reporting deadlines which apply to the Municipality:

Table 2 PERFORMANCE REPORTING

Report	Report	Report Frequency	Report Frequency
Frequency	Frequency	Submitted for	Submitted for consideration
Submitted for	Submitted for	consideration	and/or review to Remarks
consideration	consideration	and/or review to	
and/or review to	and/or review	Remarks	
Remarks	to Remarks		
1. SDBIP's	Quarterly	Executive	See MFMA Circular 13 of
		Committee	National Treasury for further
			information
2. Monthly	Monthly	Mayor (in	See sections 71 and 54 of the
budget		consultation with	MFMA
statements		The Executive	
		Committee)	
3.Implementation	Quarterly	Council	See section 52 of the MFMA
of the budget and			
financial state of			
affairs of the			
Municipality			
4. SDBIP mid-	Annually during	Mayor (in	See sections 72 and 54 of the
year budget and	January of each	consultation with	MFMA
performance	year	The Executive	
assessment		Committee)	
5. Performance	Annually	Council	See section 46 of the
report			Municipal Systems Act as
			amended. Said report to form
			part of the annual report

The M & E Unit submits quarterly reports to the Chief Audit Executive of the Internal Audit Unit every quarter on the 15th working day of month after the quarter under review is completed. The

quarterly report that is submitted to the Internal Audit is a 100% reviewed report of the TLSDBIP and the capital status report by the M & E Unit. The reports submitted to Internal Audit include a signed off hard copy of all the Excel reports for the TLSDBIP and the departmental capital status reports. The signed off hardcopy will be signed off by the relevant M & E Unit Officers, M & E Manager and the SED: DPHS. After the Internal Audit reviews the PMS Report the draft Internal Audit report is circulated to the PMS unit to respond and address findings that are only relevant to the PMS unit. The PMS unit will take 2 days to respond to the findings raised and adjust the PMS reports were applicable based on the findings raised by the Internal Audit unit

PERFORMANCE AND SUPPORTING INFORMATION

Section 46 of The Local Government Municipal Systems Act 32 of 2000 requires municipalities to publish an annual performance report reflecting the performance of the Municipality and of each external service provider; a comparison of the performances with targets; and measures taken to improve performance.

BACKGROUND TO THE TOP-LAYER SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

The Top Layer Service Delivery Plan (SDBIP) has been adapted by Newcastle Municipality as the preferred performance management tool for measuring performance on key developmental areas that are relevant to municipal service delivery and the public sector. There are five KPA's that municipalities are required to align their strategic planning on and these cut across every functional area of a municipality. The municipal Top-layer SDBIP measures a municipality's performance through these five perspective as listed below.

- The Municipal Economic Development Perspective
- The Service Delivery Perspective
- The Institutional Development Perspective
- The Financial Management Perspective, and
- Governance Process Perspective

With recent developments through the adoption by the national cabinet of the 5-Year Local Government Strategic Agenda, that aligns local government with the national program of action, it

became imperative to review the above municipal Top-layer SDBIP model and to align it with the 5 Key Performance Areas (KPA's) for local government.

The Newcastle Municipality, having adopted the Top Layer SDBIP as the Performance management tool, will align this framework to the Top Layer SDBIP and its performance will be grouped accordingly. Furthermore, legislation required that the PMS also align to the IDP. The Newcastle Municipality IDP adopted 1 additional KPA's/ perspectives as follows:

• Cross-cutting (Special Programs, Municipal Planning, Community services etc.)

The perspectives that inform Newcastle Municipality's Top-Layer SDBIP are:

- The Local Economic Development Perspective
- The Basic Service Delivery Perspective
- The Municipal Transformation and Institutional Development Perspective
- The Financial Viability Perspective,
- Good Governance Perspective and
- Cross Cutting Perspective
- **The Cross Cutting** In this perspective the municipality will assess whether the desired development indicators around the performance area of municipal planning, disaster management and social development is achieved.
- **The Basic Service Delivery Perspective** This perspective will assess the municipality's performance in the overall delivery of basic and infrastructural services and products.
- **The Financial Management Perspective** This perspective will measure the municipality's performance with respect to the management of its finances.
- **The Institutional Development Perspective** This perspective relates to input indicators that measure the functioning of the municipality under areas such as human resources and all other indicators that seek to develop and manage the municipal institution.
- The Governance Process Perspective This perspective will measure the municipality's performance in relation to its engagement with its stakeholders in the process of governance, established and functioning governance structures, and good municipal governance processes, strategic planning and implementation and performance management.

Local Economic Development This perspective will measure Newcastle Municipality's
performance in developing the local economy, by ensuring that there is job creation, foreign
investment opportunities within Newcastle, business retention, development of SMME's,
marketing and tourism development in Newcastle.

Newcastle Municipality has linked each KPI on the TLSDBIP to the IDP Objectives and Strategies and each Capital Project is linked to a specific KPI on the TLSDBIP.

PERFORMANCE ANALYSIS

A performance dashboard is used to score departments based on the actuals reported and the portfolio of evidence submitted to the PMS unit. Departments are required to submit sufficient evidence to support the actual performance reported and if a reason for variance is reported, supporting evidence must be submitted. The diagram below is an illustration of how the M & E unit scores departments:

Table 3 PERFORMANCE DASHBOARD

LEVEL	TERMINOLOGY	DESCRIPTION	RATING DASHBOARD
4	Target Over Achieved	 A KPI is scored as a Target Over Achieved, if the actual reported exceeds target and the evidence submitted to support the actual is relevant, sufficient and reliable. The actual reported must be: Plausible Factual Results driven 	4
3	Target met	A KPI is scored as target met, if the target has been achieved and the evidence submitted supports the actual report and the evidence is relevant, sufficient and reliable.	3
1	Target not met and not supported	A KPI is scored as a target not met and not supported when the specified target has not been achieved or the department has not submitted sufficient, reliable or relevant evidence to support the actual or the	1

LEVEL	TERMINOLOGY	DESCRIPTION	RATING DASHBOARD
LEVEL	TERMINOLOGY	 DESCRIPTION reason for variance for why the target was not achieved. A KPI is also scored as a target not met and not supported if there is non-submission of: a reason for variance for a target not achieved, or if there is non-submission of an actual or non-submission of evidence or non-submission of a reason for variance or 	RATING DASHBOARD
		non-submission of a recommended corrective action	

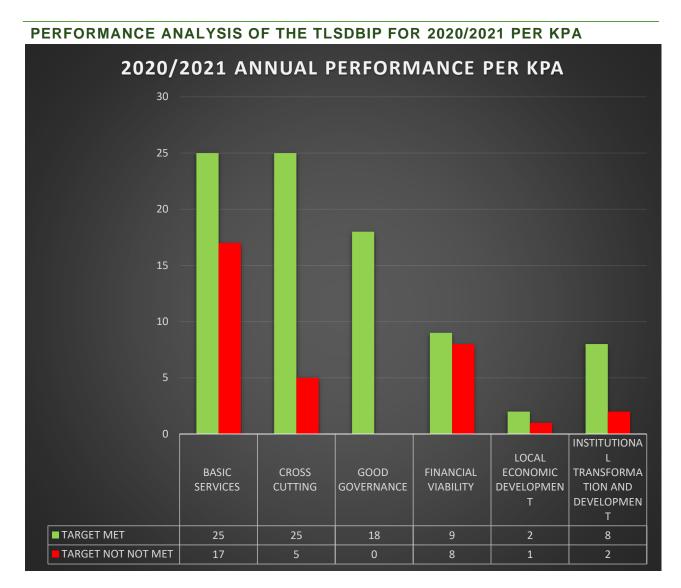


Figure 4 ANALYSIS OF THE TLSDBIP 2020/2021

PERFORMANCE PER KEY PERFORMANCE AREA

Table 4 PERFORMANCE OF THE TLSDBIP FOR 2020/2021

KEY PERFORMANCE AREA	TARGET MET	TARGET NOT MET	TOTAL NUMBER OF APPLICABLE KPI'S	PERCENTAGE		
Basic Services	25	17	42	60%		
Cross Cutting	25	5	30	85%		
Financial Viability	9	8	17	53%		
Good Governance	18	0	18	100%		
Institutional Transformation & Development	8	2	10	80%		
Local Economic Development	2	1	3	67%		
Total	87	33	120	73%		

Figure 4 and table indicates that the Basic Service National Performance Area has achieved 60% of all the planned targets. The total number of new households built for the 2020/2021 financial year was 214. 958 VIP toilets were installed in various parts of Newcastle East. Newcastle Municipality has resealed a total of 3,6km's.

Figure 4 and table 4 illustrates that only 85% of planned the targets for the Cross Cutting NKPA were achieved. The Municipality has finalised and submitted the Environmental Impact Assessment (EIA) for establishment of the Cemetery site.

Based on figure 4 and Table 4, 100% of the KPI's related to Good Governance were achieved. The municipality has an approved Delegations Policy, established an ICT Committee, addressed all SCM objections within 60 days, and ensured that all governance reports for Risk Management and Performance Management were approved within the statutory reporting time frames.

The performance of the Financial Viability KPA is not yet were the municipality intends however there has been a significant improvement in performance. The Budget and Treasury Office has a financial recovery plan that is implemented. The municipality has also appointed a debt collector which will improve the payment factor in the 2021/2022 financial year.

Local Economic Development achieved 66,6% of the planned targets. There has been a decrease in the achievement of planned targets for the 2020/2021 financial year in comparison to the 2019/2020 financial year.

There has been considerate improvement in performance for the Institutional Transformation and Development Key Performance Area. 80% of the planned targets were achieved during the 2020/2021 financial year.

DEPARTMENTAL PERFORMANCE ON THE TLSDBIP FOR 2020/2021 Table 5 DEPARTMENTAL ANNUAL PERFORMANCE ON THE TLSDBIP 2020/2021

DEPARTMENT	TARGET MET	TARGET	TOTAL NUMBER
		NOT MET	OF APPLICABLE
			KPIS
OFFICE OF THE MUNICIPAL	15	0	15
MANAGER			
BUDGET AND TREASURY OFFICE	9	8	17
COMMUNITY SERVICES	24	6	30
CORPORATE SERVICES	8	2	18
DEVELOPMENT PLANNING AND	15	3	1
HUMAN SETTLEMENTS			

TECHNICAL SERVICES	16	13	29			
TOTAL	87	33	120			

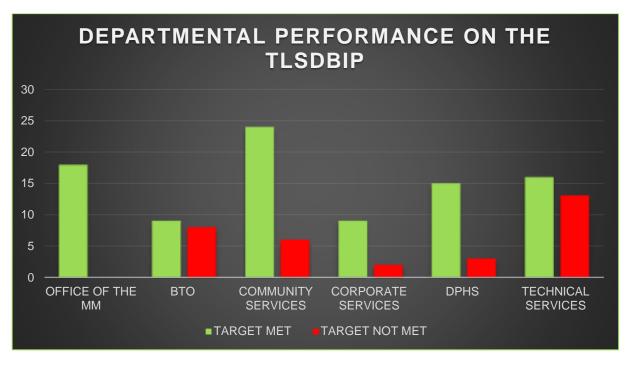


Figure 5 ANNUAL DEPARTMENTAL PERFORMANCE

PERFORMANCE ACHIEVEMENTS FOR 2020/2021

- The municipality has constructed 214 new households with access to water, sanitation and refuse removal.
- As a caring municipality we've given 8287 indigent households free basic water, electricity, sanitation and refuse removal. This is yet another clear indication that this municipality understands the daily struggles faced by many of our residents, in particular the unemployed and previously disadvantaged.
- 26 residential sites have been advertised for sale.
- 702 EPWP jobs were created to tackle the high number of unemployment within this municipality.
- The municipality has done training for 60 SMMEs.
- 111 title deeds have been transferred though the EEDBS program. A majority of these beneficiaries are first time home owners.
- 3,42 km's of roads have been resealed within the jurisdiction of Newcastle Municipality.
- 1 km of road was light graded / gravelled at Mndozo Clinic

- 100% implementation of the water and electricity maintenance plan was implemented with the intention of maintaining the existing infrastructure.
- The municipality purchased 10 recycle bins
- Constructed 70 speedhumps
- Upgrade of 0,78km of road upgraded from gravel to blacktop for MF55
- Upgrade of 0,801km of road upgraded from gravel to blacktop for MD35
- Completed 0,75 Km's of the sub-base layer for MF18 & MF19
- Completed 0,714 Km's of the sub-base layer for MF69, 7,10
- Completed 0,375 Km's of the sub-base layer for MC13
- Completed 0,52 Km's of the sub-base layer for OA27
- Purchased 16,3885 Hectors of land for development
- Constructed 2,6km of water pipeline for Soul
- Installed 6 standpipes in ward 12 and P46 completed.
- Processed 100% of all plans received by the municipality within the statutory timeframes

CHALLENGES

- The construction of new top-structures has been delayed due to social unrest at the H39 Housing Project and theft of building materials at the Charlestown Housing Project
- The rural electrification project has been delayed due to the number of defects identified on site, the contractor is currently rectifying the defects.
- The lease agreement and upgrades for Unisa was not finalised, due to Unisa changing the scope of work
- Water loss remains high due to ageing infrastructure and insufficient funding
- Vacant positions not yet filled
- Low payment factor
- The EPWP budget was reduced for the 2020/2021 financial year.

MEASURES TO IMPROVE PERFORMANCE IN 2020/21

- Implementation of Consequence Management
- Monitoring of recommended corrective actions as specified in Annexures A1-F1
- An Annual Recovery Action Plan be developed and monitored during the 2021/2022 financial year
- Filling of all critical vacant positions

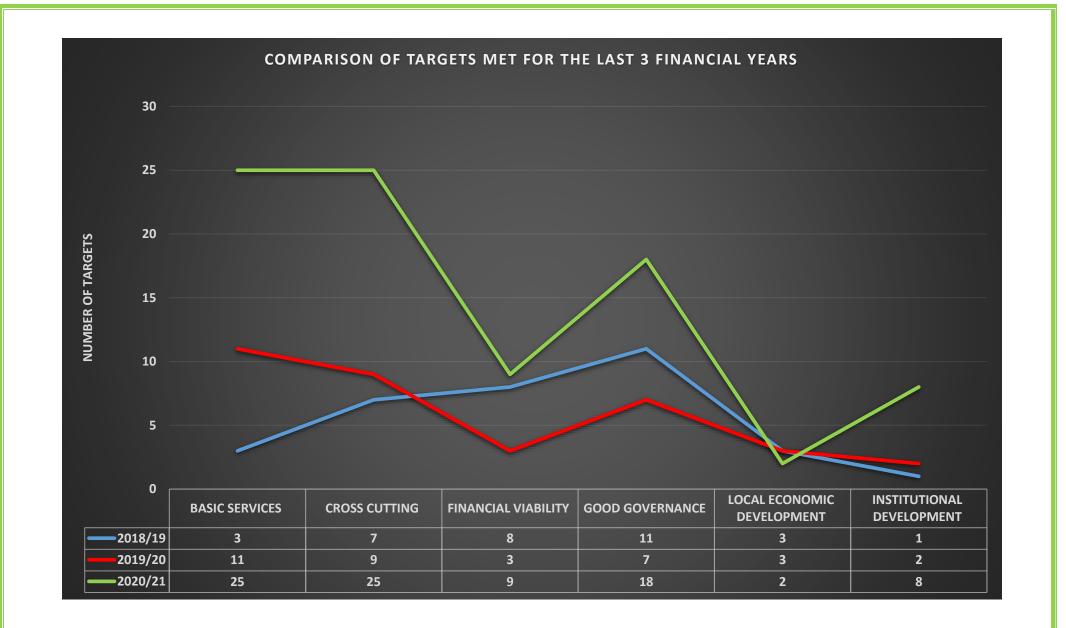


Figure 6 COMPARISION OF PERFORMANCE FOR THE LAST 3 FINANCIAL YEARS

The graph above illustrates that performance in Basic Services has improved since the 2018/19 and 2019/2020 financial years. The municipality has prioritised service delivery and access to basic services. In the last two financial years the municipality failed to implement 50% of planned targets however as at the end of June 2021 the municipality achieved 60% of all planned targets. Unfortunately, the municipality did not complete the energizing phase of the rural electrification program for the 2020/2021 financial year due to there being specific defects on site. The 2020/2021 rural electrification program has been prioritised for completion by September 2021.

The Municipality has declined in performance for Cross Cutting Issues that were executed by the Community Services Department. The department of Community Services failed to submit proper specifications and implement project implementation plans for the procurement of goods that would have improved service delivery for Newcastle. However, it must be noted that the municipality managed to achieve all targets related to development planning.

Financial Viability's performance deteriorated even further than the performance achieved in 2018/19, the payment factor has been reduced due to the National Disaster of the Covid Pandemic, the municipality has spent less of the capital budget than 2018/19, also as a result of the National Disaster of the Covid Pandemic, the Department of Budget and Treasury has also failed to report on the Revenue Enhancement Strategy and implementation of the Procurement Plan due non-commitment from other departments.

Good Governance Reporting has also regressed, the Legal Unit has had many resignations and no posts have been advertised, the turnaround time for the legal section has been compromised due to staff shortages. The ICT Steering Committee did not sit to address any issues however only the ICT Working Committee had convened meetings. The Risk reports were not presented to MANCO in quarter 1 and Quarter 2-3 the Risk Reports were submitted to Audit Committee and discussed in committee and referred back to the Risk Unit.

Local Economic Development has remained stable since 2018/19 to 2020/2021, EPWP has created 1070 temporary jobs, trained 50 more SMME's, established a Business Licensing and Business Permits unit to ensure that businesses within the jurisdiction of Newcastle comply with Legal requirements of the Business Licensing Act.

There has been a minimal improvement in Institutional Transformation, many targets under this NKA were not met due to the non-sitting of LLF meetings, the municipality attempted to establish Safety Committees and has this far been unsuccessful, therefore the department for the 2020/2021 financial year reported on all Injury on Duty Incidents. The Work Skills Plan budget was not fully spent due to the National Disaster of the Corona Virus.

Table 7 COMPARISION OF THE PAST YEAR PERFORMANCE TO 2020/2021 PERFORMANCE

	TARGET M	IET		TARGET N	OT MET		TOTAL N KPI'S	TOTAL NUMBER OF APPLICABLE KPI'S						
	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21					
BASIC SERVICES	3	11	25	11	10	17	14	21	42					
CROSS CUTTING	7	9	25	4	20	5	11	29	30					
FINANCIAL VIABILITY	8	2	9	7	13	8	15	15	17					
GOOD GOVERNANCE	11	7	18	12	7	0	23	14	18					
INSTITUTIONAL TRANSFORMATION	1	2	8	10	4	2	11	6	10					
LED	1	3	2	3	0	1	4	3	3					
TOTAL	31	34	87	47	54	33	78	88	120					

DETAILED COMPARISION BETWEEN THE PERFORMANCE ACHIEVED FOR THE LAST 3 FINANCIAL YEARS (2018/19 – 2020/21)

Table 8 COMPARISON BETWEEN 2018/19 TO 2020/2021 SERVICE DELIVERY

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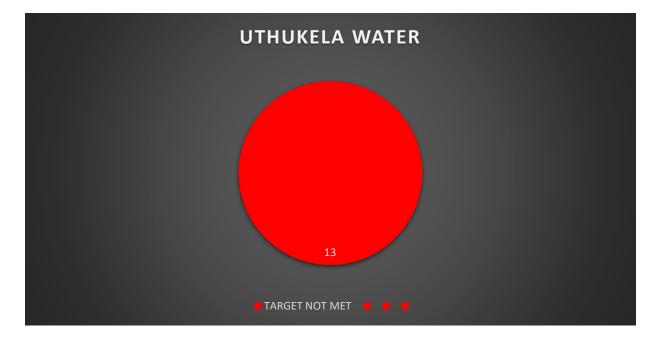
Performance Achievement	2020/2021	2019'2020	2018'1920
Number of houses built	214	376	133
Number of new households with access to water	214	376	133
Number of houses transferred through the enhanced Extended	111		
Discount Benefit		189	243
Number of households with Indigent Support	8287	8952	7484
Number of Properties release for sale to the public.	26	28	22
Number of households electrified	0	0	835
KM's of road re gravelled	1km	8,644km's	8,8km's
KM's of road resealed	3,42km	6,908km	14 306km's
Number of new households connected to sanitation	1172	1496	973
Number of new households connected to a minimum level of	214		
water.		376	120
Number of SMME's	60	74	86
The Number of jobs created through municipality's local			
economic development initiatives including capital projects	702	1 070	1 509

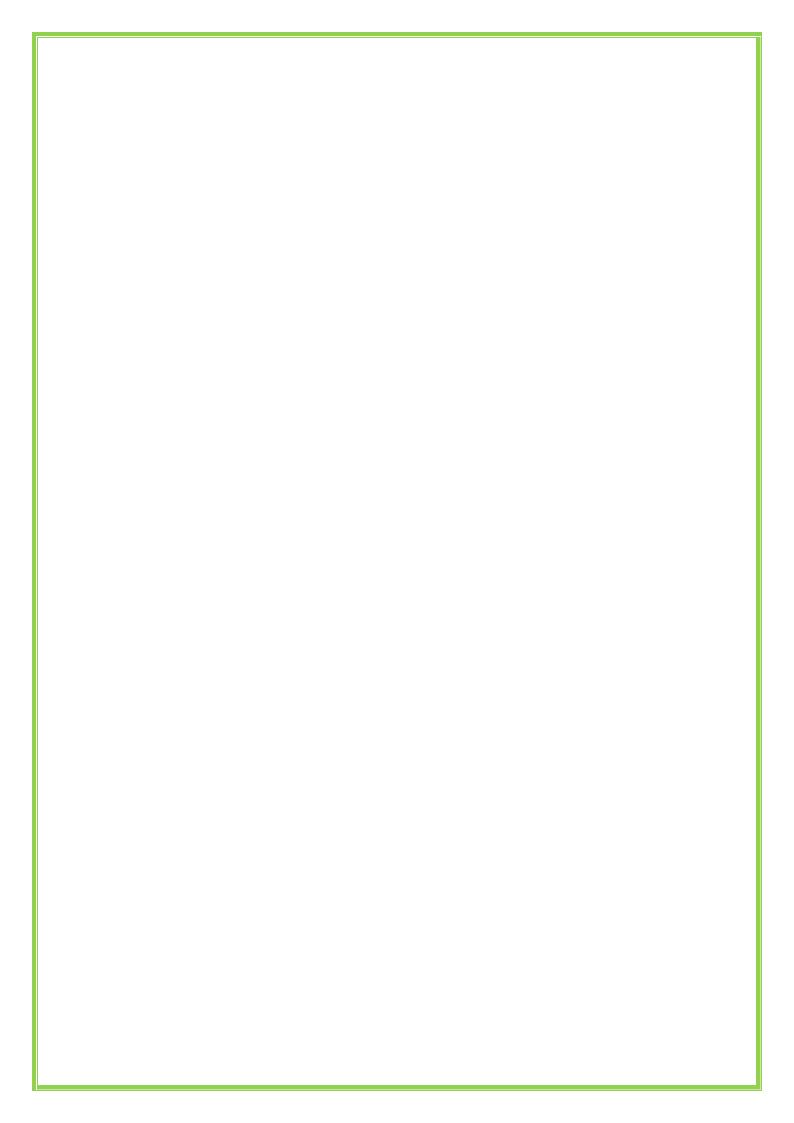
ASSESSMENT OF EXTERNAL SERVICE PROVIDER

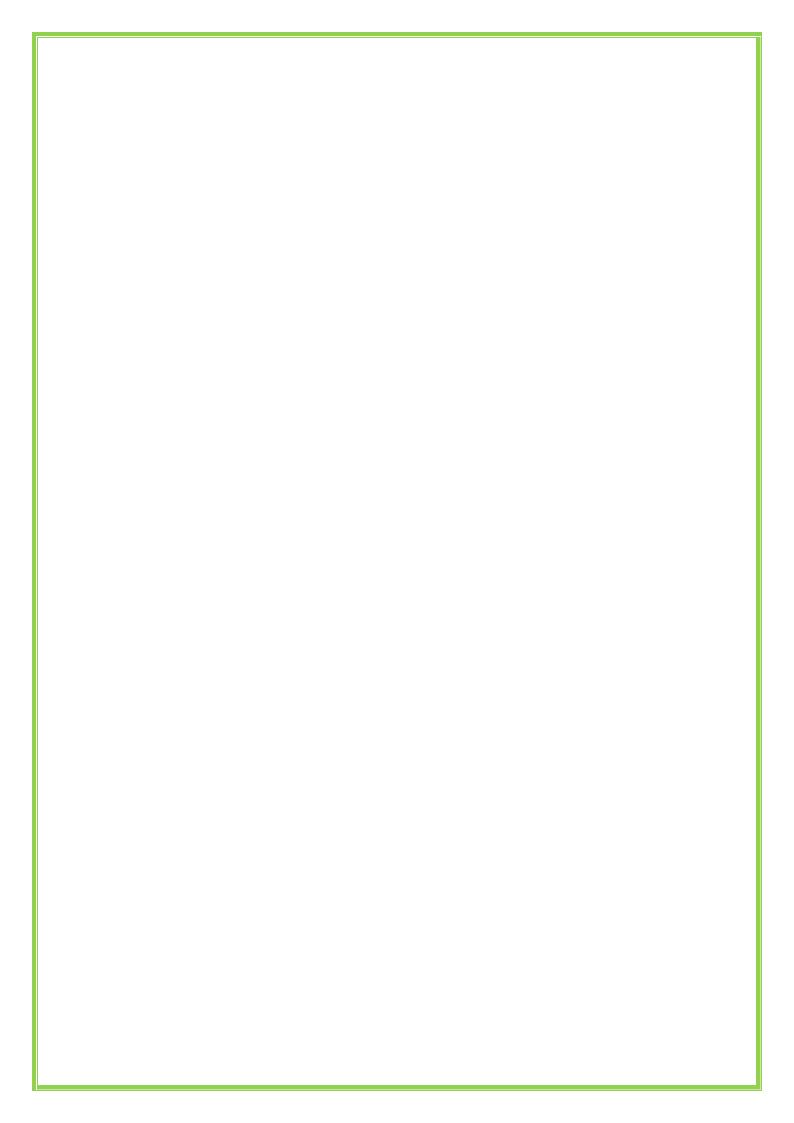
In terms of Section 46 of The Local Government Municipal Systems Act 32 of 2000, a municipality must prepare for each financial year a performance report reflecting-

(a) The performance of the municipality and of each external service provider during that financial year.

Currently UThukela Water (Pty) Ltd is the only External Service Provider of the Newcastle Municipality, for which bulk water services is being rendered. UThukela Water (Pty) Ltd is an Entity of Newcastle Municipality. Unfortunately UThukela Water did not meet any of planned targets set in the 2020/2021 SDBIP. The main reason for not achieving the targets is that the information submitted from UThukela Water that some KPI's were linked to addressing the resolutions from meetings such as board meetings, maintenance etc. Uthukela Water also did not implement maintenance resolutions as per the meetings convened. The following chart represents the Draft Assessment of UThukela Water's SDBIP for 2020/2021:







TLEORF HIP NAMES	NATIONAL 876.	BACK TO BASICS FILLER	ICP PRICATT	ODAL / CRUBICITIVE	ERNATEGY	KPI No. LINKED TO ICP	APPROVED KEY PERFORMANCE INDICATOR	REVISIO KEY PERIORBANCE INECATOR	ки тина јанит, очтичк, очтсома, иносазај	UNIT OF MEASURE	BABLAR	КПУЦИО ЛИЧИЛА ЗТЛИСЛИО АССИНИКАТУКИ/ИНАЛИ ТАКОНГО ДИХ 2019-В АЛИЕ ЗИГО	ANNAL ACTUAL STANDARD ACCUMALATIN' / AVERADE TANDET () JOLY 2008 - 20 JUNE 2021)	REASON FOR VARIANCE	RECOMMENDED CORRECTIVE ACTION	ANNUEL SADHRGAND	ADVERD ANNUL TANDARD ACCINICATION / AVENUAR TANDET (LARY 2016 TANE 2000)	ACTURE ANNUE TRANSPORT ACCOMPLATING ANNALS TRANSP (1 ALL 2016 JULIAN 2008	READOR FOR LANSAGE	RECHINGE COVICTNE ACTOR	ANNUAL DASHIDGARD	MEQUINCY OF REPORTING	PERMIT SOURCE OF EVERILES	NUVERO B	DOLT NEORIATION AS AT THE 28 FE	NUM7 201	1988 TO DATE ACTUAL AS AT 180 OF JUNE 301
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Auditor-General of South Africa

Newcastle Municipality Audit report for the year ended 30 June 2021

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on Newcastle Municipality

Report on the audit of the financial statements

Opinion

- I have audited the financial statements of the Newcastle Municipality set out on pages xx to xx, which comprise the appropriation statement, statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
- 2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newcastle Municipality as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2020 (Act No. 4 of 2020) (Dora).

Basis for opinion

- 3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
- 4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
- I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material uncertainty relating to financial sustainability

- 6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
- 7. As disclosed in note 50 to the financial statements, the municipality incurred a net loss of R197,16 million during the year ended 30 June 2021 and, as of that date the municipality's current liabilities exceeded its current assets by R141,16 million. As stated in note 50, these events or conditions, along with other matters as set forth in note 50, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

 As disclosed in note 47 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2021.

Material impairments – receivables from non-exchange transactions and consumer debtors

- 10. As disclosed in note 10 to the financial statements, material impairments of R48,82 million (2019-20: R45,16 million) were raised by the municipality on receivables from non-exchange transactions as the recoverability of this amount was doubtful.
- 11. As disclosed in note 11 to the financial statements, material impairments of R649,41 million (2019-20: R1,11 billion) was raised by the municipality on consumer debtors as the recoverability of this amount was doubtful.

Material losses - water

12. As disclosed in note 38 to the financial statements, material water losses of R41,82 million (2019-20: R43,68 million) were incurred, which represents 34% (2019-20: 39%) of total water purchased. The losses were incurred due to leaks and burst pipes, unauthorised consumption and illegal connections.

Contingencies

13. As disclosed in note 44 to the financial statements, the municipality is the defendant in various claims and legal disputes. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

Other matter

14. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

15. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

16. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA standards of GRAP and the requirements of the MFMA

and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

17. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

- 18. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
- 19. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

- 20. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004), (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected key performance area presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
- 21. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
- 22. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the *basic services key performance area* presented on pages x to x in the municipality's annual performance report for the year ended 30 June 2021.

- 23. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
- 24. I did not identify any material findings on the usefulness and reliability of the reported performance information for the *basic services key performance area*.

Other matter

25. I draw attention to the matters below.

Achievement of planned targets

26. The annual performance report on pages x to x sets out information on the achievement of planned targets for the year.

Adjustment of material misstatements

27. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of the *basic services key performance area*. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

- 28. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
- 29. The material findings on compliance with specific matters in key legislation are as follows:

Financial statements

30. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified opinion.

Expenditure management

31. Reasonable steps were not taken to prevent irregular expenditure amounting to R31,65 million as disclosed in note 54 to the annual financial statements, as required by section 62(1) (d) of

the MFMA. The majority of the irregular expenditure was due to non-compliance with supply chain management legislation.

Other information

- 32. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected key performance area presented in the annual performance report that have been specifically reported in this auditor's report.
- 33. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
- 34. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected key performance area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
- 35. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

- 36. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
- 37. Management did not undertake routine monthly verifications and reviews to support amounts reported in the financial statements. This was due to management not fully understanding and implementing the requirements of the financial reporting framework. Moreover, management did not adhere to policies and procedures relating to procurement and contract management.

Material irregularities

38. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit .

terial irregularities identified during the audit

material irregularities identified are as follows:

om account not paid within 30 days

The municipality failed to ensure that the payments due to Eskom were made within 30 days of receiving the relevant invoice or statement for the period July 2019 to September 2019, in contravention of section 65(2)(e) of the MFMA. The municipality incurred interest and penalties as a result of the late payments of R2,38 million in the 2019-20 financial year. The non-compliance has resulted in a material financial loss for the Newcastle Municipality of R2,38 million and this has been disclosed as fruitless and wasteful expenditure in note 52 of the 2019-20 annual financial statements.

The accounting officer was notified of this material irregularity on 26 February 2021 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer planned to strengthen controls over creditors and to prioritize third party payments and to reconcile monthly by 30 June 2021.

The accounting officer has entered into an arrangement of debt and repayment plan agreement suspending future interest charges with Eskom signed on 15 July 2020. The accounting officer has priorotised the Eskom account and has ensured that payments are made within 30 days of receiving the invoice or statement thus preventing any further material financial loss by 30 June 2021.

On 25 August 2021, the accounting officer presented to council the section 52(d) of the MFMA report for 30 June 2021, file reference T6/1/1-2020/2021, confirming that the municipality has been experiencing cash flow challenges and that no official could be held liable for the financial loss.

The material irregularity is resolved.

est and penalties incurred on SARS account: Value Added Tax

The municipality failed to ensure that the payments due to SARS were made within the period ending on the 25th day of the first month commencing after the end of the tax period, in contravention of section 28(1) of the Value Added Tax Act 89 of 1991 (VAT Act). The municipality has incurred interest and penalties amounting to R1,48 million for the 2019-20 financial year. The non-compliance has resulted in a material financial loss for the Newcastle Municipality of R1,48 million and this has been disclosed as fruitless and wasteful expenditure in note 52 of the 2019-20 annual financial statements.

The accounting officer was notified of this material irregularity on 26 February 2021 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer planned to strengthen controls over creditors and to prioritize third party payments and to reconcile monthly by 30 June 2021.

- 46. The accounting officer has priorotised the SARS account and has ensured submission is made by the 25th day as per the VAT Act and has prevented any further material financial loss by 30 June 2021.
- 47. Third party payments are now made within the required timeframes, with zero interest and penalties charged by SARS by 30 June 2021.
- 48. On 25 August 2021, the accounting officer presented to council the section 52(d) of the MFMA report for 30 June 2021, file reference T6/1/1-2020/2021, confirming that the municipality has been experiencing cash flow challenges and that no official could be held liable for the financial loss.
- 49. The material irregularity is resolved.

Interest and penalties incurred on SARS Account: Payroll Taxes

- 50. The municipality failed to ensure that the payments due to SARS were made within seven days after the end of the month during which the amount was deducted or withheld from employees for the period June 2019 to June 2020, in contravention with paragraph 2(1) of the Fourth Schedule of the Income Tax Act 58 of 1962. The non-compliance has resulted in a material financial loss for the Newcastle Municipality of R8,26 million and this has been disclosed as fruitless and wasteful expenditure in note 52 of the 2019-20 annual financial statements.
- 51. The accounting officer was notified of the material irregularity on 26 February 2021 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer planned to ensure that the payments to SARS are made with the required timeframes, with zero interest and penalties charged by SARS and to strengthen controls over creditors and to prioritize third party payments and reconcile monthly.
- 52. On 25 August 2021, the accounting officer presented to council the section 52(d) of the MFMA report for 30 June 2021, file reference T6/1/1-2020/2021, confirming that the municipality has been experiencing cash flow challenges and that no official could be held liable for the financial loss.
- 53. I will follow up on the implementation of the planned actions during my next audit.

Salary payments to terminated employees

- 54. The municipality failed to ensure that terminated employees were exited timeously by the human resources department, thus resulting in the employees being paid months after they had left the municipality for the financial years 2015-16 to 2019-20, in contravention with section 65(2)(a) of the MFMA. The likely financial loss related to the non-compliance amount to R1,22 million as the municipality is in the process of investigating the issues and possibly recovering the debts from the terminated employees. The salary overpayments are disclosed as fruitless and wasteful expenditure in note 52 of the 2019-20 annual financial statements.
- 55. The accounting officer was notified of the material irregularity on 14 April 2021 and was invited to make a written submission on the actions taken and that will be taken to address the nhhhsalary overpayments on termination and to investigate and report the findings and recommendations to council for possible recovery, write-off or condonation.

- 56. On 16 April 2021, the accounting officer issued circular 6/2021, a memorandum to all strategic executive directors relating to the communication of all employee exits. On 09 August 2021, the accounting officer, engaged the internal audit unit to investigate unauthorised, irregular and fruitless and wasteful expenditure for 2017-18 to 2020-21 as per council resolution taken on 3 March 2021. The internal audit reported the outcomes of the investigation on 13 September 2021. The accounting officer plans to take the necessary actions based on the outcomes of the report and the council resolutions.
- 57. I will follow up on the implementation of the planned actions during my next audit.

Other reports

- 58. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or compliance with legislation.
- 59. An investigation into allegations of fraud around the payroll system was undertaken by the Hawks covering the period July 2014 to June 2020. The investigation was in progress at the date of this auditor's report.
- 60. In terms of Presidential Proclamation No. R. 23 of 2020 as published in Government Gazette No. 43546 dated 23 July 2020, Special Investigating Unit is investigation matters relating to procurement of goods and services by the Newcastle Municipality under the national state of disaster. The investigation was still in progress at the date of this auditor's report.

Anditor - Ceneral

Pietermaritzburg

15 December 2021



Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

 As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the basic services key performance area and on the municipality's compliance with respect to the selected subject matters.

Financial statements

- In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - Conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Newcastle Municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

- 3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- 4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

NEWCASTLE MUNCHALTY GOOD GOVERNANCE 200721																													
DEPARTMENTAL SDBIP REFEREN NUMBER	CE OUTCOME 9	NATIONAL KPA	BACK TO BASICS PILLAR	OP PRIORITY	GOAL/OBJECTIVES	STRATEGIES	KPI No. LINKED TO	APPROVED KEY PERFORMANCE INDICATOR	REVISED KEY PERFORMANCE INDICATOR	KPI TYPE (NPUT, OUTPUT, OUTCOME, PROCESS)	UNIT OF MEASURE	BASELINE	REVISED STANDARD/ACCUMULATIVE/ AVERAGE TARGETS(1 JULY 2020 -30 JUNE 2021)	ANNUAL ACTUAL	REASON FOR VARIANCE	RECOMMMENDED CORRECTIVE ACTION	ANNUAL DASHBOARD	REVISED ANNUAL STANDARD/ACCUMALATIVE AVERAGE TARGET (1 LULY 2019-30 JUNE 2020)	ANNUAL ACTUAL STANDARD/ ACCUMALATIVE / AVERAGE TARGET (1 LULY 2019-30 JUNE 2020)	REASON FOR VARIANCE	RECOMMENDED CORRECTIVE ACTION	DASHBOARD	RESPONSIBLE DEPARTMENT FRE	QUENCY OF REPORTING	PRIMARY SOURCE OF EVIDENCE		REVISION MOTIVATION		YEAR TO DATE ACTUAL AS END OF JUNE 2021
TLSDBIP-GG00	Output 6: Administrative and financial capability.	Good Governance and Public Participation	Good governance; Act	erated Municipal nsformation and Corporate Development	To ensure good governance through openness, transparency and accountability in the organization.	To develop and implement an optimal communication strategy and service charter by 2021	GG1.1.1	Percentage of resolutions raised by council committees not addressed and escalated to the accounting officer	KPI not revised	Output	Percentage (%)	New KPI	100%	1075			TARGET MET	1075	No execution of resolutions were submitted to the MM	There was the National Lockdown and only essential services staff were on duy therefore the resolutions were submitted timeously to the Acting Municipal Manager	To follow up with departments on the status of all resolutions and submit it to the municipal manager	TARGET NOT MET	Office of the Municipal Manager (Executive Support)	Quarterly	Quarter 14: Progress report on the association of resolutions for all council committees, proof of submission to the Accounting Official after every meeting monthly proof of submission to the Accounting Official and the calculation states	MSCOA CONFIGURATION	VOTE DESTRIPTION	ADJUSTMENT BUDGET	R28 876 407,72
TLSDBIP-GG00	Output 6: Administrative and financial capability.	Good Governance and Public Participation	Good governance; Tr	elerated Municipal Insformation and Corporate Development	To ensure good governance through openness, transparency and accountability in the organization.	To develop a system of delegation that will maximize administrative and operational efficiencies	GG1.2.1	Annual review and approval of Delegations Policy by Council by 30 June 2021	KPI not revised	Output	Delegation Policy	Draft Delegations Policy	Approval of The Delegation Policy by Council	Delegations Policy approved Council on the 31 March 200	bу 1.		TARGET MET	Approved Delegations Policy by Council	Draft Delegations Policy is still in the process of being vehicle by the legal services department.	National lockdown delayed the finalization of the vetting of the delegations policy.	To ensure that the Delegations Policy is submitted to ExcoCouncil for approval before the 30/09/2020	TARGET NOT MET	Office of the Municipal Manager (Executive Support)	Quarterly	Of Marco minutes and attendance register O2 Exco mistate and attendance register O3 Delt Delegation Poloy Councilies Workshop and attendance register, Q4 Council resolution and Approved Delegations Poloy	Vote no: 10105010105	Salaries	R28 797 562.00	R28 876 407,72
TLSDBIP-GG00	Output 6: Administrative and financial capability.	Good Governance and Public Participation	Act Good governance; Tr	alerated Municipal reformation and Corporate Development	To promote and enhance good governance in the organization.	To facilitate the implementation of an effective Risk Management System towards ensuring the achievement of the organizational objectives and service delivery targets.	GG2.1.1	Annual review of Risk Management Policy , Risk Management Methodology, Arti-Fraud & Comption Strategy, Business Continuity policy by Council by 30 June 2021	KPI not revised	Output	Policy and Strategy	Approved Risk Management Policy and strategy, Arti-Fraud & Comption Policy and strategy by Council	Approval of Risk Management Policy , Risk Management Methoobiogy, Arti-Faud & Comption Strategy, Basiness Continuity policy for 2021/22 by Council on the 30th Of June 2021.	Approval of Risk Managemen Policy , Risk Managemen Methodology, Arti-Fraud & Comption Strategy, Busile Control of Stategy, Busile Control of the 30th Of Jan 2021.	rt i i i i i i i i i		TARGET MET	NA	NA			NA	OFFICE OF THE MUNICIPAL MANAGER (RISK MANAGEMENT)	Quarterly	Of Marco and EXCO minutes and attendance register Q2 Couroll minutes and attendance register Q3 Audit Committee Minutes, Q4 Cound resolution for approval of Draft Reix Management Photo; Reix Management Minutes, Arthon Management Photo; and stategy Policy and strategy	Vote no: 10105010105	Salaries	R28 797 562.00	R26 876 407,72
TLSDBIP-GG00	Output 6: Administrative and financial capability.	Good Governance and Public Participation	Acc Good governance; Tr	elerated Municipal reformation and Corporate Development	To promote and enhance good governance in the organization.	To facilitate the implementation of an effective Risk Management System towards ensuring the achievement of the organizational objectives and service delivery targets.	GG2.1.2	Annual risk assessment report for 2021/22 as approved by Audit Committee by 30 June 2021	KPI not revised	Output	Reports	Annual risk assessment report for 2019/20 and 2020/21 as approved by Audit Committee by 30 June 2020	Annual Risk Report for 2021/22 approved by Audit Committee on the 25th of June 2021	Annual Risk Report for 2021 approved by Audit Committee the 25th of June 2021	22 ch		TARGET MET	Approved Rick Management Policy and strategy, Arti-Fraut & Comption Policy and strategy by Council	The Risk Management Policy and Strategy, Anti-Fraud & Comption Policy ware not presented at the audit committee and a turneround strategy was discussed in committee	A risk process plan was not developed therefore reports for the deadlines were not compiled timeously and submitted to Exco and Audit Committee for comments	A Risk Process Plan to be developed and implemented for 202019 to ensure that all deadines for Risk Management are achieved.	TARGET NOT MET	OFFICE OF THE MUNICIPAL MANAGER (RISK MANAGEMENT)	Quarterly	O3.Deah Strategic Risk Register for 2021/22, Minales and Attendance Registers for Manco, Exco and Audit Committee, Annual fick assessment report for 2021/22 as approved by Audit Committee Guter 4: Annual Risk Assessment Report for 2021/22 and Audit Committee Minates and attendance register and a durowledgement from COOTA	Vote no: 10105010105	Salaries	R28 797 562.00	R28 876 407,72
TLSDBIP-GG00	Output 6: Administrative and financial capability.	Good Governance and Public Participation	Good governance: Arr	elerated Municipal nsformation and Corporate Development	Fo promote and enhance good governance in the organization.	To facilitate the implementation of an effective Risk Management System towards sexualing the achievement of the organizational objectives and service delivery largets.	662.1.3	Quarterly monitoring of implementation of risk management action plans submitted to Audit Committee	KPI not revised	Output	Progress Report	New KPI	4		National Treasury issued a cituatro grant all municipality's an edension of time to submit reports from A upper 2020 to and Performance Audit Commise making for quarter 1 was therefore porsponed to Quarter 2 and reports were subsequently submitted.	Al Ruk mangament reporting simultanea be aligned to National Treasury reporting time traines.	TARGET MET	Annual tick assessment report for 2019/202 as approved by Municipal Manager and submitted to Audit Committee	1. Conduct Risk Assessment for 2020/21. 2. Submission of Draft Risk Assessment Report (Standy Chain Register) for Risk Assessment Report for 2020/21 were all not presented at the audit committee and standard stategy was discussed in committee	A tisk process plan was not developed functions reports for measuring of the second second temporal and Audit Committee for comments	A Risk Process Plan to be developed and implemented for 202019 to source that all deadlines for Risk Management are achieved.	TARGET NOT MET	OFFICE OF THE MUNICIPAL MANAGER (RISK MANAGEMENT)	Quarterly	Quarter 1 - 4 Quarterly progress report on implementation not management action plane, Minutes and attendance register of Audi Committee	Vote nc: 10105010105	Sataries	R28 797 582,00	R28 878 407,72
TLSDBIP-GG00	Output 6: Administrative and financial capability.	Good Governance and Public Participation	Good governance; Tr	slerated Municipal nsformation and Corporate Development	To promote and enhance good governance in the organization.	To facilitate the implementation of an effective Risk Management System towards ensuring the achievement of the organizational objectives and service delivery targets.	6621.4	Quarterly progress report on implementation of management action plan to AG findings submitted to Audit Committee	KPI not revised	Output	Progress Report	0	4	3	National Treasury issued a circular to grant all municipality is an extension of time to submit reports from August 2020 to October 2020. The planmed Risk and Performance Audit Committee meting for quarter 1 was therefore postpored to Quarter 2 and reports were subsequently submitted.	Al Risk management reporting timeframes be aligned to National Treasury reporting time trames.	TARGET MET	10	The Acting Municipal Manager withdrew the reports at the audit committee	A risk process plan was not developed therefore reports for the dealling of the rest of compiled timeously	A Risk Process Plan to be developed and inglemental for 2020/19 be ensure that all deadlines for Risk Management are achieved.	TARGET NOT MET	OFFICE OF THE MUNICIPAL MANAGER (NISK MANAGEMENT)	Quarterly	Quater 1-1 Quarterly program report on implementation management action (parts to 40 michain). Minutes and attendance register of Audit Committee	Vote no: 10105010105	Salaries	R28 797 582,00	R28 876 407,72
TLSDBIP-GG00	Output 6: Administrative and financial capability.	Good Governance and Public Participation	Good governance; Tr	elerated Municipal reformation and Corporate Development	To promote and enhance good governance in the organization.	To facilitate the implementation of an effective Risk Management System towards ensuing the achievement of the organizational objectives and service delivery targets.	GG2.1.5	Quarterly compliance monitoring reports (checklat) submitted to Audit Committee	KPI not revised	Ouput	Report	¢		3	National Treasury issued a clicular to grant all municipality is an extension of time to submit reports from August 2020 to October 2020. The parened Risk and Performance Audit Committee moting for quarter 1 audit of comparison and Called and Call and Call and Call and Call and Call and Call	Al Risk management reporting timeformes be aligned to National Treasury reporting time traines.	TARGET MET	NA	NA	nia	nia	nia	OFFICE OF THE MUNICIPAL MANAGER (RISK MANAGEMENT)	Quarterly	Quarter 1-4: Quartiely Compilance report (decklist), Minute and astendance register of Audt Committee	Vote no: 10105010105	Salaries	R28 797 582,00	R28 876 407.72
TLSDBIP-6G00	Output 6: Administrative and financial capability.	Good Governance and Public Participation	Good governance; Tr	slerated Municipal g nsformation and a Corporate Development	To facilitate good governance by providing assurance to coundi on internal cortrols, risk management and governance processes.	Providing recommendations and advice to management to improve internal controls, risk management and governance processes.	GG3.1.1	Percentage of Projects implemented as per Internal Audit Plan	KPI not revised	Process	Percentage (%)	100%	100%	100%			TARGET MET	100%	100%			TARGET MET	OFFICE OF THE MUNICIPAL MANAGER (INTERNAL AUDIT)	Quarterly	Quarter 1-4: Progress report against approved Internal Audi Plan and Internal audit reports	Vote no: 10184010105 & Vote no: 10195010105	Salaries	1071675 + R 3 706 351 = R4 778 026	3 533 485.39
TLSDBIP-GG00	Output 6: Administrative and financial capability.	Good Governance and Public Participation	Acc Good governance; Tr	elerated Municipal enformation and Corporate Development	To facilitate good governance by providing assurance to council on internal controls, risk management and governance processes.	Providing recommendations and advice to management to improve internal controls, risk management and governance processes.	GG3.1.2	Number of Audit Committee meetings convened	KPI not revised	Output	Number (No.)	8	8	9			TARGET MET	8	8			TARGET MET	OFFICE OF THE MUNICIPAL MANAGER (INTERNAL AUDIT)	Quarterly	Quarter 1-4: Audit committee minutes and attendance register	Vote no: 10184010105	Audit Committee Fees	R 480 000	R353 397,00
TLSDBIP-GG01	Output 6: Administrative and financial capability.	Good Governance and Public Participation	Good governance; Act	Company	To ensure good governance through openness, transparency and accountability in the organization.	To provide effective and efficient legal support services	GG4.1.1	Percentage of contracts drafted and vetted as requested by departments	KPI not revised	Output	Percentage (%)	100%	100%	100%			TARGET MET	102%	100%			TARGET MET	OFFICE OF THE MUNICIPAL MANAGER (LEGAL SERVICES)	Quarterly	Quarter 1-4: Registers of all contracts received with a date received and date finalised, contracts vetted and drafted with calculation sheet and confirmation from each SED on contracts that legal services was requested to draft and vet.	Vote no: 10301010105	Salaries	R28 797 562,00	R28 876 407,72
TLSDBIP-GG01	Output 6: Administrative and financial capability.	Good Governance and Public Participation	Good governance; Tr	elerated Municipal nsformation and Corporate Development	To ensure good governance through openness, transparency and accountability in the organization.	To provide effective and efficient legal support services	GG4.1.2	Percentage of objections addressed within 60days as per SCM Regulations	KPI not revised	Output	Percentage (%)	100% of objections resolved within 60days	100%	100% of objections resolve within 60days	d		TARGET MET	100% of objections resolved within 60days	67%	2 legal officers resigned and the Legal Services section currently only has one legal officer and no acting appointments.	To request Corporate Services to advertise the vacant positions	TARGET NOT MET	OFFICE OF THE MUNICIPAL MANAGER (LEGAL SERVICES)	Quarterly	Quarter 1 - 4: Objections register with dates of objection received and recolved, Objections, communication to Objectors and Calculation stered and confirmation from each SED on contracts that legal services was requested to draft and vet.	Vote no: 10301010105	Salaries	R28 797 562,00	R28 876 407,72
TLSDBIP-GG01	Output 6: Administrative and financial capability.	Good Governance and Public Participation	Good governance; Tr	elerated Municipal notomation and Corporate Development	To ensure good governance through openness, transparency and accountability in the organization.	To provide effective and efficient legal support services	GG4.1.3	Percentage of by-laws drafted and vetted as requested by departments	KPI not revised	Output	Percentage (%)	New KPI	NA	NA			NIA	102%	No by-laws were drafted or vetted.	No by-laws were received from departments		NIA	OFFICE OF THE MUNICIPAL MANAGER (LEGAL SERVICES)	Quarterly	Quarter 1-4: Registers of all Bylaws received with a date received and date finalised, Bylaws vetted and drafted with calculation sheet and confirmation from each SED on Bylaw that legal services was requested to draft and vet.	Vote no: 10301010105	Salaries	R28 797 562,00	R28 876 407,72
TLSDBIP-GG01	Output 5: Deepen democracy through a refined Ward Committee Model.	Good Governance and Public Participation	Accelerated Municipal Acc Transformation and Tr Corporate Development	elerated Municipal T nsformation and ar Corporate a Development	To keep the communities and stakeholders informed and involved in the affairs of the Municipality	To improve both internal and external communication	GG5.1.1.	Quarterly reports prepared for submission to COGTA	KPI not revised	Output	Number	4	4	4			TARGET MET	4	4			TARGET MET	DPHS	Quarterly	Q1 - Q4: Internal assessment of the consolidated report signed off by SED	Vote no: 10105010105	Salaries	R28 797 562,00	R28 876 407,72
TLSDBIP-GG01-	Output 6: Administrative and financial capability.	Good Governance and Public Participation	Good governance; Tr	elerated Municipal nsformation and Corporate Development	o keep internal & external communities and stakeholders informed, ampowered and involved by 2021	To develop and implement an optimal communication strategy	GG6.1.1	Approval of the Communication Strategy by Council by June 2021	KPI not revised	Output	Strategy	Draft communication strategy	Approval of The Communications Strategy by Council	Communications Strategy approved by Council on the 3 of March 2021	1st		TARGET MET	Approved Communications Strategy by Council	Draft Communications Strategy compiled	Due to the National Lockdown and the fact that the CRO was only appointed in Quarter 3 the Communications Strategy could not be approved timeously.	The Communications Strategy to be approved in 2020/21	NA	Office of the Municipal Manager (Chief Communications Officer)	Quarterly	Q1 Manco minutes and attendance register Q2 Exco minutes and attendance register Q3 Draft Communication Strategy with departments commarks and Councilors Workshop and attendance register Quarter 4 Communication Strategy and Council Resolution	Vote no: 10105010105	Salaries	R28 797 562,00	R28 876 407,72
TLSDBIP-GG01	Output 6: Administrative and financial capability.	Good Governance and Public Participation	Good governance; Tr	elerated Municipal nsformation and Corporate Development	To ensure that the municipality has and naintains an accountable and standardised ICT systems	To facilitate the annual implementation of good ICT governance processes	GG7.1.1	Percentage of ICT issues addressed at the ICT steering committee meetings	KPI not revised	Output	Percentage (%)	New KPI	100%	100%			TARGET MET	100%	No ICT issues were resolved	The ICT committee has still not been established.	ICT steering Committee to be established in the first Quarter of 2020/21	TARGET NOT MET	Office of the Municipal Manager	Quarterly	Quarter 1-4: ICT Steering Committee Minutes, attendance register, ICT register of issues raised and addressed with calculation sheet	Vote No: 10191010105	Salaries	R112 539,00	R103 160,86
TLSDBIP-GG01	Output 6: Administrative and financial capability.	Good Governance and Public Participation	Good governance; Tr			To ensure good governance through openness, transparency and accountability in the organization.	GG8.1.1	Quarterly performance reports submitted to Audit Committee (Quarter 1: APR Quarter 2-4: Top Layer SDBIP)	KPI not revised	Output	Number	4 Tabling of Annual	4	4			TARGET MET	Approved Communications Strategy by Council	4	4		TARGET MET	DPHS	Quarterly	Quarter 1: APR Quarter 2-4: Top-Layer SDBIP	Vote no: 10105010105	Salaries	R28 797 562,00	R28 876 407,72
TLSDBIP-GG01	financial capability.	Good Governance and Public Participation	Good governance; Tr		To promote good governance through the Annual performance reporting process	To ensure compliance with Annual report process	GG9.1.1	Tabling of Annual Report to Council by 31 January 2021 and Approval of Annual Report by 31 March 2021	KPI not revised	Output	Reports	Report to Council by 31 January 2020 and Approval of Annual Report by 31 March 2020	Tabling of Annual Report to Council by 31 January 2021 and Approval of Annual Report by 31 March 2021	Tabling of Annual Report to Council on the 31 March 2021 (Extension of time by Nationa Treesury Circular 104 of the MFMA)			TARGET MET	Tabling of Annual Report to Council by 31 January 2020 and Approval of Annual Report by 31 March 2020	Tabling of Annual Report to Council by 29 January 2020 and Approval of Annual Report by 27 May 2020			TARGET MET	Office of the Municipel Manager (Executive Support)	Amual	Quarter 3 : Council Resolution and Approved Annual Report	Vote no: 10105010105	Salaries	R28 797 562,00	R28 876 407,72
TLSDBIP-GG01	Coordination.	Good Governance and Public Participation Good Governance and Public	Putting people first; Tr	erated Municipal	p ensure the development	To develop IDP in line with 4th generation guide packs / guidelines To ensure that a Public Participation process is followed for the IDP	GG10.1.1 GG10.2.1	Review and Adoption of IDP by 31 May 2021 Number of IDP RF meetings	KPI not revised	Output Output	Reports	Review and Adoption of IDP by 31 May 2020	Review and Adoption of IDP by Exco and Council by 31 May 2021	Reviewed and Adopted IDP Exco and Council on 31 Ma 2021	by y		TARGET MET	Review and Adoption of IDP by 31 May 2020	IDP was adopted on the 29 of June 2020	Due to the National Lockdown the IDP could not be adopted by the 31 May 2020.	The municipality will convene virtual IDPRF meetings in	TARGET MET	DPHS	Quarterly Quarterly	Q1 : Approved Process Plan, Q2 N/A, Q3 Draft IDP, Q4 Council Resolution Quarter 2-4: attendance Register and minutes of IDP RF	Vote no: 10276010105 Vote no: 10276010105	Salaries Salaries	R28 797 562,00 R28 797 562,00	R28 876 407,72
r Louerr-GG01	 window of coordination. 	and Public Participation	- wing people first;	Corporate Development	and the maintenance of credible IDP	followed for the IDP review	201021	held	~ / NUL INVISED	uning		J.					NucralEl	3	2	prevented the municipality from convening the planned IDPRF for March 2020.	virtual IDPRF meetings in 2020/21	174		y	Meetings	*Sie+0. 102/070105	Ownerrors'	- and F ar data JAU	



uThukela Water (Pty) Ltd Annual Financial Statements Year Ended 30 June 2021

I am responsible for the preparation of these annual financial statements which are set out on pages 3 to 65, in terms of section 126 (2) of the Municipal Finance Management Act, 56 of 2003 and the Companies Act, 71 of 2008 and which I have signed on behalf of the company.

Acting Managing Director

1502/80

31 - Aug - 21

Date

Moora

Acting Chief Financial Officer

Date

UTHUKELA WATER (PTY) LTD ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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uThukela Water (Pty) Ltd

Annual Financial Statements for the year ending 30 June 2021 GENERAL INFORMATION

AFS rounding: SA Rand only, no cents. **Contact Information** Acting Managing Director: Luiz Lionel Cunha [Resigned, 25 August 2021] Acting Chief Financial Officer: Farida Moola Telephone Number: 034 328 5000 Email Address: luiz.cunha@uthukelawater.co.za Chairman of the Board: Poovalingum Subramoney Naidoo [Resigned, 19 July 2021] Telephone Number: 031 719 7454 Email Address: dan.naidoo@umgeniwater.co.za Auditor General Contact: Amos Zungu Telephone: 033 264 7400 Email Address: AmosZ@agsa.co.za

General Information

Province: Kwazulu-Natal

Legal form of business

uThukela Water (Pty) Ltd is an interim Water Service Provider operating under Provincial Council authority dated 6 June 2012, and via a water services provider agreement signed with the Shareholder municipalities of; Newcastle, Umzinyathi and Amajuba Districts, in accordance with the provisions of section 78 of the Municipal Systems Act 32/2000, for the purposes of providing Bulk water services to these municipalities.

The National Minister of Water Affairs and Sanitation via government gazette number 39491 dated 15 December 2015 determined that the Entity will be incorporated into a new single Water Board proposed for the whole of KwaZulu Natal.

The entity operates as a Bulk water services provider to its controlling Shareholders, and performs no other functions outside the scope of the draft agreement between the parties.

The entity is governed by the provisions of the Companies Act 71/2008, Municipal Finance Management Act 56/2003, Municipal Systems Act 32/2000, Water services Act 108/1997 and the Public Audit Service Act 25/2004.

Members of the Board

Mr. PS Naidoo (Chairman of the Board) [Resigned, 19 July 2021]

Mr. A Evetts (COGTA representative)

Mr. M Msiwa (Independent non-executive Director)

Mrs. A Masefield (Department of Water and Sanitation representative)

The three Municipal Managers of the Shareholder municipalities, of Newcastle Local Municipality, Umzinyathi District Municipality and Amajuba District Municipality.

Auditors: Auditor General Bankers: Standard Bank of South Africa Registered Office: 79 Harding Street, Newcastle Physical Address: 79 Harding Street, Newcastle Postal Address: P O Box 729, Newcastle 2940 Telephone Number: 034 3285000 Fax Number: 034 3263388 Email Address: <u>luiz.cunha@uthukelawater.co.za</u>

DIRECTORS REPORT

In terms of the Companies Act, 71/2008, as amended, and read with the Municipal Systems Act 32/2000, as amended, the Board of uThukela Water (Pty) Ltd, is the accounting authority and the bulk water services provider to the municipalities of Newcastle, Amajuba and Umzinyathi District, and the Directors have pleasure in presenting their report for the year ended 30 June 2021.

Nature of business

uThukela Water (Pty) Ltd, is an interim multijurisdictional water entity, originally established in 2003 to provide the whole spectrum of water and sanitation services, and then subsequently with effect from the 1 July 2013, was re-constituted to supply only potable bulk water to its parent municipalities. The activities of uThukela Water are in line with the provisions of the Water Act, Act 108/1997.

The primary activities in terms of section 29 of the Act are:

- (a) To treat raw water and to distribute the treated water via its infrastructure to its Shareholder municipalities.
- (b) To provide Bulk water quality assurance to its Shareholders via its laboratory analyses and measurement in terms of National Water Standards.

In terms of section 30 of the Act, uThukela Water (Pty) Ltd also engages in other services that complement bulk water services such as laboratory services, water quality monitoring and environmental management within the water reticulation systems of the Shareholders, and also acts as an implementing agent for any sphere of government for projects related to water service delivery.

The services are provided on behalf of the following parent municipalities who are also the Water Service Authorities for their respective jurisdictions:

Amajuba District Municipality Newcastle Municipality Umzinyathi District Municipality

Compliance with legislation

The annual financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such accounts issued by the Accounting Practices Board, with the effective standards of Generally Recognized Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statements as indicated in the accounting policies of the Board. The requirements of the following relevant statutes were also taken into account when preparing the annual financial statements:

- (a) Water Services Act 108/1997,
- (b) Municipal Finance Management Act 56/2003,
- (c) Municipal Systems Act 32/2000,
- (d) Companies Act 71/2008 and
- (e) Public Audit Service Act 25/2004.

These acts require preparation of the financial information to be in compliance with the Companies Act 71/2008, as amended.

Corporate governance and risk management

The Board supports the principles of the code of Corporate Practices and Conduct as set out in the King IV report. The organizations policies, procedures and processes are continuously reviewed to align with King IV and the Board provides the required oversight and is pleased with the commitment that prevails at all spheres of the organization in as far as compliance with King IV is concerned.

The Board is responsible for monitoring the risk management process.

Share capital and Director's interests

The share capital of the Company has been issued in one hundred (100) ordinary shares, and is valued at R100.

The authorized number of ordinary shares is 10 000, with a par value of R 1 per share.

The parent municipalities (Water Service Authorities) are the sole Shareholders of the company, and their individual shareholding is as follows;

Amajuba District Municipality; 33% Newcastle Municipality; 34% Umzinyathi District Municipality; 33%

The details of the shares, and share certificates, are recorded in the Register of Shareholders of the Company, in terms of the provisions of the Companies Act 71/2008, as amended.

The MEC responsible for Co-operative Governance and Traditional Affairs, The Honorable N. Dube, on the 18 June 2012, released a decision of the Provincial Executive Committee taken at a Cabinet meeting held on the 25 April 2012, wherein it was resolved that;

- (a) The section 139 (1) (b) of the Constitution of the RSA, Act 108/1996, intervention instituted by the Provincial Executive was terminated with immediate effect, and that the Water Service Authorities would immediately resume and be accountable for water service functions previously assumed by the Provincial Executive of the Province of KZN together with the rights and obligations pertaining to uThukela Water (Pty) Ltd.
- (b) The Directive also governed that in relation to the delivery of water services operated by uThukela Water (Pty) Ltd, that in terms of section 139 (1) (a) of the Constitution, the following orders, amongst others things to be done, would be implemented;
 - All retail/reticulation water service functions would be de-centralized and returned to the respective municipalities.
 - Bulk water services would be regionalized.
 - uThukela Water (Pty) Ltd would continue to provide water services as the Bulk water service provider until such time that the National Minister for Water Affairs makes a decision concerning the future composition of the new or reconstituted Regional Bulk water service authority.
 - That uThukela Water (Pty) Ltd would be de-registered in terms of the Companies Act once the Minister of Water Affairs had made a decision regarding the new or reconstituted water service authority.
 - That uThukela Water (Pty) Ltd, in the interim, be served by a Transitional Board constituted of the following members;

Mr. D. Naidoo, Executive, Umgeni Water Board, and, who shall remain as the independent Chairperson of the Board.

Mr. B. Ndlovu, the CFO of COGTA.

Mr. M. Msiwa, an independent Board member,

Mr. A. Evetts, Manager: Municipal Infrastructure of COGTA, as a Board member.

Mrs A. Masefield, Acting Provincial Head of the Department of Water Affairs, appointed as an observer.

The Municipal Managers of the three Shareholder municipalities of Newcastle Local, and the Amajuba and Umzinyathi District municipalities, serving as Board members.

During the financial year, no contracts were entered into in which Directors or Officers of the Company had an interest and which significantly affected the business of the Company.

No special resolutions, the nature of which might be significant to the Shareholder in their appreciation of the state of affairs of the Company, were made by the Company during the period covered by this report.

The future dispensation of the Company

The Minister of Water Affairs and Sanitation has by Government Gazette number 39491 dated the 10 December 2015, declared that in terms of the provisions of the Water Services Act 108/1997, that the extension of the water services will be incorporated into a single water functionary. The mechanism and new functionary has not yet been finalized and determined by the Minister.

Financial performance

The Company balance sheet reflects a net asset worth of R 550 164 926 (2020: R 639 215 358) and is made up as follows;

Share Capital	R	100
Accumulated deficit	R	17 780 314
Asset revaluation Reserve	R	567 945 140

The total net shareholder contributions paid to uThukela Water to date is reflected at R 156 162 652 (2020: R 165 735 184), and is made up of capital contributions to water infrastructure development projects, and excludes bulk water billing payments which are appropriated to accumulated surpluses. The details hereof are reflected in note 13 to the annual financial statements.

There was a net increase in cash and cash equivalents to R 29 424 084 from R 20 070 160 in 2020. Cash receipts and accumulated funds assisted the Company to invest R 1 258 341 (2020: R 1 648 854) into property, plant, infrastructure and equipment during the year. The total net capital investment in bulk water service infrastructure, and in respect of property plant and equipment is R 789 451 219 (2020: R 867 454 343)

Statement of Financial Performance, June 2021.

The Statement of Financial Performance for the year under review reflects a trading deficit of R 89 050 432 for the year (2020: R 91 828 627). However, it should be noted that the deficit is mainly attributable to the raising of depreciation charges amounting to R 79 261 466, which amount is written back via the accumulated surplus account as a result of the municipalities not providing for or paying for these

depreciation charges. The Water Service Authorities only provide and pay for cash items in their operational budgets and do not contribute towards any of the non-cash items accounted for.

Statement of Financial Position, June 2021.

The Statement of Financial Position reflects positively and generally indicates that the Board is trading in solvent circumstances, except for the negative asset ratio test, which is directly as a result of the non-payment of the raw water charges billed by the Department of Water Affairs and consequently raised by the Entity, but not paid to the Department, as a result of non-payment by the shareholder municipalities.

The recovery and/or write off of these raw water charges is receiving attention at the highest level.

There were no external borrowings in the year under review.

Capital expenditure and commitments

Capital expenditure for the year including amounts disbursed directly by the shareholders and utilized from accumulated funds and brought into account in the water services balance sheet amounting to R 1 258 341 (2020: R 1 648 854) for property, plant and equipment.

The Companies contractual capital commitments are disclosed in note 32 of the financial statements.

Materiality framework

Management for the purposes of materiality works within the framework of acceptable levels of materiality and significance set and established by the Office of the Auditor General.

Fruitless and wasteful expenditure

There was R 22 945 197 of fruitless and wasteful expenditure comprising mainly of interest raised by the Department of Water and Sanitation on outstanding accounts during the year. See note 30.

Irregular expenditure

Irregular expenditure was reported during the year under review resulting from non-compliance with the supply chain management policy. These instances will be investigated and reported to the Board. See note 30.

Fraud and financial misconduct

There were no instances of fraud and financial misconduct in the current financial year. Internal controls are reviewed and improved on continuously.

Performance against financial targets

The performance of uThukela Water against key financial indicators as agreed in the Shareholders compact is illustrated in the performance management scorecards which are reported in the annual report.

The Company scorecard reflects that the Company has performed within targets and objectives as set out in the Business plans and budgets, albeit it under difficult and restrained circumstances.

Events after the reporting period

Subsequent to year end, the Chairperson of the Board, Mr PS Naidoo and the Acting MD, Mr LL Cunha resigned.

Advocate N Khambule has subsequently been appointed as the Acting MD, by the shareholder municipalities.

Going concern

The going concern basis has been adopted in preparing the financial statements. The Directors considered the following factors in reaching this opinion:

- The assumption that the shareholders will pay their monthly bulk water service invoices in accordance with their signed agreements and as directed by the Provincial Council in its instruction dated 7 June 2012.
- The entity continues to deliver on its mandates to its shareholders in all respects and in full compliance with all legislation as evidenced by good audit outcomes.
- Stable key executive management incumbents have been, and are in place, albeit in some cases in Acting capacities, providing; expertise, stability, industry know how and guidance in all aspects of effective and efficient water service management to the Board and its shareholders.

• Annually approved MTREF business plans, operational and capital budgets, tariff model, performance management and risk assessment plans are in place and monitored and reported on regularly to the Board and its shareholders.

ACCOUNTING POLICIES

1.Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognized Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and The Companies Act, 2008 (Act 71 of 2008) and the MFMA.

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

Unless otherwise stated, all figures have been rounded to the nearest rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below. These accounting policies are consistent with the previous period.

Municipal Standard Chart of Accounts

The Entity operates its accounts on the Municipal Standard Chart of Accounts as required by National Treasury, and in line with the shareholder municipalities.

1.1 Significant judgments and sources of estimation uncertainty

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

Trade receivables

The entity 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 entity makes judgments 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 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.

1.1 Significant judgments and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating, non-cash 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. It is reasonably possible that the useful life and market value assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The entity 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including technological obsolescence, together with economic factors such as interest and inflation rates.

Provisions

Provisions were raised and management determined an estimate based on the information available.

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 entity 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 entity 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 11 – Service related employee benefit obligations.

Effective interest rate

The entity used the prime interest rate to discount future cash flows adjusted for risks specific to the related item.

1.1 Significant judgments and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

1.2 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 recognized as an asset when:

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

Property, plant and equipment are 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 at no cost, or for a nominal cost, 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 recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Depreciation begins when the assets are available for use and ceases

1.2 Property, plant and equipment (continued)

at the earlier of the date that the assets are classified as held for sale and the date on which the assets are derecognized.

After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Item	Useful life
Buildings	50 years
Water infrastructure	5 to 50 years
IT equipment	3 to 10 years
Leasehold property	
Leasehold improvements	5 years over the period of lease
Plant and machinery	
Grass-cutting Equipment	7 to 10 years
Minor plant	5 to 50 years
Mobile plant	7 to 10 years
Office equipment	
Furniture & fittings	7 to 10 years
Other office equipment	3 to 10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

1.2 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognized 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 derecognized. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-forsale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognized as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the company or from other rights and obligations.

An intangible asset is recognized when:

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

Intangible assets are initially recognized at cost.

When an intangible asset is acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

An intangible asset shall be derecognized 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 an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognized in surplus or deficit when the asset is derecognized.

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

1.3 Intangible assets (continued)

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

The amortization period and the amortization method for intangible assets are reviewed at each reporting date. Amortization begins when the assets are available for use and ceases at the earlier of the date that the assets are classified as held for sale and the date on which the assets are derecognized.

The amortization charge for each period shall be recognized in surplus or deficit unless it is permitted or required to be included in the carrying amount of another asset.

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

Item	Useful life
Computer software	3 to 5 years

1.4 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortized cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Financial assets classified as at fair value through surplus or deficit which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

• If the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through surplus or deficit category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

Financial instruments are recognized initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognized in surplus or deficit. Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Loans and receivables are subsequently measured at amortized cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortized cost are subsequently measured at amortized cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity- specific inputs.

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognized in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognized.

Reversals of impairment losses are recognized in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because the fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognized in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to/from economic entities

These include loans to and from controlling entities, fellow controlled entities, joint ventures and associates and are recognized initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortized cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognized in surplus or deficit within operating expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and are subsequently measured at amortized cost, using the effective interest rate method.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognized as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognized in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognized directly in net assets, through the statement of changes in net assets, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in net assets is recognized in surplus or deficit; and
- For financial assets and financial liabilities carried at amortized cost, a gain or loss is recognized in surplus or deficit when the financial asset or financial liability is derecognized or impaired, and through the amortization process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or
- has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial assets are derecognized using trade settlement date accounting.

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the entity's continuing involvement is the amount of the transferred asset that the entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar a cash-settled option or similar provision) on an asset measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

1.5 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.

Finance leases - lessee

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

1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

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

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

Net realizable 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 entity will incur to acquire the asset on the reporting date.

1.6 Inventories (continued)

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expenses are recognized when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized 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 realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

1.7 Impairment of cash-generating assets

Cash-generating assets are those assets held by the company with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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/amortization.

Carrying amount is the amount at which an asset is recognized 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 held with the primary 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/amortization 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.

The 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.

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and

 estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognized 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 cashgenerating asset to which it relates, the entity recognizes a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation/amortization 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.

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 entity 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 entity 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 recognized 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.

Reversal of impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognized 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 recognized 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 recognized. 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 amortization) had no impairment loss been recognized for the asset in prior periods

A reversal of an impairment loss for a cash-generating asset is recognized 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 recognized, the depreciation/amortization charge for the cashgenerating 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 amortization or depreciation) had no impairment loss been recognized for the asset in prior periods.

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

1.8 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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/amortization.

Carrying amount is the amount at which an asset is recognized 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 held with the primary 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

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

Depreciation/amortization 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.

Identification

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

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

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

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset 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 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.

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

The replacement cost and reproduction cost of an asset is determined on an "optimized" basis. The rationale is that the entity 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 optimized 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 recognized 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-cashgenerating asset to which it relates, the entity recognizes a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation/amortization charge for the non-cashgenerating 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.

Reversal of an impairment loss

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

An impairment loss recognized 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 recognized. 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 amortization) had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognized immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

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

1.9 Shareholder's loan on incorporation

A residual interest is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Shareholder's loan on incorporation is treated as residual interest.

1.10 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

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

1.10 Employee benefits (continued)

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

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the company is demonstrably committed to curtailment or settlement.

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

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

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

Other post retirement obligations

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

1.11 Provisions and contingencies

Provisions are recognized when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognized. Provisions are not recognized for future operating deficits.

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

A constructive obligation to restructure arises only when the entity:

- has a detailed formal plan for the restructuring, identifying at least:
- the activity/operating unit or part of an activity/operating unit concerned;
- the principal locations affected;

1.11 Provisions and contingencies (continued)

- the expenditures that will be undertaken; and when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

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

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

- the amount that would be recognized as a provision; and
- the amount initially recognized less cumulative amortization.

A contingent liability is a present obligation that arises from past events but is not recognized because it is not probable that an outflow of economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with certainty.

Contingent assets and contingent liabilities are not recognized, but disclosed.

1.12 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 entity 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.

Revenue is recognized when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably.

1.12 Revenue from exchange transactions (continued)

Measurement

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognized 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 entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognized by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognized when:

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

Interest is recognized, in surplus or deficit, using the effective interest rate method.

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

1.12 Revenue from exchange transactions (continued)

Dividends or their equivalents are recognized, in surplus or deficit, when the entity's right to receive payment has been established.

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

1.13 Revenue from non-exchange transactions

Water Service Authority shortfall contributions are recognized when all conditions associated with the contribution has been met in terms of the WSP agreement and is transferred directly to the Statement of Financial Performance.

Capital grant reimbursements are claimed from the Shareholders who hold all Government grant receipts, and these receipts, are only recognized for payment purposes when actually received by the entity, and are accounted for in the Statement of Financial Performance.

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

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

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

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

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

1.13 Revenue from non-exchange transactions (continued)

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

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

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

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

The Entity is exempt from the payment of Income Tax

Recognition

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

As the entity satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non- exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes 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 recognized by the entity.

When, as a result of a non-exchange transaction, the entity recognizes an asset, it also recognizes 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 recognize a liability. Where a liability is required to be recognized 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, recognized 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 recognized as revenue.

1.14 Cost of sales

When inventories are sold, exchanged or distributed the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. If there is related revenue, the expense is recognized when the goods are distributed, or related service is rendered. The amount of any write-down of inventories to net realizable value or current replacement cost and all deficits of inventories are recognized as an expense in the period the write-down or loss

1.14 Cost of sales (continued)

occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value or current replacement cost, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

The related cost of providing services recognized as revenue in the current period is included in cost of sales.

1.15 Investment income

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

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalization is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalized do not exceed the total borrowing costs incurred.

The capitalization of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realizable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.7 and 1.8. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalization is suspended during extended periods in which active development is interrupted.

Capitalization ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalizing borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

1.16 Borrowing costs (continued)

All other borrowing costs are recognized as an expense in the period in which they are incurred.

1.17 Comparative figures

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

1.18 Unauthorized expenditure

Unauthorized 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 unauthorized expenditure is recognized 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.

1.19 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognized 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.

1.20 Irregular expenditure

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

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.22 Gratuities

The entity provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognized in the statement of financial performance when the gratuity is paid.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognized as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognized.

Partners contributions (Grants)

Water Service Authority contributions (Grants) utilized to fund assets is accounted for in the Statement of Financial Performance and transferred to the Accumulated Funds.

Water Service Authority contributions (Grants/shortfall contributions) utilized to fund operational expenditures and are accounted for in the Statement of Financial Performance.

1.24 Budget information

The entity is typically subject to budgetary limits in the form of appropriations or budget authorizations (or equivalent), which is given effect through authorizing legislation, appropriation or similar.

The 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 annual financial statements as an annexure.

1.25 Related parties

A related party is a person or entity that is related to the entity.

(a) A person or a close member of that person's family is related to the entity if that person:

- (i) has control or joint control over the entity;
- (ii) has significant influence over the entity; or
- (iii) is a member of the key management personnel of the entity or of a parent of the entity.
- (b) An entity is related to the entity if any of the following conditions applies:
- (i) the entity and the company are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

1.25 Related parties (continued)

(iii) both entities are joint ventures of a third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party.

(v) the entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the entity. If the entity is itself such a plan, the sponsoring employers are also related to the entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity).

Transactions with related parties are entered into and disclosed at arm's length.

Related party relationships where control exists are disclosed irrespective of whether there have been transactions between the related parties.

In respect of transactions between related parties other than transactions that would occur within normal supplier or client/recipient relationship on terms and conditions no more or less favorable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at an arm's length in the same circumstances, the entity discloses (a) the nature of the related party relationship, (b) the type of transaction that have occurred and (c) the elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and reliable information for decision making and accountability purposes.

1.26 Foreign exchange gains and losses

Initial measurement

All transactions that are undertaken in a foreign currency are translated into South African rands. A foreign currency transaction is recorded on initial recognition in rinds by applying to the foreign currency amount the spot exchange rate between the rinds and the foreign currency at the date of the transaction. The date of transaction is the date on which the transaction first qualifies for recognition.

Subsequent measurement

Subsequent Treatment of Monetary Items:

Monetary items held in a foreign currency shall be translated into the functional currency in the Statement of Financial Position at the closing rate. In instances where a monetary asset or liability has a rate of exchange that is fixed under the terms of the relevant contract, it cannot be used to translate the monetary assets and liabilities as this is a form of hedge accounting.

1.26 Foreign exchange gains and losses (continued)

Subsequent Treatment of Non-Monetary Items:

Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rate at the date when the fair value was determined.

Recognition of Foreign Exchange Differences

Foreign exchange gains and losses arising from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Financial Performance.

When a gain or loss on a non-monetary item is recognized directly in equity, any exchange rate component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a nonmonetary item is recognized in the Statement of Financial Performance, any exchange rate component of that gain or loss shall also be recognized in the Statement of Financial Performance.

2. FINANCIAL RISK MANAGEMENT

2.1 Credit risk

Potential credit risk mainly consists of short-term investments, cash and cash equivalents and accounts receivable. The risk from short-term investments and other cash items is restricted by transacting only with financial institutions with high credit ratings assigned by international credit-rating agencies. Credit risk with respect to trade receivables is limited to the Shareholders and their municipality's ability to meet their capital grant and trade Bulk water purchase annual Budget commitments to the entity.

2.2 Liquidity risk

uThukela Water (Pty) Ltd manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.1 Impairment of consumer and other debtors

Impairment of receivables is established if there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Accordingly, management's assessment of the recoverability is reflected through the creation of a provision for doubtful debts as reflected in the notes to the financial statements.

4. SEGMENTAL INFORMATION

Segmental information in respect of property, plant and equipment is disclosed in Appendix B to the annual financial statements attached.

Report of the Auditor General

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

STATEMENT OF FINANCIAE FOSTION AT S	50 JUNE 202		
	Note	2021	2020
		R	R
ASSETS			
Current assets		194 713 303	151 757 865
Cash and cash equivalents	1	29 424 084	20 070 160
WSA debtors	2	183 138	-
Trade and other receivables from			
exchange transactions	3	142 656 356	109 099 435
Other receivables from non-exchange			
transactions	4	2 653 050	2 564 772
VAT receivable	5	19 610 261	19 847 670
Inventory	6	186 415	175 829
Non-current assets		789 451 219	867 454 343
Property, plant and equipment	7	788 721 338	866 281 998
Intangible assets	8	729 881	1 172 345
ç			
Total assets		984 164 522	1 019 212 208
LIABILITIES			
Current liabilities		422 035 966	370 175 393
Trade and other payables	9	414 599 566	363 162 868
Unspent conditional grants and receipts	10	460 961	460 961
Current portion of service related			
employee benefit obligations	11	6 975 438	6 551 564
.,			
Non-current liabilities		11 963 630	9 821 457
obligations	11	11 963 630	9 821 457
0			
Total liabilities		433 999 596	379 996 850
Net assets		550 164 926	639 215 358
Share capital	12	100	100
Accumulated funds	12	550 164 826	639 215 258
	L)	550 104 620	039 213 230
Net assets		550 164 926	639 215 358
			000 210 000

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Note	Budget 2021 R	Actual 2021 R	Budget 2020 R	Actual 2020 R
REVENUE					
Revenue from exchange transactions					
Service charges	14	170 263 232	165 403 505	155 395 451	148 550 115
Revenue from non-exchange transactions					
Interest earned - external investments	15	107 000	1 067 037	100 000	1 488 275
Shareholder project contributions	16	-		-	222 372
Other receipts	17	779 300	326 923	-	293 479
Total revenue		171 149 532	166 797 465	155 495 451	150 554 241
EXPENDITURE					
Employee related costs	18	(59 541 583)	(58 215 964)	(50 605 435)	(52 754 301)
Depreciation and amortisation	19	(1 787 026)	(79 261 466)	(1 670 117)	(79 910 549)
Repairs and maintenance	20	(16 110 527)	(5 177 110)	(13 669 753)	(3 106 037)
Bulk water purchases	21	(29 419 149)	(30 267 399)	(27 494 532)	(27 749 518)
Interest paid/accrued	22	-	(22 945 197)	-	(22 022 422)
Contracted services	23	(2 704 180)	(2 535 657)	(4 246 335)	(3 894 144)
Inventory adjustment	6	-	10 586	-	53 841
Operating expenses	24	(60 272 768)	(57 570 388)	(56 529 979)	(52 999 739)
Total and a diama		(100 005 000)		(154.246.454)	(242,202,000)
Total expenditure	25	(169 835 232)	(255 962 593)	(154 216 151)	(242 382 869)
Gain / (loss) on disposal of assets	25	-	114 697	-	-
Surplus / (deficit) before taxation		1 314 300	(89 050 432)	1 279 300	(91 828 627)
Taxation	26	-	-	-	-
Surplus / (Deficit) for the year		1 314 300	(89 050 432)	1 279 300	(91 828 627)

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	1						I	
Description, Nature and Purpose of <u>Reserve</u>	<u>Note</u>	Share capital invested in Entity by Shareholders in terms of Company Memorandum of Association	Partner capital grant/own funds transferred to Entity for projects implemented by the Entity		Asset Revaluation Reserve, reflects assets at fair value, measured reliably, and carried at revalued amounts	Accumulated Surplus/(Deficit) reflects accumulated surplus or deficit of the Entity	Total Net Assets reflects net income retained, no dividends are paid	
			<u>Umzinyathl</u>	<u>Amajuba</u>	<u>Newcastle</u>		Excl Partners Contributions	
		<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
Balance at 30 June 2019		100	92 496 969	8 814 902	89 062 121	699 709 328	(168 596 001)	721 487 418
Operating (surplus)deficit - including shareholders contributions Acquired assets through partners		-	-	-	-	-	(91 828 627)	(91 828 627)
contribution Off- setting depreciation	13	-	- (3 722 395)	- (1 093 649)	9 555 653 (3 608 294)	- (66 248 321)	- 74 672 660	9 555 653 -
Balance at 30 June 2020		100	88 774 573	7 721 253	95 009 479	633 461 008	(185 751 969)	639 214 444
Operating (surplus)deficit - including shareholders contributions Off- setting depreciation	13	-	- (3 523 133)	- (1 093 649)	- (4 955 750)	- (65 515 868)	(89 050 432) 75 088 399	(89 050 432) -
Balance at 30 June 2021		100	85 251 440	6 627 604	90 053 729	567 945 140	(199 714 001)	550 164 012

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021	2020
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts Sales of goods and services Interest received Other receipts		133 361 729 131 882 549 1 069 299 409 881	116 271 826 113 706 848 1 571 610 993 368
Payments Employee costs Suppliers Other payments		(122 749 462) (57 953 083) (64 692 725) (103 654)	(108 619 411) (51 388 126) (57 117 499) (113 786)
NET CASH FROM OPERATING ACTIVITIES	27	10 612 266	7 652 415
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment NET CASH FROM INVESTING ACTIVITIES	7	(1 258 341) (1 258 341)	(1 648 854) (1 648 854)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVA	LENTS	9 353 925	6 003 561
Cash and cash equivalents at the beginning of the year Cash and cash equivalents at the end of the year	1&28	20 070 160 29 424 084 (9 353 925)	14 066 598 20 070 160 (6 003 561)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2021 R 2020 R

A PREAMBLE - CHANGE OF FUNCTIONS, GOING CONCERN AND DEVELOPMENTAL OBJECTIVES

Bulk water service functions - The entity, consequent to a Provincially instituted section 78 (MSA32/2000) water services assessment conducted for the region, and in terms of a COGTA Provincial Directive dated 7 June 2012, operates as an interim bulk water services provider to the municipalities of Newcastle, Amajuba and Umzinyathi Districts, pending a final decision by the Minister of Water Affairs regarding the future dispensation of water services in the region. The matter has been referred to the National Cabinet for review and a final decision in this regard.

Going concern - The Board provides bulk water services to the municipalities on the assumption that it will be paid for the services rendered in accordance with the WSP/WSA signed water services agreements in place, and also as instructed by the Provincial Council in its directive dated 7 June 2012. The agreements regulate the bulk water business operations, functions, obligations and objectives to be carried out by the Board on behalf of the shareholder municipalities. Annual business plans, operational and capital budgets, tariff model, Performance Management objectives/Targets and risk assessment plans are formulated jointly by all parties and agreed to upfront. The entity reports regularly (monthly and quarterly) to the municipalities and they in turn monitor, evaluate and manage the entities progress accordingly. The going concern of the entity is dependent on the continued funding/payment from the WSA's.

Developmental objectives - The Board annually submits its capital and developmental requirements to the municipalities and it is of great concern that the municipalities do not approve a funded capital budget for the Board to implement. The bulk water infrastructures are very old and outdated and require regular and constant refurbishment and replacement. This lapse in adequate funding is a high risk to the sustainability and future of bulk water services in the region. The Board has provided the municipalities with possible funding models to give emphases to its funding options, but unfortunately, these have not been approved. The municipalities also do not pay the annual capital infrastructure depreciation charges to the entity.

1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:		
Cash on hand	13 754	8 713
Cash at bank	1 069 054	2 111 315
Cash on call and short notice deposits	28 341 276	17 950 132
	29 424 084	20 070 160

uThukela Water (pty) Ltd has the following bank accounts:

Account Number - Bank - Account Description		Bank		
	Cash Book	Statement	Cash Book	Bank Statement
	Balance	Balance	Balance	Balance
	30 06 2021	30 06 2021	30 06 2020	30 06 2020
Cash at bank				
4059636838 - Absa	145 247	145 247	213 89	5 213 895
4060280600 - Absa - Customer Care	-	-	20 57	2 20 572
061938939 - Standard Bank - Primary Current Account	923 807	923 807	1 876 84	7 1 876 847
	1 069 054	1 069 054	2 111 31	5 2 111 315
Cash on call and short notice deposits				
268586055-015 - Standard Notice Deposit	17 271 106	17 271 106	10 246 98	4 10 246 984
268586055-002 - Standard Notice call Account	10 533 309	10 533 309	6 012 59	6 012 591
92 5753 8348 - Absa - Deposit	536 862	536 862	1 690 55	7 1 690 557
	28 341 276	28 341 276	17 950 13	2 17 950 132
Petty cash	13 754		8 71.	3
Total Cash and cash equivalents	29 424 084	29 410 330	20 070 16	20 061 447

For the purposes of the cash flow statement, the cash and cash equivalents comprise the total cash and cash equivalents as disclosed above.

		2021	2020
		R	R
2	WSA DEBTORS		
	Assets Funding		
	Umzinyathi District Municipality	499 813	316 676
	Revenue Funding	82 763 673	82 763 673
	Umzinyathi District Municipality	64 191 401	64 191 401
	Amajuba District Municipality	18 572 273	18 572 273
	Total WSA Debtors	83 263 487	83 080 349

There is a Provincial Executive Committee directive that the WSA's in arrears with their shortfall payments must make these good. See also note under

Less: Provision for bad debts

Balance at beginning of the year	83 080 349	83 080 349
Balance at end of year	83 080 349	83 080 349
	183 138	-

Output Vat of R 23 887,50 is included in the debtor balances - also see note 5 below.

3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

3.1	Trade receivables	Gross Balances	Provision for Doubtful Debts R	Net Balance R	Gross Balances R	Provision for Doubtful Debts R
0.1						
	as at 30 June 2021					
	Service debtors					
	Water	222 909	(50 025)	172 884	242 145	(81 003)
	Total	222 909	(50 025)	172 884	242 145	(81 003)
	as at 30 June 2020					
	Service debtors					
	Water	242 145	(81 003)	161 142	140 218	(80 753)
	Total	242 145	(81 003)	161 142	140 218	(90 752)
	lotal	242 145	(81 003)	161 142	140 218	(80 753)
	Water : Ageing					
	Current (0 – 30 days)	66 494			150 718	
	31 - 60 Days	98 122			-41	
	61 - 90 Days	2 769			6 228	
	+ 91 Days	55 524			85 241	
	Total	222 909			242 145	
	Summary of Debtors by Customer Classification	Consumers	Industrial /	National and		
			Commercial	Provincial		
				Government		
		R	R	R		
	as at 30 June 2021					
	Current (0–30 days)	66 494	-	-		
	31 - 60 Days	98 122	-	-		
	61 - 90 Days	2 769	-	-		
	91 and over	55 524	-	-		
	Sub-total	222 909	-	-		
	Less: Provision for doubtful debts	(50 025)	-	-		
	Total debtors by customer classification	172 884	-	-		
	-					

Output Vat of R 22 550,05 is included in the debtor balances - also see note 5 below

R R as at 30 June 200 150 718 - - 31 - 60 Days - - - - 31 - 60 Days - - - - - 91 and over - - - - - 91 and over -<		2021			2020
Current (0 - 30 days) 150 718 - 31 - 60 Days 6228 - 91 and over 85 241 - 91 and over 85 241 - 1 coll debtors for doubtful debts (81 033) - Data debtors for doubtful debts (81 033) - Data debtors for doubtful debt provision 81 003 80 753 Balance at beginning of the year 81 003 80 753 Provision (Reversal) 0025 81 003 Balance at end of year 81 003 80 753 Provision (Reversal) 100 472 70 81 003 Newcaster Municipality 10 47 270 85 41 066 Newcaster Municipality 114 24 488 275 108 943 096 Sub total 142 488 275 108 943 096 Sub total 142 488 275 108 943 096 Sub total 142 488 275 108 943 096 Output Vat of R 18 584 800.591 is included in the debtor balances - also see note 5 below 4803 Output Vat of R 18 584 800.591 is included in the debtor balances - also see note 5 below 108 7680 Other debtors 2641 805 107 5886 107 5886 107 5886 </td <td></td> <td>R</td> <td></td> <td></td> <td>R</td>		R			R
31 - 6 Days -41 - 61 - 90 Days 6228 - 91 and over 282 146 - Ess: Provision for doubtful debts (81 003) - Total debtors by customer classification 161 142 - Provision (Reversal) (80 075) 80 753 Provision (Reversal) (90 796) 81 003 Balance at end of year 50 025 81 003 Trode receivables - Bulk Supplies (90 796) 82 750 Umsinynth District Municipality 10 61 72 709 81 603 205 Newcastle Municipality 15 607 909 32 606 205 Sub total 142 488 275 108 943 096 Pecondilation of the doubtful debt provision 32 66 536 109 999 435 Balance at beginning of the year 4 803 4 803 Total 142 68 326 109 999 435 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 107 580 Other debtors 2 641 885 2 53 151 Total other debtors 3 711 795 3 62 581 Less: Provision for bad debts 2 105 705 104 760 Depo	as at 30 June 2020				
61-30 Days 6228 - 31 and over 242 146 - Sub-total 242 146 - Less: Provision for doubtful debts (81 003) - Detaid debtors by costomer classification 161 142 - Deconditation of the doubtful debt provision 80 753 250 Balance at beginning of the year 81 003 - 80 753 Trade rescribelies - Bulk Supplies 00 205 81 003 80 753 Umainyabil District Municipality 10 417 270 83 470 038 83 470 038 Aradja District Municipality 116 667 509 83 470 038 83 670 038 Aradja District Municipality 116 667 509 83 870 038 180 695 198 Integration of the doubtful debt provision 80 30 66 108 983 096 108 983 096 Balance at end of year 4 803 4 403 4 403 Balance at end of year 4 803 4 803 4 803 Balance at end of year 106 699 90 108 7680 2 538 151 Outout Vat of R 18 584 800.5916 included in the debtor balances - also see note 5 below 105 806 2 538 151 Outout Vat of R 28 575	Current (0 – 30 days)	150 718	-	-	
91 and over 85 241 - Less: Provision for doubtful debts (81.003) - Total debtors by customer classification 161.142 - Balance at beginning of the year 81.003 80.753 Provision (Reversal) (30.978) 220 Balance at beginning of the year 50.025 81.003 Trade rescrivables. Bulk Supplies 10.417.270 85.416.670.90 Umainynahi District Municipality 11.66.709.90 85.410.83 Amajuba District Municipality 11.66.709.90 85.410.83 Amajuba District Municipality 11.66.709.90 85.410.83 Balance at beginning of the year 4.803 4.803 Balance at edginning of the year 4.803 4.803 Balance at edginning of the year 4.803 4.803 Total Trade Receivables - Bulk Supplies 142.686.275 109.999.435 Output Vat of R 18.564.800.59 is included in the debtor balances - also see note 5 below 1067.660 Other debtors 2.641.805 2.538.51 Total other debtors 3.711.785 3.625.831 Less: Provision for bad debts 2.315 -1.41.727	31 - 60 Days	-41	-	-	
91 and over 85 241 - Less: Provision for doubtful debts (81.003) - Total debtors by customer classification 161.142 - Balance at beginning of the year 81.003 80.753 Provision (Reversal) (30.978) 220 Balance at beginning of the year 50.025 81.003 Trade rescrivables. Bulk Supplies 10.417.270 85.416.670.90 Umainynahi District Municipality 11.66.709.90 85.410.83 Amajuba District Municipality 11.66.709.90 85.410.83 Amajuba District Municipality 11.66.709.90 85.410.83 Balance at beginning of the year 4.803 4.803 Balance at edginning of the year 4.803 4.803 Balance at edginning of the year 4.803 4.803 Total Trade Receivables - Bulk Supplies 142.686.275 109.999.435 Output Vat of R 18.564.800.59 is included in the debtor balances - also see note 5 below 1067.660 Other debtors 2.641.805 2.538.51 Total other debtors 3.711.785 3.625.831 Less: Provision for bad debts 2.315 -1.41.727		6 228	-	-	
Sub-total 242 146 - Total debtors by customer dassification 161 142 - Beconciliation of the doubtful debt provision 80 753 250 Balance at beginning of the year 81 003 80 753 Provision/(Reversal) (30 978) 250 Balance at end of year 50 025 81 003 Trade receivables - Bulk Supplies Umainyathi District Municipality 10 417 270 Mexicastic Municipality 10 417 270 5415 683 Amajaba District Municipality 116 667 909 88 470 038 Amajaba District Municipality 116 2488 275 108 943 096 Recondiliation of the doubtful debt provision 89 13066 198 943 096 Balance at end of year 4 803 4803 Total 142 488 275 108 943 096 Balance at end of year 4 803 4803 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 258 151 Other debtors 3711 795 3 625 831 Less: Provision for bad debts 2315 -14776 Balance at nof of year <t< td=""><td></td><td>85 241</td><td>-</td><td>-</td><td></td></t<>		85 241	-	-	
Iss:: Provision for doubful debts (103) - Intervention 161 142 - Balance at beginning of the year 81 003 200 Provision (Reversal) (20078) 200 Balance at end of year 50 025 81 003 Trade receivables - Bulk Supplies 54 16 863 85 470 038 Umainyathi District Municipality 10 417 270 54 46 863 Nangiaba District Municipality 142 488 275 108 943 066 Nangiaba District Municipality 142 488 275 108 943 066 Sub-total 142 488 275 108 943 066 Provision (Revict Municipality 142 488 275 108 943 066 Balance at ned of year 4 803 4803 Gotal Trade Receivables - Bulk Supplies 142 656 356 109 099 435 Output Vat of R18 584 800.59 is included in the debtor balances - also see note 5 below 258 1151 3625831 Less: Provision for bad debts 2641 806 258 1151 3625831 Less: Provision for bad debts 2641 806 258 151 3625831 Less: Provision for bad debts 2653 050 2584 152 3625831 Balance at end of year <td></td> <td></td> <td></td> <td></td> <td></td>					
Total debtors by customer classification 161142 - Beconciliation of the doubtful debt provision 80 753 Balance at beginning of the year 81 003 80 753 Provision/(Reversal) 200 31 003 Trade receivables - Bulk Supplies 10 417 270 10 417 270 Umainyathi District Municipality 10 667 909 5 416 863 Amagibab District Municipality 15 403 085 108 943 096 Provision of the year 4 803 4 803 Amagibab District Municipality 114 2488 275 108 943 096 Deconciliation of the doubtful debt provision 80 109 930 965 108 943 096 Balance at beginning of the year 4 803 4 803 Total Trade Receivables - Bulk Supplies 142 656 356 109 099 435 Output Vat of R 18 584 800.59 Is included in the debtor balances - also see note 5 below 2 588 551 1087 860 Deposits with suppliers 2 641 805 2 588 551 142 565 356 District of the year 1 066 990 1 075 836 1075 836 Deposits with suppliers 2 641 805 2 588 551 142 775 Balance at end of year 1 056 745 1 1056 745 <td></td> <td></td> <td>-</td> <td>-</td> <td></td>			-	-	
Reconciliation of the doubtful debt provision 81 003 80 753 Balance at beginning of the year (30 978) 250 Balance at end of year 50 025 81 003 Trade receivables - Bulk Supplies 10 417 279 84 70038 Unxinyathi District Municipality 10 617 799 84 70038 Anajoba District Municipality 15 403 095 84 70038 Newcastle Municipality 15 403 095 84 70038 Anajoba District Municipality 142 488 275 108 943 096 Total 142 488 275 108 943 096 Balance at beginning of the year 4 803 4 803 Balance at od of year 4 803 4 603 Data to at beginning of the year 4 803 4 603 Dutout Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 108 999 90 1 087 680 Other debtors 1061 999 1 051 786 2 538 151 Other debtors 1 061 060 1075 836 1 42 776 Balance at end of year 1 061 060 2 538 151 1 42 768 Other debtors 2 653 050 2 554 772 1 061 060 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 553 752 1 051 762 Output Vat of R 281.37 is included in the debtor balances - a			-	-	
Balance at beginning of the year 81 003 80 753 Balance at end of year 50 025 81 003 Trede receivables - Bulk Supplies 10 417 270 54 16 863 Uminyathi District Municipality 10 417 270 54 16 863 Nanglaba District Municipality 10 42 488 275 108 943 096 Amajuba District Municipality 142 488 275 108 943 096 Sub-total 142 488 275 108 943 096 Perconciliation of the doubtful debt provision 4803 4803 Balance at beginning of the year 4 803 4803 Total Trade Receivables - Bulk Supplies 142 656 356 109 099 435 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 2 538 151 Total of redebtors 2 641 805 2 538 151 Total of redebtors 1069 990 2 538 151 Total of redebtors 2 653 050 2 538 151 Total of redebtors 1 061 060 1 075 886 Control Vat of R 281.37 is included in the debtor balances - also see note 5 below 1 061 060 Control Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 538 151 Distance at end of year 1 061 060 1 075 886 Control Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 563 050	lotal debtors by customer classification	161 142	-	-	
Provision/(Reversal) (20 978) 250 Balance at end of year 50 025 81 003 Trade receivables - Bulk Supplies 10 417 270 5 416 863 Umrainyabil District Municipality 10 667 909 5 416 863 Amajuba District Municipality 124 688 275 108 943 096 Reconciliation of the doubtful debt provision 8 883 086 Balance at beginning of the year 4 803 4 803 Galance at beginning of the year 4 803 4 803 Total Trade Receivables - Bulk Supplies 142 656 356 109 099 435 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 2 533 151 3 625 831 Deposits with suppliers 2 641 805 2 533 151 3 625 831 Less: Provision for bad debts 3 711 795 3 625 831 1 625 836 Balance at end of year 1 061 060 1 075 836 1 4776 Dutput Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 553 050 2 554 772 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 1 051 680 1 075 836 Contributions to provision 2 533 050 2 553 050	Reconciliation of the doubtful debt provision				
Balance at end of year 50 025 81 003 Trade receivables - Bulk Supplies 10 417 270 5 416 863 Umzinyathi District Municipality 10 417 270 5 416 863 Newcastle Municipality 15 603 096 85 470 038 Amajuba District Municipality 15 403 096 88 400.6 Sub-total 142 488 275 108 943 066 Reconciliation of the doubtful debt provision 8 4 803 Balance at beginning of the year 4 803 4 803 Total 142 466 256 109 099 435 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 108 943 06 Other debtors 1 069 990 1 087 680 Deposits with suppliers 2 641 805 2 538 151 Total other debtors 3 711 795 3 625 831 Less: Provision for bad debts 1 061 060 1 075 886 Balance at end of year 1 061 660 1 075 886 Contributions to provision -2 315 -14 776 Balance at end of year 1 061 660 2 564 772 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 564 772 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 564 772 Output Vat of R 281.37 is included in the debtor balances	Balance at beginning of the year	81 003			80 753
Balance at end of year 50 025 81 003 Trade receivables - Bulk Supplies 10 417 270 5 416 863 Umzinyathi District Municipality 10 417 270 5 416 863 Newcastle Municipality 15 603 096 85 470 038 Amajuba District Municipality 15 403 096 88 400.6 Sub-total 142 488 275 108 943 066 Reconciliation of the doubtful debt provision 8 4 803 Balance at beginning of the year 4 803 4 803 Total 142 466 256 109 099 435 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 108 943 06 Other debtors 1 069 990 1 087 680 Deposits with suppliers 2 641 805 2 538 151 Total other debtors 3 711 795 3 625 831 Less: Provision for bad debts 1 061 060 1 075 886 Balance at end of year 1 061 660 1 075 886 Contributions to provision -2 315 -14 776 Balance at end of year 1 061 660 2 564 772 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 564 772 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 564 772 Output Vat of R 281.37 is included in the debtor balances	Provision/(Reversal)	(30 978)			250
Trade receivables - Bulk Supplies Umxinyathi District Municipality 10 417 270 116 667 909 15 430 906 10 543 096 100 593 096 100 593 096 Amajuba District Municipality 112 488 275 108 943 096 Sub-total 112 488 275 108 943 096 Peconciliation of the doubtful debt provision 8 Balance at beginning of the year 4 803 4 403 142 488 275 4 803 100 999 435 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 00 Other debtors 1 069 990 2 538 151 1 3711 795 1 067 880 2 538 151 1 3625 881 Less: Provision for bad debts 1 061 060 2 553 050 1 075 836 1 007 099 Balance at beginning of the year 1 061 060 2 553 050 1 075 836 2 538 151 1 056 590 2 558 725 Other debtors 1 055 725 1 0061 060 2 553 050 1 075 836 2 538 151 1 051 060 2 553 050 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 1 075 836 2 553 050 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 1 075 836 2 553 050 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 1 075 836 2 001 000 VAT 201 202 Debtors Vat Raised - Not Yet Due Certions Invoices Vat Raised - Not Yet Claimed 2 6 20 091 37 621 689 3 3 795					
Umzinyathi District Municipality 10 417 270 5 416 863 Newcastle Municipality 116 667 909 5 8470038 Amajuba District Municipality 142 488 275 108 943 096 Sub-total 142 488 275 108 943 096 Total 142 488 275 108 943 096 Balance at beginning of the year 4 803 4 803 Balance at beginning of the year 4 803 4 803 Total Trade Receivables - Bulk Supplies 142 656 356 109 099 435 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 1 087 680 2 538 151 Other debtors 1 069 990 1 087 680 2 538 151 Deposits with suppliers 2 641 805 2 538 151 Total of rade debts 1 065 990 2 053 050 2 538 151 Balance at beginning of the year 1 061 060 1 075 836 1 067 680 Deposits with suppliers 2 653 050 2 564 772 1 061 060 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 563 050 2 564 772 Output Vat of R 281.37 is included in the debtor balances - also see					
Newcastle Municipality 116 667 909 85 470 038 Amajuba District Municipality 15 403 096 180 563 196 Sub-total 142 488 275 108 943 096 Total 142 488 275 108 943 096 Balance at beginning of the year 4 803 4 803 Balance at end of year 4 803 4 803 Total Trade Receivables - Bulk Supplies 142 656 356 109 099 435 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 1087 680 Other debtors 1069 990 1087 680 Deposits with suppliers 2 641 805 2 533 151 Total other debtors 3 711 795 3 625 831 Less: Provision for bad debts Balance at beginning of the year 1061 060 East end of year 1058 745 1061060 Z 253 050 2 2564 772 Output Vat of R 281,37 is included in the debtor balances - also see note 5 below 2 564 772 Output Vat of R 281,37 is included in the debtor balances - also see note 5 below 2 564 772 Output Vat of R 281,37 is included in the debtor balances - also see note 5 below 2 2020 <	Trade receivables - Bulk Supplies				
Newcastle Municipality 116 667 909 85 470 038 Amajuba District Municipality 15 403 096 180 563 196 Sub-total 142 488 275 108 943 096 Total 142 488 275 108 943 096 Balance at beginning of the year 4 803 4 803 Balance at end of year 4 803 4 803 Total Trade Receivables - Bulk Supplies 142 656 356 109 099 435 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 1087 680 Other debtors 1069 990 1087 680 Deposits with suppliers 2 641 805 2 533 151 Total other debtors 3 711 795 3 625 831 Less: Provision for bad debts Balance at beginning of the year 1061 060 East end of year 1058 745 1061060 Z 253 050 2 2564 772 Output Vat of R 281,37 is included in the debtor balances - also see note 5 below 2 564 772 Output Vat of R 281,37 is included in the debtor balances - also see note 5 below 2 564 772 Output Vat of R 281,37 is included in the debtor balances - also see note 5 below 2 2020 <	Umzinyathi District Municipality	10/17 270			5 /16 862
Amajuba District Municipality 15 403 096 18 056 196 Sub-total 142 488 275 108 943 096 Total 142 488 275 108 943 096 Balance at beginning of the quar 4 803 4 803 Balance at beginning of the year 4 803 4 803 Total Trade Receivables - Bulk Supplies 142 656 356 109 099 435 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 007HER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS Other debtors 1069 990 1087 680 Deposits with suppliers 2 641 805 2 538 151 Total other debtors 3 711 795 3 625 831 Less: Provision for bad debts 1061 060 1 075 836 Balance at beginning of the year 1 061 060 1 075 836 Contributions to provision -2 315 -14 776 Balance at end of year 1 062 826 2 563 050 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 564 772 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 564 772 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 202 2 202					
Sub-total 142 488 275 108 943 096 Total 142 488 275 108 943 096 Reconciliation of the doubtful debt provision 4803 4803 Balance at end of year 4803 4803 Total Trade Receivables - Bulk Supplies 142 656 356 109 099 435 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 0 Other debtors 2 641 805 2 538 151 Peposits with suppliers 2 641 805 2 538 151 Total other debtors 3 711 795 3 625 831 Less: Provision for bad debts 1061 060 1 075 836 Balance at beginning of the year 1 061 060 1 075 836 Contributions to provision -2 315 -14776 Balance at end of year 1 061 060 1 075 836 Contributions to provision -2 315 -14776 Balance at end of year 1 061 060 1 075 836 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 564 772 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 3 73 795 502 VAT 2021 2020 Debtors Vat					
Total 142 488 275 108 943 096 Reconciliation of the doubtful debt provision 4803 4803 Balance at beginning of the year 4803 4803 Balance at end of year 4803 4803 Total Trade Receivables - Bulk Supplies 142 656 356 109 099 435 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 000000000000000000000000000000000000					
Reconciliation of the doubtful debt provision Balance at beginning of the year 4 803 Balance at end of year 4 803 Cotal Trade Receivables - Bulk Supplies 142 656 356 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below Other debtors 1 069 990 Other debtors 1 087 680 Deposits with suppliers 2 641 805 Total Trade debtors 2 538 151 Total of provision for bad debts 1 061 060 Balance at beginning of the year 1 061 060 -2 315 -14 276 Balance at of year 1 061 060 -2 335 -14 276 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below VAT 2021 Debtors Vat Raised - Not Yet Due (18 631 520) Creditors Invoices Vat Raised - Not Yet Claimed 37 621 689 VAT receivable/(payable) 2001					
Balance at beginning of the year 4803 4803 Balance at end of year 4803 4803 Total Trade Receivables - Bulk Supplies 142 656 356 109 099 435 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 109 099 435 Other debtors 2641 805 2538 151 Total Trade Receivables - Bulk Suppliers 2 641 805 2538 151 Total other debtors 3 711 795 3 625 831 Less: Provision for bad debts 1051 060 1075 836 Balance at beginning of the year 1 061 060 1075 836 Contributions to provision -2 315 -14 776 Balance at end of year 1 051 060 2 564 772 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 564 772 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 564 772 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 2653 050 VAT 2021 2020 Debtors Vat Raised - Not Yet Due (18 631 520) (14 230 543) Creditors Invoices Vat Raised - Not Yet Claimed 37 621 689 33 719 502 VAT receivable/(payable) 200 091 338 712	Total	142 488 275			108 943 096
Balance at end of year 4803 4803 Total Trade Receivables - Bulk Supplies 142 656 356 109 099 435 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 0 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS 1069 990 1087 680 Obeposits with suppliers 2 641 805 2 538 151 Total other debtors 3 711 795 3 625 831 Less: Provision for bad debts 1061 060 1075 836 Balance at beginning of the year 1061 060 1075 836 Contributions to provision -2 315 -14 776 Balance at end of year 1058 745 1061 060 Utput Vat of R 281,37 is included in the debtor balances - also see note 5 below 2020 VAT 2021 2020 Debtors Vat Raised - Not Yet Due (18 631 520) (14 230 543) Creditors Invoices Vat Raised - Not Yet Claimed 37 621 689 33 739 502 VAT receivable/(payable) 2020 338 712	Reconciliation of the doubtful debt provision				
Balance at end of year 4803 4803 Total Trade Receivables - Bulk Supplies 142 656 356 109 099 435 Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below 0 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS 1069 990 1087 680 Obeposits with suppliers 2 641 805 2 538 151 Total other debtors 3 711 795 3 625 831 Less: Provision for bad debts 1061 060 1075 836 Balance at beginning of the year 1061 060 1075 836 Contributions to provision -2 315 -14 776 Balance at end of year 1058 745 1061 060 Utput Vat of R 281,37 is included in the debtor balances - also see note 5 below 2020 VAT 2021 2020 Debtors Vat Raised - Not Yet Due (18 631 520) (14 230 543) Creditors Invoices Vat Raised - Not Yet Claimed 37 621 689 33 739 502 VAT receivable/(payable) 2020 338 712	Balance at beginning of the year	4 803			4 803
Total Trade Receivables - Bulk Supplies 142 656 356 109 099 435 Output Vat of R 18 584 800,59 is included in the debtor balances - also see note 5 below 0 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS 1069 990 1087 680 Other debtors 1069 990 2538 151 Total other debtors 2 641 805 2538 151 Total other debtors 3711 795 3 625 831 Less: Provision for bad debts 1061 060 1075 836 Balance at beginning of the year 1 061 060 1075 836 Contributions to provision -2 315 -14 776 Balance at end of year 1 058 745 1 061 060 Z 553 050 2 564 772 0 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 020 2 021 2020 Debtors Vat Raised - Not Yet Due (18 631 520) (14 230 543) 33 739 502 33 739 502 VAT 2020 2091 33 8712 33 739 502 33 739 502					
Output Vat of R 18 584 800.59 is included in the debtor balances - also see note 5 below OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS Other debtors 1 069 990 Deposits with suppliers 2 541 805 Total other debtors 3 711 795 Less: Provision for bad debts Balance at beginning of the year 1 061 060 Contributions to provision -2 315 Balance at end of year 1 058 745 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below VAT 2021 VAT 2021 Debris Vat Raised - Not Yet Due (18 631 520) Creditors Invoices Vat Raised - Not Yet Claimed 37 621 689 VAT 2020	balance at end of year	4005			4005
OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS. Other debtors 1 069 990 1 087 680 Deposits with suppliers 2 641 805 2 538 151 Total other debtors 3 711 795 3 625 831 Less: Provision for bad debts 3 625 831 3 625 831 Balance at beginning of the year 1 061 060 1 075 836 Contributions to provision -2 315 -14 776 Balance at end of year 1 058 745 1 061 060 Z 653 050 Z 564 772 2 564 772 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2 202 2 202 Debtors Vat Raised - Not Yet Due (18 631 520) (14 230 543) 3 3 739 502 Creditors Invoices Vat Raised - Not Yet Claimed 37 621 689 3 3 739 502 3 38 712 VAT 2020 2021 2020 238 712 3 3 739 502	Total Trade Receivables - Bulk Supplies	142 656 356			109 099 435
Other debtors1 069 9901 087 680Deposits with suppliers2 641 8052 538 151Total other debtors3 711 7953 625 831Less: Provision for bad debts1 007 8361 075 836Balance at beginning of the year1 061 0601 075 836Contributions to provision-2 315-14 776Balance at end of year1 0058 7451 061 060Contributors to provision2 653 0502 564 772Output Vat of R 281,37 is included in the debtor balances - also see note 5 below2020VAT20212020Debtors Vat Raised - Not Yet Due Creditors Invoices Vat Raised - Not Yet Claimed VAT receivable/(payable)37 621 689 620 09133 739 502 338 712	Output Vat of R 18 584 800,59 is included in the debtor l	balances - also see note 5 l	below		
Deposits with suppliers2 641 8052 538 151Total other debtors3 711 7953 625 831Less: Provision for bad debts11051 0601 075 836Balance at beginning of the year1 061 060-2 315-14 776Contributions to provision-2 315-14 7761 061 060Balance at end of year1 058 7451 061 0602 564 772Output Vat of R 281.37 is included in the debtor balances - also see note 5 below2 564 7722020VAT20212020Debtors Vat Raised - Not Yet Due (18 631 520) Creditors Invoices Vat Raised - Not Yet Claimed VAT receivable/(payable)37 621 689 620 09133 739 502 33 739 502 338 712	OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACT	TIONS_			
Deposits with suppliers2 641 8052 538 151Total other debtors3 711 7953 625 831Less: Provision for bad debts11051 0601 075 836Balance at beginning of the year1 061 060-2 315-14 776Contributions to provision-2 315-14 7761 061 060Balance at end of year1 058 7451 061 0602 564 772Output Vat of R 281.37 is included in the debtor balances - also see note 5 below2 564 7722020VAT20212020Debtors Vat Raised - Not Yet Due (18 631 520) Creditors Invoices Vat Raised - Not Yet Claimed VAT receivable/(payable)37 621 689 620 09133 739 502 33 739 502 338 712					
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Less: Provision for bad debts Balance at beginning of the year 1 061 060 1 075 836 Contributions to provision -2 315 -14 776 Balance at end of year 1 058 745 1 061 060 2 653 050 2 564 772 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2020 VAT 2021 2020 Debtors Vat Raised - Not Yet Due (18 631 520) (14 230 543) Creditors Invoices Vat Raised - Not Yet Claimed 37 621 689 33 739 502 VAT receivable/(payable) 620 091 338 712	Deposits with suppliers	2 641 805			2 538 151
Balance at beginning of the year 1061 060 1075 836 Contributions to provision -2315 -14776 Balance at end of year 1058 745 1061 060 2 653 050 2 564 772 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2020 VAT 2021 2020 Debtors Vat Raised - Not Yet Due (18 631 520) (14 230 543) Creditors Invoices Vat Raised - Not Yet Claimed 37 621 689 33 739 502 VAT receivable/(payable) 620 091 338 712	Total other debtors	3 711 795			3 625 831
Contributions to provision-2315-14776Balance at end of year105874510610602653 0502564772Output Vat of R 281.37 is included in the debtor balances - also see note 5 below2021VAT20212020Debtors Vat Raised - Not Yet Due(18 631 520)(14 230 543)Creditors Invoices Vat Raised - Not Yet Claimed37 621 68933 739 502VAT receivable/(payable)620 091338 712	Less: Provision for bad debts				
Contributions to provision-2315-14776Balance at end of year105874510610602653 0502564772Output Vat of R 281.37 is included in the debtor balances - also see note 5 below2021VAT20212020Debtors Vat Raised - Not Yet Due(18 631 520)(14 230 543)Creditors Invoices Vat Raised - Not Yet Claimed37 621 68933 739 502VAT receivable/(payable)620 091338 712	Delense at beginning of the second	1.001.000			4 075 000
Balance at end of year 1058 745 1061 060 2 653 050 2 564 772 Output Vat of R 281.37 is included in the debtor balances - also see note 5 below 2021 VAT 2021 2020 Debtors Vat Raised - Not Yet Due (18 631 520) (14 230 543) Creditors Invoices Vat Raised - Not Yet Claimed 37 621 689 33 739 502 VAT receivable/(payable) 620 091 338 712					
Z 653 050Z 564 772Output Vat of R 281.37 is included in the debtor balances - also see note 5 belowVATZ021Debtors Vat Raised - Not Yet Due(18 631 520)Creditors Invoices Vat Raised - Not Yet Claimed37 621 68933 739 50233 739 502VAT receivable/(payable)620 091	Contributions to provision				-14 776
VAT 2021 2020 Debtors Vat Raised - Not Yet Due (18 631 520) (14 230 543) Creditors Invoices Vat Raised - Not Yet Claimed 37 621 689 33 739 502 VAT receivable/(payable) 620 091 338 712	Balance at end of year	1 058 745			1 061 060
VAT 2021 2020 Debtors Vat Raised - Not Yet Due (18 631 520) (14 230 543) Creditors Invoices Vat Raised - Not Yet Claimed 37 621 689 33 739 502 VAT receivable/(payable) 620 091 338 712					
VAT20212020Debtors Vat Raised - Not Yet Due(18 631 520)(14 230 543)Creditors Invoices Vat Raised - Not Yet Claimed37 621 68933 739 502VAT receivable/(payable)620 091338 712		2 653 050			2 564 772
Debtors Vat Raised - Not Yet Due (18 631 520) (14 230 543) Creditors Invoices Vat Raised - Not Yet Claimed 37 621 689 33 739 502 VAT receivable/(payable) 620 091 338 712	Output Vat of R 281.37 is included in the debtor balance	es - also see note 5 below			
Creditors Invoices Vat Raised - Not Yet Claimed 37 621 689 33 739 502 VAT receivable/(payable) 620 091 338 712	<u>VAT</u>	<u>2021</u>			<u>2020</u>
Creditors Invoices Vat Raised - Not Yet Claimed 37 621 689 33 739 502 VAT receivable/(payable) 620 091 338 712	Dektern Vet Delend Net Vet D	(10 (24 520)			(4 4 220 5 42)
VAT receivable/(payable) 620 091 338 712					
Total VAT receivable/(payable) 19 610 261 19 847 670	VAT receivable/(payable)	620 091			338 712
	Total VAT receivable/(payable)	19 610 261			19 847 670

VAT is currently paid and claimed on the receipts and payments basis. Only once payment is received from debtors or made to creditors is VAT paid/claimed to/from SARS - See also notes 2, 3, 4 & 9.

As the impairment provision for unpaid debtors includes VAT, the amount provided for debtors - vat raised not yet due - excludes the impaired debtors in the provision above.

		2021	2020
6	INVENTORIES	R	R
	Water	186 415	175 829
	Inventories are measured at the cost of production and sub inventory at 30 June 2021.	osequent net realisable va	ue utilizing the cost of production, and represents the fair value of the
	The total carrying amount of inventory in classification appropriate to the Entity is: Potable; 46,3 Ml at R3,81 per Kl and Raw water; 16,45 Ml at R0,6021 and 5.88 Ml at R0.0312 per kl	186 415	175 829
	The total carry amount of inventory at fair Value Less cost to sell : Already accounted for		

 The amount of inventory recognized as an expense during
 -10 586
 -53 841

 the period ended 30 June 2021
 -51 841

No inventory or carrying amounts of inventory were pledged as security

7 PROPERTY, PLANT & EQUIPMENT

Assets at 30 June 2021	Balance at 30-Jun-21	Additions	Transfers	Re-Valuations	Balance at 30-Jun-20
Water Infrastructure	1 361 490 952	-	-	-	1 361 490 952
Vehicles	5 489 827	-	-	-	5 489 827
Plant & Equipment	68 911 655	817 994	-	-	68 093 661
Furniture, Equipment and Fittings	3 925 509	440 347	-	-	3 485 162
Totals	1 439 817 944	1 258 341	-	-	1 438 559 602
Accumulated Depreciation	Balance at	Additions	Transfers	Re-Valuations	Balance at
	30-Jun-21				30-Jun-20
Water Infrastructure	603 982 817	72 505 833	-	-	531 476 984
Vehicles	3 895 967	540 660	-	-	3 355 307
Plant & Equipment	40 378 053	5 401 177	-	-	34 976 876
Furniture, Equipment and Fittings	2 839 769	371 331	-	-	2 468 438
Totals	651 096 606	78 819 001	-	-	572 277 604
Carrying Values at Year End	Balance at 30-Jun-21	Movement	Transfers	Re-Valuations	Balance at 30-Jun-20
14/	757 500 425	(72 505 022)			020 012 000
Water Infrastructure	757 508 135	(72 505 833)	-	-	830 013 968
Vehicles	1 593 860	(540 660) (4 583 183)	-	-	2 134 520 33 116 786
Plant & Equipment	28 533 603 1 085 740	(4 583 183) 69 016	-	-	1 016 724
Furniture, Equipment and Fittings Totals	788 721 338	(77 560 660)	-	-	866 281 998
Assets at 30 June 2020	Balance at	Additions	Transfers	Re-Valuations	Balance at
<u>Assets at 50 June 2020</u>	30-Jun-20	Additions	Transfers		30-Jun-19
Water Infrastructure	1 361 490 952	283 582	3 964 501	-	1 357 242 869
Vehicles	5 489 827	-	-	-	5 489 827
Plant & Equipment	68 093 661	1 198 861	5 591 152	-	61 303 649
Furniture, Equipment and Fittings	3 485 162	166 411	-	-	3 318 751

	2021				2020
	R				R
Accumulated Depreciation	Balance at 30-Jun-20	Additions	Transfers	Re-Valuations	Balance at 30-Jun-19
Water Infrastructure	531 476 984	72 289 379		-	459 187 605
Vehicles	3 355 307	676 660		-	2 678 647
Plant & Equipment	34 976 876	6 239 222		-	28 737 654
Furniture, Equipment and Fittings	2 468 438	275 902		-	2 192 536
Totals	572 277 604	79 481 163		-	492 796 442
Carrying Values at Year End	Balance at	Additions	Transfers	Re-Valuations	Balance at
	30-Jun-20				30-Jun-19
Water Infrastructure	830 013 968	(72 005 797)		-	898 055 263
Vehicles	2 134 520	(676 660)		-	2 811 180
Plant & Equipment	33 116 786	(5 040 361)		-	32 565 995
Furniture, Equipment and Fittings	1 016 724	(109 490)		-	1 126 214
Totals	866 281 998	(77 832 308)		-	934 558 653

8 INTANGIBLE ASSETS

Assets at 30 June 2021	Balance at 30-Jun-21	Movement	Disposals	Balance at 30-Jun-20
Software	5 014 600	-	-	5 014 600
Totals	5 014 600	-	-	5 014 600
Accumulated Amortization				
Software	4 284 719	442 464	-	3 842 255
Totals	4 284 719	442 464	-	3 842 255
Carrying Values at Year End				
Software	729 881	(442 464)	-	1 172 345
Totals	729 881	(442 464)	-	1 172 345
Assets at 30 June 2020	Balance at	Movement	Disposals	Balance at
Assets at 30 June 2020 Software	Balance at 30-Jun-20 5 014 600	Movement -	Disposals -	Balance at 30-Jun-19 5 014 600
	30-Jun-20	Movement - -		30-Jun-19
Software	30-Jun-20 5 014 600	Movement - -		30-Jun-19 5 014 600
Software Totals	30-Jun-20 5 014 600	Movement - - 429 387		30-Jun-19 5 014 600
Software Totals <u>Accumulated Amortization</u>	30-Jun-20 5 014 600 5 014 600	-	- -	30-Jun-19 5 014 600 5 014 600
Software Totals <u>Accumulated Amortization</u> Software	30-Jun-20 5 014 600 5 014 600 3 842 255	- - 429 387		30-Jun-19 5 014 600 5 014 600 3 412 868
Software Totals <u>Accumulated Amortization</u> Software Totals	30-Jun-20 5 014 600 5 014 600 3 842 255	- - 429 387		30-Jun-19 5 014 600 5 014 600 3 412 868

Intangible assets comprise of computer software programmes

		2021				2020
9	TRADE AND OTHER PAYABLES FROM EXCHANGE TRA	R ANSACTIONS				R
	Trade creditors	411 242 675				355 321 004
	Consumer Debtors - Payments in advance	13 411				13 780
	Other creditors	230 760				4 720 721
	Unallocated Receipts	3 112 719				3 107 364
	Total Creditors	414 599 566			=	363 162 868
	Total Creditors 2021 - Ageing	Current Period	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 and Over
		33 237 073	2 509 470	2 906 273	2 317 191	373 629 559

Include in the above trade creditors figure is an amount of R 405 522 356.66 raised in respect of bulk raw water charges owed to the Department of Water and Sanitation. This amount is subject to the payment by the Water Service Authorities of their bulk water accounts and raw water budgeted costs. Negotiations are currently taking place between uTthukela Water, the WSA's the Department to resolve this matter.

Input Vat of R 37 621 393,25 is included in the Trade Creditor balances - also see note 5 above

The fair value of trade and other payables approximates their carrying amounts.

10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Newcastle	388 455	388 455
Umzinyathi	72 506	72 506
	460 961	460 961

The WSA's are the recipients of all government grants paid in terms of the Division of Revenue Act, and in cases where the Entity is appointed by the municipality to implement any of its capital grant projects, these are done on an implementation basis only, and the relevant municipality reflects the grants and its conditions and reports back to National or Provincial Treasury directly in relation to the requirements of the grants.

In cases where the municipality transfers its own capital funding to the Entity to implement capital projects, these are also carried out as implementing agent only, and these transfers are not conditional grants, except to say that they are for a specific purpose or project as directed by the municipality.

11 SERVICE RELATED EMPLOYEE BENEFIT OBLIGATIONS

Non Current		
Long service Awards	2 545 380	2 028 359
Post-employment medical benefits	9 418 250	7 793 098
	11 963 630	9 821 457
•		
Current		
Leave pay accrual	6 408 146	6 096 815
Long service Awards	296 950	177 104
Post-employment medical benefits	270 342	277 645
	6 975 438	6 551 564
Total Provisions	18 939 068	16 373 021
The movement in Leave provisions is reconciled as fol	lows: -	
Balance B/fwd	5 405 953	4 779 091
Increase in provision	1 217 943	1 785 349
Expenditure incurred	(467 624)	(1 158 487)
as at 30 June	6 156 272	5 405 953

Leave pay accrual

Leave pay accrual is based on the number of hours accruing to the employee at balance sheet date multiplied by the employee's hourly rate of pay. The accrual includes the liability in respect of accumulated leave due to employees previously in the employ of the WSA's prior to transfer to the company which has not yet been paid over to the company.

2021 R 2020

R

Long Service Awards

uThukela offers employees LSA for every five years of service completed, starting from five years of service calculated as follows:

Long Service Awards for levels of past service				
	Long Service			
	Bonuses(% of			
Completed Service (in years)	Annual Salary)	Description		
		5/ 249 x annual		
5	2.0%	salary		
		10/ 249 x annual		
10	4.0%	salary		
		20/ 249 x annual		
15	8.0%	salary		
		30/ 249 x annual		
Every five years thereafter	12.0%	salary		

In the month that each "Completed Service" milestone is reached, the employee is granted a LSA.

Working days awarded are valued at 1/249 th of annual salary per day

An actuarial valuation of the future liability for this benefit has been undertaken by an independent firm of Actuaries with the following results

	Year ending	Year ending	Year ending
	2020/06/30	2021/06/30	2022/06/30
Opening Accrued Liability	2 574 007	2 205 463	2 842 330
Current-service Cost	223 878	190 067	233 711
Interest Cost	167 481	147 337	216 047
Benefit payments	49 225	476 567	-
Total Annual Expense	440 584	813 971	449 758
Past Service Cost	-809 128	-177 104	-296 950
Closing Accrued Liability	2 205 463	2 842 330	2 995 138

Key Financial Assumptions		2021/06/30			
	N	Males Females			
Discount rate		8.02%			
General salary Inflation		5.53%			
Net effective discount rate		2.36%			
Average retirement age		63 58			
Mortality during employment		SA85-90			

2020/06/30				
Males	Vales Females			
6.96%				
3.33%				
3.51%				
63		58		
\$485-90				

In service members withdrawing before retirement	Males	F	emales
Age 20		16%	24%
Age 30		12%	18%
Age 40		8%	10%
Age 50		4%	4%
Age 55		2%	2%

Post-employment medical benefits

Medical Scheme Arrangements

The Employer offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Membership Eligibility

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy Policy

In-service members will receive a post-employment subsidy of 60% of the contribution payable. All continuation members receive a 60% subsidy. Widow(er)s and orphans of eligible in-service members are entitled to receive this same subsidy on and after the death in-service of an employee.

Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy.

2021 R

2020 R

An actuarial valuation of the future liability for this

	Year ending	Year ending	Year ending
	2020/06/30	2021/06/30	2022/06/30
Opening Accrued Liability	8 673 753	8 070 742	9 688 592
Current-service Cost	349 858	327 067	421 242
Interest Cost	914 049	1 024 804	1 078 581
Benefit payments	(246 507)	(277 645)	(270 342)
Total Annual Expense	1 017 400	1 074 226	1 229 481
Actuarial Loss / (Gain)	(1 620 411)	543 623	-
Closing Accrued Liability	8 070 742	9 688 591	10 918 073

Key Financial Assumptions	2021/06/30	
	Males	Females
Discount rate	11.29%	
Health care cost inflation rate	7.81%	
Net effective discount rate	3.23%	
Average retirement age	63	58
Proportion continuing membership at retirement	100.00%	
Proportion of retiring members who are married	100.00%	
Proportion of eligible current non-member employees		
joining the scheme by retirement	10.00%	
Mortality during employment	SA85-90	
Mortality post retirement	PA(90)-1	

2020/06/30	
Males	Females
12.92%	
8.70%	
3.88%	
63	58
100.00%	
90.00%	
10.00%	
SA85-90	
PA(90)-1	

100

174 159 523 (8 424 339) 165 735 184

(170 431 700)

	In service members withdrawing before retirement	Males	Females
	Age 20	12%	24%
	Age 30	5%	15%
	Age 40	3%	6%
	Age 50	1%	2%
	Age 55	1%	1%
12	SHARE CAPITAL		
	Issued ordinary shares	100	
	The authorised number of ordinary shares is 10 000 with a		
.3	ACCUMULATED FUNDS		
	Accumulated Funds Surplus(Deficit)		
	Balance Beginning Year - Surplus(Deficit)	5 754 250	
	Surplus/(Deficit) for year	(89 050 432)	
	Off Setting Depreciation /Partners Cont/Reval Reserve	65 515 868	
	Balance Year End	-17 780 314	
	Asset Revaluation Reserve	633 461 008	
	Less: Off Setting Depreciation	(65 515 868)	
	Balance Year End	567 945 140	
	Total Accumulated Funds	550 164 826	•
	Shareholder Contributions		
	Shareholder Contributions - Beginning Year	165 735 184	
	Less: Off Setting Depreciation	(9 572 531)	
	Balance Year End	156 162 652	•
	Accumulated Funds Surplus/(Deficit)	-17 780 314	
	Shareholder Contributions - Projects	166 613 419	
	Umzinyathi District Municipality	78 720 255	
	Amajuba District Municipality	6 627 604	
	Newcastle Municipality	81 265 561	
	Accumulated Funds Surplus(Deficit) - Excluding		
	Shareholder Contributions - Projects	(184 393 733)	

		2021	2020
		R	R
14	SERVICE CHARGES	n	ĸ
	Sale of water	165 403 505	148 550 115
	Total Service Charges	165 403 505	148 550 115
15	INTEREST EARNED - EXTERNAL INVESTMENTS		
	Banks	963 382	1 374 489
	Deposits Made with Suppliers	103 654	113 786
	Total Interest	1 067 037	1 488 275
16	GRANTS AND SUBSIDIES		
16.1	Project funding		
	Umzinyathi District Municipality		222 372
			222 372
	Refer to Note 10		
17	OTHER RECEIPTS		
	Rental of land and buildings	211 893	209 479
	Laboratory services	43 493	63 178
	eSeta	37 463	-
	Tender document sales Connection fees	783	- 6 296
	Reduction in provision for bad debt	- 33 293	14 526
		326 923	293 479
18	EMPLOYEE RELATED COSTS		
10	Salaries and Wages	37 052 866	33 918 062
	Medical, Pension and Provident Fund	9 454 293	6 504 375
	Leave pay	1 217 943	1 785 349
	Bonuses	3 452 628	2 899 273
	Housing benefits and allowances	2 112 578	2 141 090
	Overtime payments Other	4 191 818 733 837	4 666 341 839 812
	otter	58 215 964	52 754 301
	Included in the employee related costs are the followi	ing:	
	Managing Director Annual Remuneration	<u>-</u>	-
	Travel, motor car, accommodation, subsistence and		
	other allowances	-	-
	Contributions to UIF, Medical and Pension Funds	-	-
	Accumulated Leave		
	Total	<u> </u>	
	10101		

	R	R
Chief Financial Officer	ĸ	ĸ
Annual Remuneration	1 365 136	1 146 899
Travel, motor car, accommodation, subsistence and		
otherallowances	54 000	63 168
Contributions to UIF, Medical and Pension Funds	183 449	134 780
Accumulated Leave	300 178	187 883
Total	1 902 763	1 532 730
Heads of Departments_		
Operations/Engineering		
Annual Remuneration	1 679 464	1 375 968
Travel, motor car, accommodation, subsistence and		
other allowances	146 260	114 220
Contributions to UIF, Medical and Pension Funds	262 484	184 694
Accumulated Leave	356 141	300 526
Total	2 444 349	1 975 408
Human Resources Manager		
Annual Remuneration	1 602 138	1 357 34
Travel, motor car, accommodation, subsistence and		
otherallowances	152 351	157 764
Contributions to UIF, Medical and Pension Funds	279 107	262 47
Accumulated Leave	281 012	207 297
Total	2 314 608	1 984 885
Remuneration of directors		
Chairman	-	-
Deputy Chairman	-	-
Other board members	-	-
Total Director's Remuneration		
DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	78 819 001	79 481 162
Intangible assets	442 464	429 387
Total Depreciation and Amortisation	79 261 466	79 910 549
REPAIRS AND MAINTENANCE ON PROPERTY, PLANT ANI	D EQUIPMENT	
Expended	5 177 110	3 106 037
The amounts reflected for the respective financial years maintenance, preservation, monitoring, repair, refurbis		•
BULK PURCHASES	25 047 700	22.202.50
Water	25 047 706	23 302 59
Water services and management levy	5 219 693	4 446 92
	30 267 399	27 749 51
INTEREST PAID/ACCRUED		
Overdue accounts	22 945 197	22 022 42
		0 12
Refer to Note 30.2	22 945 197	22 022 42
CONTRACTED SERVICES	2 204 852	2 965 64

CONTINCTED SERVICES		
Professional fees and consultant costs	2 394 852	3 865 644
Legal expenses	140 805	28 500
	2 535 657	3 894 144
	2 333 037	5 0 0 4 1 4 4

	2021	2020
24 OPERATING EXPENSES	R	R

Included in operating expenses are the following:-

Advertising	124 836	10 000
Bank charges	74 987	80 290
Board meeting and Chairman's discretionary	13 183	38 874
Chemicals	8 176 203	6 293 529
Communications costs	1 070 278	837 839
Conferences and seminars	21 454	36 241
Consumables and stores	138 764	98 489
Covid-19 expenses	317 253	193 862
Electricity	39 787 833	37 924 168
Fuel and Oil	668 285	779 217
Insurance	834 323	817 683
Licensing of Motor Vehicles & Trailers	191 241	205 836
Membership fees	37 079	34 491
Municipal services	207 362	202 729
Postage and courier services	18 248	12 373
Printing and stationery	125 565	72 213
Protective clothing	166 799	170 086
Rental	1 434 893	1 325 968
Safety and security	786 252	754 240
Scada and telemetric costs	150 462	-
Servitudes and Land Surveys	12 250	-
Software Licenses	726 526	625 162
Staff and other meeting costs	400	1 258
Staff Emergency Rations	5 169	7 088
Staff recruitment and relocation costs	2 720	11 589
Subsistence and travel	142 878	236 356
Tools and equipment	4 322	7 152
Training	642 158	165 707
Water analysis	1 688 666	2 057 300
	57 570 388	52 999 739
GAIN / (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	114 697	-
otal Gain / (Loss) on Sale of Assets	114 697	

26 TAXATION

25

The Company is exempt from the payment of income tax and duties in terms of section 10 (1) (t) (ix) of the Income Tax Act 58/1962

27 CASH GENERATED BY OPERATIONS

Surplus/(Deficit) for the year	(89 050 432)	(91 828 627)
Adjustment for: -		
Depreciation	79 261 466	79 910 549
Contribution to bad debt provision	(33 293)	(14 526)
Contribution to staff benefits provision	2 566 047	346 169
Operating surplus before working capital		
Amendments	(7 256 211)	(11 586 436)
(Increase)/Decrease in Inventories	(10 586)	(53 841)
Decrease/(Increase) in consumer and other debtors	(33 795 044)	(33 458 276)
(Decrease)/Increase in creditors	51 436 698	53 266 392
(Decrease)/Increase in VAT	237 410	(293 052)
(Decrease)/Increase in Unspent Capital Grants	-	(222 372)
Cash generated by operations	10 612 266	7 652 415

		2021	2020
		R	R
28	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow		
	Bank balances and cash	1 082 808	2 120 028
	Cash on call and short notice deposits	28 341 276	17 950 132
	Net cash and cash equivalents (net of bank		
	overdrafts)	29 424 084	20 070 160
29	CHANGE IN ACCOUNTING POLICY		
	No change in accounting policies during the year		
30	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EX	KPENDITURE DISALLOWED	
30.1	Unauthorised expenditure		
	Reconciliation of unauthorised expenditure		
	Opening balance	_	
	Unauthorised expenditure current year	-	
	Unauthorised expenditure awaiting authorisation	<u> </u>	-
30.2	Fruitless and wasteful expenditure		
	Reconciliation of fruitless and wasteful expenditure		
	Opening balance as previously reported	87 761 518	65 739 096
	Add: Fruitless and wasteful - current Less: Amount recoverable	22 945 197 -	22 022 422
	Less: Amounts written-off	110 706 715	87 761 518
	Closing balance	110 /06 /15	87 701 518
	R 110 674 594 comprises of interest raised by the Department between uThukela Water, the WSA's and the Department t	nt of Water and Sanitation on outstanding accounts. Negotiations o resolve this matter.	s are currently taking place
30.3	Irregular expenditure		
	Opening balance as previously reported	62 807 570	57 402 597
	Add: Irregular expenditure - current	4 175 990	5 404 973
	Less: Amount recoverable Less: Amounts written-off	-	-
	Closing balance	66 983 560	62 807 570
	Irregular expenditure consists of:		
	Expenditure of R 4 175 990 incurred by the Board relating to	o the consulting services of LL Cunha and Associates was consider	ed to be irregular by the Auditor
	General, citing that the Board had not followed a SCM proc	-	
31	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL SECTION	DN 27 FINANCE MANAGEMENT ACT	
	Contributions to organised local government		
31.1			
	Opening balance Council subscriptions	-	
	Amount paid - current	-	-
	Amount paid - previous years Balance unpaid (included in payables)	<u> </u>	
31.2	Audit fees		
	Audit fees paid during the year	1 674 313	2 097 645
			2037010
31.3	VAL		

31.3 <u>VAT</u>

VAT input - receivables and VAT output - pavables are shown in note 5. During the year all VAT returns were submitted by the due date.

		2021	2020
		R	R
31.4	PAYE		
	Opening Balance	-	-
	Current year payroll deductions	10 226 668	9 639 745
	Amount paid - current year	(10 226 668)	(9 639 745)
	Balance unpaid at year end included in creditors	<u> </u>	
31.5	UIF		
	Opening Balance	-	-
	Current year payroll deductions	312 787	303 096
	Amount paid - current year	(312 787)	(303 096)
	Balance unpaid at year end included in creditors	<u> </u>	
31.6	Medical aid		
	Opening Balance	-	-
	Current year payroll deductions	3 349 388	3 061 560
	Amount paid - current year	(3 349 388)	(3 061 560)
	Balance unpaid at year end included in creditors	<u> </u>	
31.7	Pension and provident fund contributions		
	Opening Balance	-	-
	Current year payroll deductions	8 501 008	7 666 302
	Amount paid - current year	(8 501 008)	(7 666 302)
	Balance unpaid at year end included in creditors	<u> </u>	-
32	CAPITAL COMMITMENTS		
	Commitments in menest of conital supervisiture		
	Commitments in respect of capital expenditure		
	- Approved and contracted for		
	Infrastructure	-	-
	- Approved but not yet contracted for		
	Infrastructure	-	-
	Total		
33	OPERATING LEASES		
	At the reporting date the entity has outstanding		
	Operating leases - lessee		
	Within one year	(1 520 696)	(1 499 469)
	In the second to fifth year inclusive	(1 760 276)	(45 091)
	After five years		<u> </u>
	Total	(3 280 972)	(1 544 560)
	Operating Leases consists of the following:		

Operating lease payments represent rentals payable by the municipality for its head office property at Lot 600 Newcastle. The current lease expires on 31 July 2023. As well as payments payable to ITEC for rental of printers the contract of which expires on the 31/08/2022 and 09/03/2024

34 RETIREMENT PLANS

34.1 Defined contribution plans

During the year contributions were made to the following defined contribution plans: Natal Joint Municipal Pension Fund - Provident Funds SALA pension fund. These contributions have been expensed.

2021

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2020

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34.2 Defined benefit plan

The following are defined benefit plans: Natal Joint Municipal Pension Funds - Superannuation and Retirement funds and Government Employees Pension Fund. These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multiemployer and state plans, these should be accounted for as defined contribution plans. In respect of Natal Joint Municipal Pension Funds - Superannuation and Retirement funds regular actuarial assessments are carried out in terms of the fund

In respect of Natal Joint Municipal Pension Funds - Superannuation and Retirement funds regular actuarial assessments are carried out in terms of the fund rules and any actuarial deficit is recovered by a surcharge on all employer members

34.3 Employees retirement funding

An amount of R5 747 938 (2020 : R5 193 081) was contributed by Council in respect of Employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

35 IN-KIND DONATIONS AND ASSISTANCE

The Entity received no in-kind donations and assistance

36 RELATED PARTIES

The nature of the relationship between the company and its shareholders, namely: the Water Service Authorities (uMzinyathi District Municipality, Amajuba District Municipality and Newcastle Municipality) is such that any transactions between the parties are related party transactions. Specific categories of such

Revenue Received

Bulk Water Services Umzinyathi District Municipality Amajuba District Municipality Newcastle Municipality Less: Bad Debt	134 959 579 16 986 829 22 594 948 95 377 802	117 227 781 15 011 708 11 294 920 90 921 153 117 227 781
Year End Balances		
<u>Assets Funding</u> Umzinyathi District Municipality Less: Provision for Doubtful Debt	499 813 499 813 -316 676 183 138	316 676 316 676 -316 676
Bulk Water Services Umzinyathi District Municipality Amajuba District Municipality Newcastle Municipality Less: Provision for Doubtful Debt	142 488 275 10 417 270 15 403 096 116 667 909 -4 803 142 483 472	108 943 096 5 416 863 18 056 196 85 470 038 -4 803 108 938 293
Revenue Funding Umzinyathi District Municipality Amajuba District Municipality Less: Provision for Doubtful Debt	82 763 673 64 191 401 18 572 273 -82 763 673	82 763 673 64 191 401 18 572 273 -82 763 673
Sundry [mSCOA System] Umzinyathi District Municipality Amajuba District Municipality Less: Provision for Doubtful Debt	875 503 191 303 684 200 -875 503	875 503 191 303 684 200 -875 503

2021 R

2020

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Key Management Personnel

The nature of the related party relationship entered into by the Board and the consultancy service; LL Cunha and Associates, is detailed hereunder, and herewith this note also sets out the terms and conditions of the written agreement and subsequent written amendments, all transactions relating thereto, any commitments and outstanding balances, if any, entered between the parties.

The Consultancy service was initially introduced to the Board by Provincial Treasury in terms of a section 139 of the Constitution of SA intervention, and the objectives thereof were to provide urgently needed financial support services to the entity, including the performance by Mr LL Cunha of the Acting Chief Financial Officer duties. At the time of the engagement of the consultant, PWC SA, had issued a compilation report regarding the collapse of the financial affairs of the Board, and had proposed an urgent and immediate intervention. Financial statements had not been issued and audits had not been conducted for a period of 6 years, and the Shareholder municipalities were very concerned with the status of the entity, as it impacted quite severely on their own financial affairs. Subsequent to the recovery of the entity to unqualified audit status, and pending the establishment of a new water institution envisaged by Provincial Cabinet resolution dated 7 June 2012, the shareholder municipalities took a resolution and placed a moratorium on the appointment of any new senior management positions by the entity during the transitional phase. In October 2014 the Managing Director of the entity resigned and terminated his services with the Board, and the Board, as an interim arrangement to ensure the continuity of its operational requirements, directed the Acting CFO Mr LL Cunha, to carry the Managing Director responsibilities in addition to those of the CFO position, until otherwise directed, or pending the imminent formation of the new water institution.

Consequent to the delays with the implementation of the Provincial Cabinet decision, and the subsequent Government Gazette Notice published on the 15 December 2015 issued by the National Minister of Water Affairs and Sanitation regarding the formation of the new water institution for KZN- Natal, the Board took a decision to secure, on a relatively short term basis, the interim arrangements concerning the Acting Manager Director responsibilities, were secured by contract terminating on the 31 March 2020. This contract was further extended, initially by 3 months to the end of June 2020, then by 6 months to the 31 December 2020, and thereafter two 3 months contracts to 30 June 2021 and a six months contract to 31 December 2021, due to the effects and prohibitions on movements imposed by the National COVID19 regulations. The leave and Performance incentives were not continued beyond the 30 June 2020 by mutual agreement due to the short term nature of the contract extensions.

No guarantees are given or provided for in the agreements except for the performance objectives required by the Board.

There are no expenses or provision created for bad or doubtful debts.

Detailed hereunder are the transactions resulting from these arrangements and contractual obligations for the period reported in the annual financial statements for the year ending 30 June 2021.

	4 175 990	4 769 398
Payments made for contracted services	3 230 589	3 204 538
Performance bonus	-	192 186
Payments for Ad Hoc services to LL Cunha and Associates	869 501	1 296 773
Payments for rental accomodation	75 900	75 900

37 EVENTS AFTER THE REPORTING DATE

Subsequent to year end, the Chairperson of the Board, Mr PS Naidoo and the Acting MD, Mr LL Cunha resigned. Advocate N Khambule has subsequently been appointed as the Acting MD, by the shareholder municipalities.

Change of Functions

The future of the bulk water services in the region is still being finalised by National Minister of Water Affairs

DEVIATIONS FROM SCM REGULATIONS (SCM Regulation Number 36)

Emergency procurement	178 315	737 405	
Deviation less than R200 000.00	6 241 506	4 159 853	

Supply chain deviations from SCM policy listed above were, in terms of section 36 of the municipal SCM regulations, approved by the accounting officer or officials in terms of delgated powers, and noted by the board.

The reasons for the deviations include the following: Acquisition from sole suppliers, non-responsive suppliers, supplies where mechanical units required a strip and quote, acquisitions direct from manufacturers or agents and, where in terms of Board policy, equipment was standardised. Emergency procurement and circumstances where it is impractical or not possible to follow the official procedure, are assessed in terms of the stipulated criteria by the SCM Bid Adjudication Committee.

2021

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39 RISK MANAGEMENT

39.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit Management evaluates credit risk relating to consumer debtors and provides for impairment. See notes

39.2 Liquidity risk

The company's risk to liquidity is related to the timeous payment of bulk water accounts by its shareholding municipalities Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

39.3 Interest rate risk

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

40 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix D

41 BULK WATER LOSSES

Water stock	<u>2020</u> <u>ML</u>		<u>2019</u> <u>ML</u>	
Opening balance treated water	48		18	
Opening balance raw water	22		22	
Raw water purchases	50 613		50 069	
Treated water sales	-43 056		-42 241	
Process water in system	-2 531		-2 455	
Technical water loss	-5 027		-5 343	
Closing water stock	69		70	
Water losses	ML	R	ML	R
Opening Stock Raw	22	13 246	22	13 222
Opening stock Treated	48	166 080	18	10 818
Units purchased - Newcastle and Amajuba	44 855	27 007 196	44 593	26 800 393
Units purchased - Umzinyathi	5 758	179 650	5 476	163 185
Total units purchased	50 661	27 352 925	50 087	26 974 396
Units sold	43 056	164 043 360	-42 241	-146 153 860
Unsold process water in system	2 531	9 643 110	-42 241 2 455	- 146 153 800 8 494 300
onsold process water in system	2 551	9 043 110	2 455	8 494 500
Total loss	5 074	3 049 474	89 873	54 013 673
Comprising of				
Technical losses	5 027	3 026 757	5 391	3 239 991
Total	5 074	3 026 757	5 391	3 239 991
Percentage loss	%		%	
Technical losses	10.02%		179.43%	
Total	10.02%		179.43%	

Bulk water losses are very carefully managed and form part of the Boards performance management monitoring program. The technical water losses of 10.02 % represents the real water losses on the bulk water supply lines from extraction to final treatment, storage and distribution. Considering the condition, age and and the lack of capital infrastructure investment into these assets, the loss is considered acceptable, and within the industry norm of around 15%.

APPENDIX A: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS FOR THE YEAR ENDED 30 JUNE 2021

														Accumulated D	enrecistion			Accumulated D	enreciation						
	Balance at	Additions	Work in	Water Servic	e	Revaluation	Balance at	Additions	Water Service	Disposals	Revaluation	Transfers	Balance at	Balance at		Water Servic	Disease		Additions	Disposals	Correction	Balance at	Carrying Value	Carrying Value	Considera Malura
		Additions		assets	Disposais	Revaluation	Balance at 30-Jun-20	Additions	assets	Disposais	Revaluation	Transfers	30-Jun-21	30-Jun-19	Additions	assets	Disposals	Balance at 30-Jun-20	Additions	Disposais			30-Jun-19	30-Jun-20	30-Jun-21
aboratory Equipment	30-Jun-19		Progress	transferred to	D		30-Jun-20	-	transferred		_		50-Jun-21	30-Jun-19		transferred to		50-Jun-20			Journals	30-Jun-21	30-Jun-19		30-Jun-21
				WSA's					from WSA's							WSA's									
	<u>R</u>	R	R	<u>R</u>	<u>R</u>	R	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>			<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	R	<u>R</u>	R	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
WATER INFRASTRUCTURE	-		-		-			-																	
Water Purification Plant	363 774 020	222 37	2	3 964 50	1 -		367 960 893	3 -	-	-			367 960 893	71 697 306	5 14 960 005	; -		- 86 657 311	15 174 419	- 1		101 831 730	292 076 714	281 303 581	266 129 163
Pump Stations	46 752 575	61 21	1	-	-		46 813 785	5 -	-	-		-	46 813 785	11 993 059	2 572 509			- 14 565 568	2 574 549		-	17 140 116	34 759 516	32 248 218	29 673 669
Dams	141 173 465	i -		-	-	-	141 173 465	5 -	-	-	-	-	141 173 465	14 236 635	2 853 292	2 -	-	- 17 089 927	2 853 292	2 -	-	19 943 219	126 936 830	124 083 538	121 230 246
Reservoirs	54 299 532	2 -		-	-	-	54 299 532	2 -	-	-	-	-	54 299 532	12 532 368			-	- 15 570 011	3 037 643	- 1	-	18 607 653	41 767 164	38 729 521	35 691 878
Chambers & Components on Bulk lines	14 729 240	- (-	-		14 729 240	- c	-	-		-	14 729 240	7 129 886	1 391 621	L -		- 8 521 507	1 391 62		-	9 913 127	7 599 354	6 207 733	4 816 11
Reticulation	736 514 037	7 -		-	-		736 514 03	7 -	-	-		-	736 514 037	341 598 351	47 474 310	- (- 389 072 661	47 474 310) -	-	436 546 971	394 915 686	347 441 376	299 967 066
	1 357 242 869	283 58	2 -	3 964 50	L -	-	1 361 490 952	2 -	-	-	-	-	1 361 490 952	459 187 605	5 72 289 379	- (-	- 531 476 984	72 505 83	- 1	-	603 982 817	898 055 263	830 013 968	757 508 135
VEHICLES																									
Water	5 339 928	3 -			-		5 339 928	в –	-	-	-	-	5 339 928	2 592 748	660 660	- (-	- 3 253 408	524 660) -		3 778 068	2 747 180	2 086 520	1 561 860
Administration	149 899	- (-		149 899		-	-	-	-	149 899	85 899	16 000	- (-	- 101 899	16 000) -		117 899	64 000	48 000	32 000
	5 489 827		-	-	-	-	5 489 82	7 -	-	-	-	-	5 489 827	2 678 647	676 660) -	-	- 3 355 307	540 660) -	-	3 895 967	2 811 180	2 134 520	1 593 860
PLANT & EQUIPMENT																									
Tractors/Trailers/Machinery	3 092 822	2 -		-	-	-	3 092 822	2 -	-	-	-	-	3 092 822	1 512 157	287 638	3 -	-	- 1 799 795	287 63	3 -	(79	2 086 634	1 580 665	1 293 027	1 006 189
Bulk Water Meters	2 761 417	7 90 39	0	-	-	-	2 851 807	7	-	-	-	-	2 851 807	627 707	241 581	L -	-	- 869 288	245 206	i -	-	1 114 494	2 133 710	1 982 519	1 737 312
Laboratory Equipment	4 231 087	103 76	1	-	-	-	4 334 848	B 10.05	50 -	-	-	-	4 344 898	2 590 855	5 501 162	2 -	-	- 3 092 017	408 31	i -	(13 48	5) 3 486 847	1 640 232	1 242 831	858 053
Small Plant And Equipment	2 287 934	1 3 97	2	-	-	-	2 291 906	5	-	-	-	-	2 291 906	1 778 929	119 283	- 3	-	- 1 898 211	120 01:	L -	(33-	 2 017 888 	509 005	393 695	274 018
Water Plant	48 930 389	1 000 73	8	5 591 15	2 -	-	55 522 278	8 807 94	44 -	-	-	-	56 330 222	22 228 006	5 089 558	- 3	-	- 27 317 564	4 355 063	- 1	(43)	3) 31 672 189	26 702 382	28 204 714	24 658 03
	61 303 649	1 198 86	1 -	5 591 15	2 -	-	68 093 661	1 817 99	94 -	-	-	-	68 911 655	28 737 654	6 239 222	2 -	-	- 34 976 876	5 416 23		(15 05	5) 40 378 053	32 565 995	33 116 786	28 533 603
FURNITURE, EQUIPMENT AND FITTINGS																									
Technology	1 723 253		7		-	-	1 882 910		49 -	-	-	-	2 307 759	1 251 230			-	- 1 371 838			(2.89)		472 023	511 072	721 543
Finance	205 888	- 3			-		205 888	3	-		-	-	205 888	116 315	5 21 844	1 -		- 138 159	21 844	- ۱	-	160 003	89 574	67 729	45 885
Engineering	786 621	L 3 82	5		-	-	790 446	5 15 49	- 88	-	-	-	805 945	468 839	74 602	2 -	-	- 543 441	76 93	- 3	(8)	0) 620 298	317 782	247 006	185 641
Administration	468 181	L 2.92	9		-	-	471 110)	-	-	-	-	471 110	275 932	2 45 195	- i	-	- 321 127	45 38	- 3	(76	5) 365 749	192 249	149 983	105 363
luman Resources	134 807				-	-	134 807	7	-	-	-	-	134 807	80 220	13 652	2 -	-	- 93 872	13 652		(2	3) 107 502	54 587	40 934	27 305
	3 318 751	166 41	1 -	-	-		3 485 162	2 440 34	47 -	-		-	3 925 509	2 192 536	5 275 902	2 -	-	- 2 468 438	375 092		(3 76	0) 2 839 769	1 126 214	1 016 724	1 085 740
NTANGIBLE																									
lechnology	5 014 600					-	5 014 600	- 0	-	-	-		5 014 600	3 412 868	429 387			- 3 842 255	429 33		13 12	7 4 284 719	1 601 732	1 172 345	729 88:
	5 014 600		-	-			5 014 600			-	-		5 014 600	3 412 868	3 429 387	1 -		3 842 255	429 33	-	13 12	4 284 719	1 601 732	1 172 345	729 88:
TOTAL	1 432 369 695	1 648 85	4 -	9 555 65	3 -		1 443 574 202	2 1 258 34	41 -				1 444 832 544	496 209 310	79 910 549			- 576 119 859	79 267 15		(5.68	9) 655 381 325	936 160 385	867 454 343	789 451 219

APPENDIX B: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS FOR THE YEAR ENDED 30 JUNE 2021

																Acc	umulated Deprec	iation						Carrying Value	
	Balance at 30-Jun-19	Additions	Disposals	Revaluation	Balance at	Additions	Water Service	Disposals	Revaluation	Transfers	Balance at	Balance at	Additions	Water Service	Disposals	Value	Balance at	t Additions	Water Service	e Disposals	Correction	Balance at			
					30-Jun-20		assets				30-Jun-21	30-Jun-19		assets		Adjustments	30-Jun-20		assets		Journals	30-Jun-21	30-Jun-19	30-Jun-20	30-Jun-21
							transferred						transi W						transferred to WSA's	0					
							from WSA's																		
	R	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>			<u>R</u>	<u>R</u>	R	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	R	<u>R</u>	<u>R</u>	<u>R</u>
SUMMARY																									
Water	1 423 886 447	1 482 443	- 3	-	1 434 924 54	817 99	94 -			-	1 435 742 537	490 502 95	1 79 189 261	L -			569 692 212	2 78 446 726	i -	-		648 138 938	933 383 495	865 232 330	787 603 599
Technology	6 737 853	159 657	7 -	-	6 897 51	0 424 84	49 -		-	-	7 322 359	4 679 974	4 549 995	i -		-	5 229 969	646 608	- 3	-	-	5 876 576	2 057 880	1 667 542	1 445 78
Administration	618 080	2 929	- (-	621 00	9 -	-	-	-	-	621 009	361 11	5 61 195	i -	-	-	422 310	61 388	- 3	-	-	483 698	256 965	198 699	137 311
Finance	205 888	-	-	-	205 88	в -	-		-	-	205 888	116 31	5 21 844	- 1	-	-	138 159	21 844	- 1		-	160 003	89 574	67 729	45 885
Human Resources	134 807	-	-	-	134 80	7 -	-		-	-	134 807	80 19	8 13 652		-	-	93 850	13 652	- 1		-	107 502	54 609	40 957	27 305
Engineering	786 621	3 825	5 -	-	790 44	5 15 49	98 -			-	805 945	468 75	9 74 602		-	-	543 361	L 76 938	-	-	(5 689)	614 609	317 862	247 086	191 336
	1 432 369 696	1 648 854			1 443 574 20	3 1 258 34	41 -				1 444 832 545	496 209 31	1 79 910 549				576 119 860	79 267 156	i -		(5 689)	655 381 327	936 160 385	867 454 343	789 451 218

APPENDIX C: SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

2021	2021	2021		2020	2020	2020	
Actual	Actual	Surplus/		Actual	Actual	Surplus/	
Revenue	Expenditure	(Deficit)		Revenue	Expenditure	(Deficit)	
R	R	R		R	R	R	
-	(6 500 515)	(6 500 515)	Strategy and Leadership	-	(8 492 933)	(8 492 933)	
-	(1 997 342)	(1 997 342)	Company Secretary	-	(2 277 703)	(2 277 703)	
-	(6 996 756)	(6 996 756)	Human Resources	-	(2 825 820)	(2 825 820)	
1 393 960	(33 597 884)	(32 203 924)	Finance	2 004 126	(32 091 168)	(30 087 042)	
-	(5 736 378)	(5 736 378)	Technology	-	(5 063 176)	(5 063 176)	
-	(5 757 210)	(5 757 210)	Environmental Management	-	(5 895 242)	(5 895 242)	
-	(3 177 059)	(3 177 059)	Engineering	-	(3 037 742)	(3 037 742)	
-	(4 930 496)	(4 930 496)	Administration Operations	-	(4 929 033)	(4 929 033)	
165 403 505	(187 268 956)	(21 865 451)	Water	148 550 115	(177 770 052)	(29 219 936)	
166 797 465	(255 962 593)	(89 165 128)	Total	150 554 241	(242 382 869)	(91 828 627)	
Î						· · ·	
114 697	-	114 697	Gain / (loss) on sale of assets	-	-	-	
166 912 162	(255 962 593)	(89 050 432)		150 554 241	(242 382 869)	(91 828 627)	

APPENDIX D: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2020

				2021	2021		2021	2021		Explanation for Significant Variances of more than 10% from Budget
		Budget	Virement (i.t.o.							
		Adjustments	Council							
		(i.t.o. s28 & s31	Approved By-			Unauthorised		% Variance to	% Variance to	
	Original Budget	Of The MFMA)	law)	Final Budget	Actual	Expenditure	Variance	Final Budget	Original Budget	
	1	2	3	4	5	6	7	8	9	
	_	_	-		-		-	-	-	
Financial Performance										
Service charges	170 263 232	-	-	170 263 232	165 403 505	-	(4 859 727)	-3%	-3%	
										Conservative budget provided for Interest income due to uncertainty
Interest received	107 000	-	-	107 000	1 067 037	-	960 037	897%	897%	of payments from WSA's
										Other receipts are irregular receipts dependant partially on laboratory
Other receipts	779 300	-	-	779 300	326 923	-	(452 377)	-58%	-58%	services requested by customer's
Total Revenue (Excluding Capital										
Transfers & Contributions)	171 149 532	-	-	171 149 532	166 797 465	-	(4 352 067)	-3%	-3%	
Expenditure	/50			(50.5	150					
Employee related costs	(59 541 583)	-	-	(59 541 583)	(58 215 964)		1 325 619	-2%	-2%	
										Full effect of depreciation on assets not provided for on budget -
	<i>(</i>			((/			Capital grant and revaluation depreciation off-set any not budgeted
Depreciation	(1 787 026)	-	-	(1 787 026)	(79 261 466)		(77 474 440)	4335%	4335%	for.
Densire and maintanenes	(10 110 527)			(10 110 527)	(5 177 440)		10 933 417	con/	con/	
Repairs and maintenance	(16 110 527)		-	(16 110 527) (29 419 149)	(5 177 110) (30 267 399)					Due to non payment from two WSA's, expenditure has been curtailed
Bulk water purchases	(29 419 149)	-	-	(29 419 149)	(30 267 399)		(848 250)	3%	3%	
Interest paid/accrued					(22 945 197)		(22 945 197)			Department of Water and Sanitation. Non payment of charges by WSA' and dispute with the department
Contracted services	(2 704 180)			(2 704 180)	(22 545 157)		168 523		-6%	
Inventory	(2704100)	-		(2704100)	10 586		10586		-076	Annual adjustment not budgeted for
Other expenditures	(60 272 768)	-		(60 272 768)	(57 570 388)	-	2 702 381	-4%	-4%	
	(00 272 700)			(00 272 700)	(37 37 6 3 6 6)		2702301	470	470	
Total Expenditure	(169 835 232)	-	-	(169 835 232)	(255 962 593)	-	(86 127 361)) (51)	(51)	
	(,			(,	(,		(00 00 -	(/	(/	
Surplus/(Deficit)	1 314 300	-	-	1 314 300	(89 165 128)		(90 479 428))		
Partners Project Contributions							-			
Surplus/(Deficit) After Capital Transfers										
& Contributions	1 314 300			1 314 300	(89 165 128)		(90 479 428))		
Capital Expenditure & Funds Sources										
Capital Expenditure	-	-	-	-	(1 258 341)		(1 258 341)	100	100	No Approved capital budget
Internally Generated Funds	-	-	-	-	1 258 341	-	1 258 341			
Total Sources Of Capital Funds	-	-	-	-	1 258 341	-	1 258 341			
	ļ									
Cash flows	ļ	ļ								
Net Cash From (Used) Operating	1 314 300	-	-	1 314 300	10 612 266					
Net Cash From (Used) Investing	-	-	-	-	(1 258 341)					
Net Cash From (Used) Financing	-	-	-	-	-					
NET INCREASE/ (DECREASE) IN CASH AND										
CASH EQUIVALENTS	1 314 300	-	-	1 314 300	9 353 925					