



CHRIS HANI
DISTRICT MUNICIPALITY

SUSTAINING GROWTH
THROUGH OUR PEOPLE

Chris Hani District Municipality
Consolidated Annual Financial Statements
for the year ended 30 June 2020

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of entity

District Municipality
DC 13

Nature of business and principal activities

Chris Hani District Municipality is South African Category C Municipality (District Municipality) as defined by the Municipal Structure Act. (Act no 117 of 1998) The Municipality's operations are governed by:

- Municipal Finance Management Act 56 of 2003.
- Municipal Structure Act 117 of 1998.
- Municipal Systems Act 32 of 2000 and various other acts and regulations.

Division of Revenue Act 2018-19
The Constitution of South Africa

Mayoral committee

Executive Mayor

Cllr: W. Gela
Cllr: N. September-Caba: Deputy Executive Mayor
Cllr: M.C. Koyo: Speaker
Cllr: M. Papiyana: Former Chief Whip - Resigned April 2020
Cllr: T. Bikwana: Chief Whip From April 2020
Cllr: N. Goniwe: Portfolio Head - Health & Community Services: From July 2019 - Feb 2020
Cllr: T. Bobo: Portfolio Head - Health & Community Services From March 2020
Cllr: S. Mbotshane: Portfolio Head - Integrated Planning & Economic Development
Cllr: M. Jack: Portfolio Head - Budget & Treasury
Cllr: N. Matiwane: Portfolio Head - Special Programmes Unit: Resigned in March 2020
Cllr: N. Mgidi: Portfolio Head - Special Programmes Unit: From April 2020
Cllr: S. Nxosi: Portfolio Head - Corporate Services
Cllr: L. Bonga - Tyali: Portfolio Head - Engineering

Councillors

Cllr: M. Desha
Cllr: M. Xhelisilo
Cllr: K. Mjezu
Cllr: S. Tame
Cllr: E.G. Bomela
Cllr: B. Ntsere
Cllr: M. Adonisi
Cllr: N. Mtyobile
Cllr: F.A.N. Hendricks
Cllr: E.L. Gubula
Cllr: S.E. Mvana
Cllr: N.A. Dayisi
Cllr: S. Myataza
Cllr: Z. Qayiya
Cllr: Z.N.E. Ralane
Cllr: S.B. Nxawe
Cllr: N.C. Lali
Cllr: J.Cengani
Cllr: Z.R. Shweni
Cllr: M. Kondile
Cllr: K. Bizana

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General Information

	Cllr: Z. Deliwe
	Cllr: R. Venske
	Cllr: S. Zangqa
	Cllr: N. Koni
	Cllr: M. Adonis
	Cllr: Y. Zicina
	Cllr: N. Ndlebe
	Cllr: Z.N. Njoli
	Cllr: N. Nkotha
Grading of local authority	Grade 5
Accounting Officer	Mr. G. Mashiyi
Chief Finance Officer (CFO)	Mr. M. Dyushu
Registered office	15 Bells Road Queenstown 5320
Bankers	First National Bank Limited
Auditors	Auditor General of South Africa Registered Auditors

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

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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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 consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated 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 consolidated annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

Although I am primarily responsible for the financial affairs of the municipality, I am supported by the economic entity's external auditors.

The consolidated annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2020 and were signed on its behalf by:

Mr G Mashiya
Municipal Manager

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2020	2019	2020	2019
Assets					
Current Assets					
Inventories	9	17 063 194	11 790 363	17 063 194	11 790 363
Receivables from exchange transactions		2 402 209	1 783 452	-	-
Receivables from non-exchange transactions	10	36 039 262	31 512 864	36 039 262	31 512 864
VAT receivable	11	58 097 566	77 633 818	57 989 249	77 220 343
Prepayments	8	315 675	2 412 903	315 675	2 383 988
Receivables from exchange transactions	12	315 327 009	238 173 251	315 327 009	238 173 251
Cash and cash equivalents	13	42 606 715	378 327 814	42 247 058	377 919 326
		471 851 630	741 634 465	468 981 447	739 000 135
Non-Current Assets					
Property, plant and equipment	3	4 282 438 333	4 108 521 510	4 269 162 543	4 094 019 199
Intangible assets	4	746 746	1 622 733	728 301	1 489 707
Investments in controlled entities	5	-	-	1 500 000	1 500 000
		4 283 185 079	4 110 144 243	4 271 390 844	4 097 008 906
Total Assets		4 755 036 709	4 851 778 708	4 740 372 291	4 836 009 041
Liabilities					
Current Liabilities					
Operating lease liability	6	1 291 772	600 219	1 291 772	600 219
Payables from exchange transactions	16	325 223 512	319 395 456	321 473 113	314 621 291
Consumer deposits	17	507 696	441 108	507 696	441 108
Employee benefit obligation	7	4 174 994	5 294 974	4 174 994	5 294 974
Unspent conditional grants and receipts	15	85 204 413	301 549 033	78 635 297	300 501 657
		416 402 387	627 280 790	406 082 872	621 459 249
Non-Current Liabilities					
Employee benefit obligation	7	63 435 951	65 893 340	63 435 951	65 893 340
Total Liabilities		479 838 338	693 174 130	469 518 823	687 352 589
Net Assets		4 275 198 371	4 158 604 578	4 270 853 468	4 148 656 452
Accumulated surplus	14	4 275 198 371	4 158 604 578	4 270 853 468	4 148 656 452

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Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2020	2019	2020	2019
Revenue					
Revenue from exchange transactions					
Service charges	19	300 505 479	305 466 551	300 505 479	305 466 551
Project income		35 877 406	21 189 059	-	-
Mechanisation centre income		708 189	664 455	-	-
Agency fees		-	70 470	-	-
Tender fees		25 800	25 000	-	-
Other income	21	2 328 406	802 132	2 020 782	746 616
Interest income	22	78 861 111	74 723 515	78 495 610	74 351 178
Total revenue from exchange transactions		418 306 391	402 941 182	381 021 871	380 564 345
Revenue from non-exchange transactions					
Taxation revenue					
Indirect taxes (VAT, customs duty)		1 773 913	-	-	-
Transfer revenue					
Government grants & subsidies	24	1 042 665 648	920 035 231	1 042 665 648	916 690 873
Total revenue from non-exchange transactions		1 044 439 561	920 035 231	1 042 665 648	916 690 873
Total revenue	18	1 462 745 952	1 322 976 413	1 423 687 519	1 297 255 218
Expenditure					
Employee related costs	25	(368 893 568)	(355 769 260)	(350 919 627)	(342 135 085)
Remuneration of councillors	26	(12 225 799)	(11 665 226)	(12 225 799)	(11 665 226)
Depreciation and amortisation	27	(159 358 821)	(153 731 500)	(157 838 022)	(152 139 918)
Impairment loss/ Reversal of impairments		(73 768)	-	(73 768)	-
Finance costs	28	(88 064)	(997 055)	(88 047)	(266 610)
Lease rentals on operating lease		(64 463)	(64 463)	-	-
Debt Impairment	29	(278 891 121)	(173 390 698)	(278 891 121)	(173 390 698)
Bulk purchases	30	(16 506 193)	(19 785 231)	(16 046 762)	(19 156 293)
Contracted services	31	(209 491 309)	(266 564 133)	(168 379 720)	(233 171 306)
Transfers and Subsidies	23	(94 500 961)	(15 377 111)	(123 139 041)	(44 716 236)
General Expenses	32	(160 047 484)	(212 778 256)	(151 752 713)	(205 957 875)
Total expenditure		(1 300 141 551)	(1 210 122 933)	(1 259 354 620)	(1 182 599 247)
Operating surplus		162 604 401	112 853 480	164 332 899	114 655 971
Loss on disposal of assets and liabilities		(312 667)	(155 654)	(312 667)	(155 654)
Actuarial gains / losses	7	8 986 709	(1 632 651)	8 986 709	(1 632 651)
		8 674 042	(1 788 305)	8 674 042	(1 788 305)
Surplus for the year		171 278 443	111 065 175	173 006 941	112 867 666

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Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Balance at 01 July 2018	3 997 313 165	3 997 313 165
Changes in net assets		
Prior period error	50 226 238	50 226 238
Net income (losses) recognised directly in net assets	50 226 238	50 226 238
Surplus for the year	111 065 175	111 065 175
Total recognised income and expenses for the year	161 291 413	161 291 413
Total changes	161 291 413	161 291 413
Balance at 01 July 2019	4 158 604 578	4 158 604 578
Changes in net assets		
Surplus for the year	171 278 443	171 278 443
Gains (losses) from mergers or transfer of functions between entities under common control	(54 684 650)	(54 684 650)
Total changes	116 593 793	116 593 793
Balance at 30 June 2020	4 275 198 371	4 275 198 371
Note(s)		
Controlling entity		
Balance at 01 July 2018	3 987 938 273	3 987 938 273
Changes in net assets		
Prior year error	21 287 047	21 287 047
Net income (losses) recognised directly in net assets	21 287 047	21 287 047
Surplus for the year	112 867 666	112 867 666
Total recognised income and expenses for the year	134 154 713	134 154 713
Total changes	134 154 713	134 154 713
Opening balance as previously reported	4 122 092 986	4 122 092 986
Adjustments		
Change in accounting policy	26 563 266	26 563 266
Balance at 01 July 2019 as restated*	4 148 656 252	4 148 656 252
Changes in net assets		
Prior year adjustment	(50 809 930)	(50 809 930)
Net income (losses) recognised directly in net assets	(50 809 930)	(50 809 930)
Surplus for the year	173 006 941	173 006 941
Total recognised income and expenses for the year	122 197 011	122 197 011
Total changes	122 197 011	122 197 011
Balance at 30 June 2020	4 270 853 263	4 270 853 263
Note(s)		

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Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2020	2019	2020	2019
Cash flows from operating activities					
Receipts					
Sale of goods and services		342 725 228	205 486 943	299 926 662	172 350 742
Grants		845 137 369	1 123 001 085	820 799 289	1 102 943 514
Interest income		21 079 811	36 228 060	20 714 310	35 855 723
		<u>1 208 942 408</u>	<u>1 364 716 088</u>	<u>1 141 440 261</u>	<u>1 311 149 979</u>
Payments					
Employee costs		(373 642 646)	(364 571 675)	(357 736 086)	(350 904 575)
Suppliers		(508 445 811)	(366 353 381)	(456 981 105)	(325 356 774)
Finance costs		(88 064)	(997 055)	(88 047)	(266 610)
		<u>(882 176 521)</u>	<u>(731 922 111)</u>	<u>(814 805 238)</u>	<u>(676 527 959)</u>
Net cash flows from operating activities	34	<u>326 765 887</u>	<u>632 793 977</u>	<u>326 635 023</u>	<u>634 622 020</u>
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(332 811 976)	(329 191 230)	(332 634 146)	(329 066 175)
Proceeds from sale of property, plant and equipment	3	423 348	-	423 348	-
Prior year movements of assets and liabilities		(268 990 410)	(188 652 217)	(268 990 410)	(188 652 217)
Purchase of other intangible assets	4	(1 866)	(14 104)	-	-
Proceeds from disposal of property, plant and equipment	4	-	38 283	-	-
		<u>(601 380 904)</u>	<u>(517 819 268)</u>	<u>(601 201 208)</u>	<u>(517 718 392)</u>
Net cash flows from investing activities		<u>(601 380 904)</u>	<u>(517 819 268)</u>	<u>(601 201 208)</u>	<u>(517 718 392)</u>
Cash flows from financing activities					
Movement in other financial liabilities		(61 780 186)	-	(61 780 186)	-
		<u>(61 780 186)</u>	<u>-</u>	<u>(61 780 186)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>(335 721 100)</u>	<u>115 144 515</u>	<u>(335 672 268)</u>	<u>117 073 434</u>
Cash and cash equivalents at the beginning of the year		378 327 814	263 183 299	377 919 326	260 845 892
Cash and cash equivalents at the end of the year	13	<u>42 606 714</u>	<u>378 327 814</u>	<u>42 247 058</u>	<u>377 919 326</u>

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	244 461 000	59 071 000	303 532 000	300 505 479	(3 026 521)	
Project income	21 639 270	28 281 513	49 920 783	35 877 406	(14 043 377)	
Mechanisation centre income	2 000 000	(500 000)	1 500 000	708 189	(791 811)	
Tender fees	26 400	(17 530)	8 870	25 800	16 930	
Other income	2 007 216	76 695 133	78 702 349	2 328 406	(76 373 943)	
Interest income	69 500 034	5 390 748	74 890 782	78 861 111	3 970 329	
Total revenue from exchange transactions	339 633 920	168 920 864	508 554 784	418 306 391	(90 248 393)	
Revenue from non-exchange transactions						
Taxation revenue						
Indirect taxes (VAT, customs duty)	-	-	-	1 773 913	1 773 913	
Transfer revenue						
Government grants & subsidies	1 079 664 080	85 835 347	1 165 499 427	1 042 665 648	(122 833 779)	
Total revenue from non-exchange transactions	1 079 664 080	85 835 347	1 165 499 427	1 044 439 561	(121 059 866)	
Total revenue	1 419 298 000	254 756 211	1 674 054 211	1 462 745 952	(211 308 259)	
Expenditure						
Personnel	(354 198 696)	18 394 196	(335 804 500)	(368 893 568)	(33 089 068)	
Remuneration of councillors	(13 902 286)	3 793 836	(10 108 450)	(12 225 799)	(2 117 349)	
Depreciation and amortisation	(141 710 720)	(14 389 281)	(156 100 001)	(159 358 821)	(3 258 820)	
Finance costs	40 000	-	40 000	(88 064)	(128 064)	
Lease rentals on operating lease	(74 261)	9 279	(64 982)	(64 463)	519	
Debt Impairment	(200 000 000)	70 265 000	(129 735 000)	(278 891 121)	(149 156 121)	
Bulk purchases	(27 762 516)	11 640 351	(16 122 165)	(16 506 193)	(384 028)	
Contracted Services	(427 188 218)	27 577 334	(399 610 884)	(209 491 309)	190 119 575	
Transfers and Subsidies	31 638 081	-	31 638 081	(94 500 961)	(126 139 042)	
General Expenses	195 559 346	(69 556 106)	126 003 240	(160 121 252)	(286 124 492)	
Total expenditure	(937 599 270)	47 734 609	(889 864 661)	(1 300 141 551)	(410 276 890)	
Operating surplus	481 698 730	302 490 820	784 189 550	162 604 401	(621 585 149)	
Loss on disposal of assets and liabilities	-	-	-	(312 667)	(312 667)	
Actuarial gains/losses	-	-	-	8 986 709	8 986 709	
	-	-	-	8 674 042	8 674 042	
Surplus before taxation	481 698 730	302 490 820	784 189 550	171 278 443	(612 911 107)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	481 698 730	302 490 820	784 189 550	171 278 443	(612 911 107)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	244 461 000	59 071 000	303 532 000	300 505 479	(3 026 521)	
Other income	1 443 856	76 830 921	78 274 777	2 020 782	(76 253 995)	
Interest income	68 902 000	5 629 754	74 531 754	78 495 610	3 963 856	
Gains on disposal of assets	200 000 000	-	200 000 000	-	(200 000 000)	
Total revenue from exchange transactions	514 806 856	141 531 675	656 338 531	381 021 871	(275 316 660)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1 057 826 000	83 335 347	1 141 161 347	1 042 665 648	(98 495 699)	
Total revenue	1 572 632 856	224 867 022	1 797 499 878	1 423 687 519	(373 812 359)	
Expenditure						
Employee related costs	(337 874 359)	19 267 612	(318 606 747)	(350 919 627)	(32 312 880)	
Remuneration of councillors	(13 902 286)	3 793 836	(10 108 450)	(12 225 799)	(2 117 349)	
Depreciation and amortisation	(140 000 000)	(15 000 000)	(155 000 000)	(157 806 203)	(2 806 203)	
Finance costs	40 000	-	40 000	(88 047)	(128 047)	
Debt Impairment	(200 000 000)	70 265 000	(129 735 000)	(278 891 121)	(149 156 121)	
Bulk purchases	(26 138 516)	10 333 000	(15 805 516)	(16 046 762)	(241 246)	
Contracted Services	(405 548 948)	55 858 847	(349 690 101)	(168 379 720)	181 310 381	
Transfers and Subsidies	31 638 081	-	31 638 081	(123 139 041)	(154 777 122)	
General Expenses	202 287 257	(67 702 621)	134 584 636	(151 752 713)	(286 337 349)	
Total expenditure	(889 498 771)	76 815 674	(812 683 097)	(1 259 249 033)	(446 565 936)	
Operating surplus	683 134 085	301 682 696	984 816 781	164 438 486	(820 378 295)	
Loss on disposal of assets and liabilities	-	-	-	(312 667)	(312 667)	
Actuarial gains/losses	-	-	-	8 986 709	8 986 709	
	-	-	-	8 674 042	8 674 042	
Surplus before taxation	683 134 085	301 682 696	984 816 781	173 112 528	(811 704 253)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	683 134 085	301 682 696	984 816 781	173 112 528	(811 704 253)	
Reconciliation						

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Accounting Policies

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2020	2019	2020	2019

1. Presentation of Consolidated Annual Financial Statements

The consolidated 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 consolidated 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

All figures have been rounded off to the nearest Rand.

1.2 Going concern assumption

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

1.3 Consolidation

Basis of consolidation

Consolidated consolidated annual financial statements are the consolidated annual financial statements of the economic entity presented as those of a single entity.

The consolidated consolidated annual financial statements incorporate the consolidated annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Consolidated consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's consolidated annual financial statements at the acquisition date.

The consolidated annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated consolidated annual financial statements are prepared as of the same date.

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Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Consolidation (continued)

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional consolidated annual financial statements as of the same date as the consolidated annual financial statements of the controlling entity unless it is impracticable to do so. When the consolidated annual financial statements of a controlled entity used in the preparation of consolidated consolidated annual financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's consolidated annual financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates is the same from period to period.

Adjustments are made when necessary to the consolidated annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the economic entity is identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets.

Changes in a controlling entity's ownership interest in a controlled entity that do not result in a loss of control are accounted for as transactions that affect net assets.

A Special purpose entity is consolidated when the substance of the relationship between the economic entity and the Special purpose entity indicates that the Special purpose entity is controlled by the economic entity.

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Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Transfer of functions between entities under common control

Definitions

An acquirer is the economic entity that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another economic entity so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an economic entity's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another economic entity.

A transferor is the economic entity that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an economic entity's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole economic entity. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which economic entity to the transaction or event is the transferor(s) and which economic entity is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which economic entity is the acquirer and which economic entity is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Chris Hani District Municipality

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Accounting Policies

1.4 Transfer of functions between entities under common control (continued)

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the economic entity recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the economic entity can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the economic entity de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the economic entity reports in its consolidated annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the economic entity retrospectively adjusts the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the economic entity receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The economic entity considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The economic entity recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the economic entity recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the economic entity revises comparative information for prior periods presented in consolidated annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the economic entity revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Subsequent measurement

The economic entity subsequently measures any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

At the transfer date, the economic entity classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The economic entity makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the economic entity classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

Chris Hani District Municipality

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Accounting Policies

1.4 Transfer of functions between entities under common control (continued)

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the economic entity derecognises from its consolidated annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the economic entity continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the economic entity measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.5 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the economic entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The economic entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

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Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of 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 [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of property, plant and equipment and tangible assets.

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, asset is tested on an annual basis for impairment. 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 property, plant and equipment and tangible assets are inherently uncertain and could materially change over time.

Provisions

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

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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 economic 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 economic 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 7.

Effective interest rate

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

Allowance for doubtful debts

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

1.6 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 economic entity; and
- the cost of the item can be measured reliably.

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Accounting Policies

1.6 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	5 - 100 years
Plant and machinery	Straight-line	2 - 17 years
Furniture and fixtures	Straight-line	3 - 18 years
Motor vehicles	Straight-line	4 - 20 years
Office equipment	Straight-line	3 - 18 years
IT equipment	Straight-line	3 - 13 years
Infrastructure - Water	Straight-line	.
. Roads and Paving	Straight-line	3 - 100 years
. Security Measures	Straight-line	7 - 25 years
. Sewerage	Straight-line	7 - 100 years
. Water Infrastructure	Straight-line	5 - 100 years
Infrastructure - Sanitation	Straight-line	.
. Community Facilities	Straight-line	5 - 30 years
. Recreational Facilities	Straight-line	10 - 30 years
Emergency Equipment	Straight-line	3 - 10 years
WIP - Sanitation	Straight-line	5 - 10 years

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Accounting Policies

1.6 Property, plant and equipment (continued)

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 economic entity. 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 economic entity assesses at each reporting date whether there is any indication that the economic entity 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 economic entity 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.

Derecognition

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 comparatives.

Repairs and Maintenance

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

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

1.7 Intangible assets

An 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 economic entity 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 economic entity; and
- the cost or fair value of the asset can be measured reliably.

The economic entity 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.

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Accounting Policies

1.7 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
Licenses and franchises	Straight-line	2 - 5 years
Computer software, other	Straight-line	2 - 5 years

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

Derecognition

Intangible assets are derecognised:

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

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

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Accounting Policies

1.8 Investments in controlled entities

Controlling entity consolidated annual financial statements

In the municipality's separate annual financial statements, investments in non-current investments are carried at cost.

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate consolidated annual financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated consolidated annual financial statements, are accounted for in the same way in the controlling entity's separate consolidated annual financial statements.

1.9 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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Accounting Policies

1.9 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 unutilised 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

1.9 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.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Prepayments	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Investments	Financial asset measured at fair value
Cash and Cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long-term liabilities	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

1.10 Leases

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

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Accounting Policies

1.11 Inventories

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

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

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

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

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

Current replacement cost is the cost the economic entity 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 economic entity.

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Identification

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

The economic 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 economic entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the economic 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 recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic 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 economic 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 recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

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

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

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

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

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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Accounting Policies

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

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

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

Useful life is either:

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

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

Identification

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

The economic 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 economic 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 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 non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

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

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the economic 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 optimised basis thus reflects the service potential required of the asset.

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Accounting Policies

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

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 economic entity 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.

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.14 Share capital / contributed capital

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

1.15 Employee benefits

Short-term employee benefits

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

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

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

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Accounting Policies

1.15 Employee benefits (continued)

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

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

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

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

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

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

Other post retirement obligations

The 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.

1.16 Provisions and contingencies

Provisions are recognised when:

- the economic 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.

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Accounting Policies

1.16 Provisions and contingencies (continued)

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity 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.

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 economic entity

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity 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 36.

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 economic entity 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;

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Accounting Policies

1.16 Provisions and contingencies (continued)

- 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 economic entity 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 economic entity considers that an outflow of economic resources is probable, an economic entity recognises the obligation at the higher of:

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

1.17 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.

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic 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 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 .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Fines

Revenue from the issuing of fines is recognised when:

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

The economic entity has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.20 Investment income

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

1.21 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.

1.22 Comparative figures

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

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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Accounting Policies

1.24 Fruitless and wasteful expenditure

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

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

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

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

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

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

1.26 Budget information

Economic Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

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

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

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

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.26 Budget information (continued)

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

1.27 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 economic entity, including those charged with the governance of the economic entity in accordance with legislation, in instances where they are required to perform such functions.

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

The economic entity 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 economic entity 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 economic entity is exempt from the disclosures in accordance with the above, the economic entity 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 consolidated annual financial statements.

1.28 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 economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity 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.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

2. New standards and interpretations

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality expects to adopt the standard for the first time in the 2020/2021 consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's consolidated annual financial statements.

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's consolidated annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The economic entity expects to adopt the standard for the first time in the 2019/2020 consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's consolidated annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's consolidated annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality expects to adopt the standard for the first time in the 2020/2021 consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's consolidated annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's consolidated annual financial statements.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

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3. Property, plant and equipment

Economic entity	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	32 913 229	-	32 913 229	32 913 229	-	32 913 229
Buildings	97 483 653	(12 234 697)	85 248 956	69 053 339	(10 320 722)	58 732 617
Machinery and equipment	23 314 712	(10 237 320)	13 077 392	19 587 337	(7 882 930)	11 704 407
Furniture and office equipment	25 485 434	(16 055 509)	9 429 925	23 408 249	(13 809 643)	9 598 606
Transport assets	102 566 663	(41 789 202)	60 777 461	102 101 626	(37 143 314)	64 958 312
Office equipment	651 804	(636 963)	14 841	640 428	(447 163)	193 265
Computer equipment	14 978 553	(12 234 716)	2 743 837	14 475 225	(10 838 520)	3 636 705
Infrastructure water	3 988 405 746	(1 100 267 216)	2 888 138 530	3 921 960 471	(971 827 922)	2 950 132 549
Infrastructure sanitation	452 910 867	(174 107 304)	278 803 563	432 703 707	(157 062 976)	275 640 731
Infrastructure roads	13 684 165	(2 844 561)	10 839 604	13 684 165	(2 287 127)	11 397 038
Work in progress	900 450 995	-	900 450 995	689 614 051	-	689 614 051
Total	5 652 845 821	(1 370 407 488)	4 282 438 333	5 320 141 827	(1 211 620 317)	4 108 521 510

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Controlling entity

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	30 345 900	-	30 345 900	30 345 900	-	30 345 900
Buildings	85 739 244	(10 421 553)	75 317 691	57 308 930	(9 096 408)	48 212 522
Machinery and equipment	23 314 712	(10 237 320)	13 077 392	19 587 337	(7 882 930)	11 704 407
Furniture and office equipment	24 448 655	(15 416 419)	9 032 236	22 376 404	(13 311 029)	9 065 375
Transport assets	101 535 152	(40 911 604)	60 623 548	101 070 115	(36 472 583)	64 597 532
Computer equipment	13 598 248	(11 065 164)	2 533 084	13 256 441	(9 947 347)	3 309 094
Infrastructure water	3 988 405 746	(1 100 267 216)	2 888 138 530	3 921 960 471	(971 827 922)	2 950 132 549
Infrastructure sanitation	452 910 867	(174 107 304)	278 803 563	432 703 707	(157 062 976)	275 640 731
Infrastructure roads	13 684 165	(2 844 561)	10 839 604	13 684 165	(2 287 127)	11 397 038
Work in progress	900 450 995	-	900 450 995	689 614 051	-	689 614 051
Total	5 634 433 684	(1 365 271 141)	4 269 162 543	5 301 907 521	(1 207 888 322)	4 094 019 199

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	32 913 229	-	-	-	-	-	-	32 913 229
Buildings	58 732 617	-	-	28 430 314	-	(1 913 975)	-	85 248 956
Machinery and equipment	11 704 407	3 727 375	-	-	-	(2 354 390)	-	13 077 392
Furniture and office equipment	9 598 606	2 077 696	-	-	-	(2 246 377)	-	9 429 925
Transport assets	64 958 312	1 357 009	(727 974)	-	-	(4 809 886)	-	60 777 461
Office equipment	193 265	11 376	-	-	-	(189 800)	-	14 841
Computer equipment	3 636 705	515 895	(8 043)	-	-	(1 400 720)	-	2 743 837
Infrastructure water	2 950 132 549	16 861 123	-	49 586 470	-	(128 441 612)	-	2 888 138 530
Infrastructure sanitation	275 640 731	-	-	20 207 161	-	(16 970 560)	(73 769)	278 803 563
Infrastructure roads	11 397 038	-	-	-	-	(557 434)	-	10 839 604
Work in progress	689 614 051	308 665 288	-	-	(97 828 344)	-	-	900 450 995
	4 108 521 510	333 215 762	(736 017)	98 223 945	(97 828 344)	(158 884 754)	(73 769)	4 282 438 333

Chris Hani District Municipality

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Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	14 063 229	-	-	18 850 000	-	-	-	-	32 913 229
Buildings	58 247 406	-	-	30 578 309	(28 777 364)	(1 315 734)	-	-	58 732 617
Machinery and equipment	11 782 461	1 975 001	-	-	-	(2 053 055)	-	-	11 704 407
Furniture and office equipments	11 308 991	496 348	-	-	-	(2 206 733)	-	-	9 598 606
Transport assets	52 483 765	18 064 867	(135 440)	-	-	(5 454 880)	-	-	64 958 312
Office equipment	393 928	-	-	-	-	(200 663)	-	-	193 265
Computer equipment	4 898 289	452 970	(78 198)	-	(9 590)	(1 651 422)	-	24 656	3 636 705
Infrastructure water	2 967 765 862	7 151 356	-	98 104 878	-	(122 889 547)	-	-	2 950 132 549
Infrastructure sanitation	292 381 270	260 203	-	-	-	(16 999 482)	(1 260)	-	275 640 731
Infrastructure roads	9 891 127	-	-	1 923 327	-	(417 416)	-	-	11 397 038
Work in progress	508 831 883	300 775 420	-	-	(119 993 252)	-	-	-	689 614 051
	3 932 048 211	329 176 165	(213 638)	149 456 514	(148 780 206)	(153 188 932)	(1 260)	24 656	4 108 521 510

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	30 345 900	-	-	-	-	-	-	30 345 900
Buildings	48 212 522	-	-	28 430 314	-	(1 325 145)	-	75 317 691
Machinery and equipment	11 704 407	3 727 375	-	-	-	(2 354 390)	-	13 077 392
Furniture and office equipment	9 065 375	2 072 762	-	-	-	(2 105 901)	-	9 032 236
Transport assets	64 597 532	1 357 009	(727 974)	-	-	(4 603 019)	-	60 623 548
Computer equipment	3 309 094	354 375	(8 043)	-	-	(1 122 342)	-	2 533 084
Infrastructure water	2 950 132 549	16 861 123	-	49 586 470	-	(128 441 612)	-	2 888 138 530
Infrastructure sanitation	275 640 731	-	-	20 207 161	-	(16 970 560)	(73 769)	278 803 563
Infrastructure roads	11 397 038	-	-	-	-	(557 434)	-	10 839 604
Work in progress	689 614 051	308 665 288	-	-	(97 828 344)	-	-	900 450 995
	4 094 019 199	333 037 932	(736 017)	98 223 945	(97 828 344)	(157 480 403)	(73 769)	4 269 162 543

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	11 495 900	-	-	18 850 000	-	-	-	30 345 900
Buildings	47 140 091	-	-	30 578 309	(28 777 364)	(728 514)	-	48 212 522
Machinery and equipment	11 782 461	1 975 001	-	-	-	(2 053 055)	-	11 704 407
Furniture and office equipment	10 626 517	496 348	-	-	-	(2 057 490)	-	9 065 375
Transport assets	51 916 682	18 064 867	(135 440)	-	-	(5 248 577)	-	64 597 532
Computer equipment	4 363 535	342 980	(39 915)	-	-	(1 357 506)	-	3 309 094
Infrastructure water	2 967 765 862	7 151 356	-	98 104 878	-	(122 889 547)	-	2 950 132 549
Infrastructure sanitation	292 381 270	260 203	-	-	-	(16 999 482)	(1 260)	275 640 731
Infrastructure roads	9 891 127	-	-	1 923 327	-	(417 416)	-	11 397 038
Work in progress	508 831 883	300 775 420	-	-	(119 993 252)	-	-	689 614 051
	3 916 195 328	329 066 175	(175 355)	149 456 514	(148 770 616)	(151 751 587)	(1 260)	4 094 019 199

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

3. Property, plant and equipment (continued)

Pledged as security

There are no assets that have been pledged as security during the current year.

3.1 Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services:	91 621 592	108 972 577	91 621 592	108 972 577
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The following projects were identified to have taken longer than expected for their completion date. These assets have not been disclosed as slow-moving assets under construction in the financial statements:

Tender/BID Number	Description	Function	Date project awarded awarded per contract register/awarded letter	No. of years project running	WIP register 30 June 2019 (Closing Balance)	WIP register 30 June 2020 (Opening Balance)
51/2014/MD(BL)	Cala Services Sanitation Upgrading Cala WWTW including Bulk Pump Station and Associated Rising Mains Phase 1	Sanitation	18 11 2015	5	R54 209 485.79	R54 209 485.79
33/2015/MD(TN)	CHDM Water Supply Backlog Cluster 9 Tsomo River Abstraction and WWTW Construction	Water	09 12 2015	5	R166 573 989.85	R166 573 989.85
20/2015/MD(TN)	CHDM Water Supply Backlog Cluster 4 Quick Wins Phae 2 Gaseni-B	Water	28 03 2015	5	R488 228.38	R488 228.38
37/2010/MD(AM)	Water Supply Refurbishment & Upgrading of Water and Sewer Infrastructure in Ilinge	Sanitation	18 05 2010	10	R4 550 609.25	R4 550 609.25

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

3. 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.

The municipality applies the Standards of GRAP on Impairment of Cash-generating Assets and Impairment of Non-cash generating Assets to assess whether items of Property, Plant and Equipment are impaired through a review of the carrying amounts of assets against the recoverable amounts for each asset. At 30 June 2020, no assets were assessed to be impaired.

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.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand

4. Intangible assets

Economic entity	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	7 844 616	(7 116 315)	728 301	7 844 616	(6 354 909)	1 489 707
Computer software (finite)	698 002	(679 557)	18 445	696 136	(563 110)	133 026
Total	8 542 618	(7 795 872)	746 746	8 540 752	(6 918 019)	1 622 733

Controlling entity	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	7 844 616	(7 116 315)	728 301	7 844 616	(6 354 909)	1 489 707

Reconciliation of intangible assets - Economic entity - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 489 707	-	(761 406)	728 301
Computer software (finite)	133 026	1 866	(116 447)	18 445
	1 622 733	1 866	(877 853)	746 746

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

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4. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	2 165 908	-	(23 198)	(653 003)	1 489 707
Computer software (finite)	273 161	14 104	-	(154 239)	133 026
	2 439 069	14 104	(23 198)	(807 242)	1 622 733

Reconciliation of intangible assets - Controlling entity - 2020

	Opening balance	Amortisation	Total
Computer software, other	1 489 707	(761 406)	728 301

Reconciliation of intangible assets - Controlling entity - 2019

	Opening balance	Disposals	Amortisation	Total
Computer software, other	2 165 908	(23 198)	(653 003)	1 489 707

5. Investments in controlled entities

Name of company	Held by	% holding 2020	% holding 2019	Carrying amount 2020	Carrying amount 2019
Investments in controlled entity	Chris Hani District Municipality	100,00 %	100,00 %	1 500 000	1 500 000

The carrying amounts of controlled entities are shown net of impairment losses.

6. Operating lease asset (accrual)

Current liabilities	(1 291 772)	(600 219)	(1 291 772)	(600 219)
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Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

7. Employee benefit obligations

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

Carrying value

Defined Medical Benefits Obligations	(52 877 247)	(56 272 624)	(52 877 247)	(56 272 624)
Long Service Awards Obligations	(14 733 698)	(14 915 690)	(14 733 698)	(14 915 690)
	(67 610 945)	(71 188 314)	(67 610 945)	(71 188 314)
Non-current liabilities	(63 435 951)	(65 893 340)	(63 435 951)	(65 893 340)
Current liabilities	(4 174 994)	(5 294 974)	(4 174 994)	(5 294 974)
	(67 610 945)	(71 188 314)	(67 610 945)	(71 188 314)

Refer to the disclosure relating to Long Service Awards.]

Changes in the present value of the post medical benefit obligation are as follows:

Opening balance	56 272 624	48 552 148	56 272 624	48 552 148
Benefits paid	(2 868 929)	(1 338 853)	(2 868 929)	(1 338 853)
Net expense recognised in the statement of financial performance	(526 448)	9 059 329	(526 448)	9 059 329
	52 877 247	56 272 624	52 877 247	56 272 624

Net expense recognised in the statement of financial performance

Current service cost	3 408 054	2 715 019	3 408 054	2 715 019
Interest cost	5 494 783	4 711 659	5 494 783	4 711 659
Actuarial (gains) losses	(9 429 285)	1 632 651	(9 429 285)	1 632 651
	(526 448)	9 059 329	(526 448)	9 059 329

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(9 429 285)	1 632 651	(9 429 285)	1 632 651
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used	13,04 %	10,02 %	13,04 %	10,02 %
Expected rate of return on assets	7,29 %	6,02 %	7,29 %	6,02 %
Expected rate of return on reimbursement rights	8,79 %	7,52 %	8,79 %	7,52 %
Actual return on reimbursement rights	3,91 %	2,33 %	3,91 %	2,33 %

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity		
	2020	2019	2020	2019	
7. Employee benefit obligations (continued)					
Other assumptions					
Amounts for the current and previous four years are as follows:					
	2020	2019	2018	2017	2016
	R	R	R	R	R
Defined benefit obligation	52 877 247	56 272 624	48 552 148	32 901 878	35 070 544
Experience adjustments on plan liabilities	(526 448)	9 059 329	16 937 928	(870 537)	2 854 538

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

Carrying value

Defined Medical Benefits Obligations	(52 877 247)	(56 272 624)	(52 877 247)	(56 272 624)
Long Service Awards Obligations	(14 733 698)	(14 915 690)	(14 733 698)	(14 915 690)
	(67 610 945)	(71 188 314)	(67 610 945)	(71 188 314)
Non-current liabilities	(63 435 951)	(65 893 340)	(63 435 951)	(65 893 340)
Current liabilities	(4 174 994)	(5 294 974)	(4 174 994)	(5 294 974)
	(67 610 945)	(71 188 314)	(67 610 945)	(71 188 314)

Long Service Awards Liability

The municipality operates an undefined benefit plan for all its employees under the plan, a long service award is payable after 5 years of continuous service, and every 5 years thereafter to 45 years of continuous service. The provision is an estimate of the long service based on historical staff turnover.

Changes in the present value of the Long service award obligation are as follows:

Opening balance	14 915 690	13 567 990	14 915 690	13 567 990
Benefits paid	(2 665 624)	(1 549 790)	(2 665 624)	(1 549 790)
Net expense recognised in the statement of financial performance	2 483 632	2 897 490	2 483 632	2 897 490
	14 733 698	14 915 690	14 733 698	14 915 690

Net expense recognised in the statement of financial performance

Current service cost	953 064	732 152	953 064	732 152
Interest cost	1 087 992	1 134 748	1 087 992	1 134 748
Actuarial (gains) losses	442 576	1 030 590	442 576	1 030 590
	2 483 632	2 897 490	2 483 632	2 897 490

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	442 576	1 030 590	442 576	1 030 590
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8. Prepayments

Prepayments relate to payments made to Eskom for connections. No connections made in 2019/2020. No connections confirmed as at 30 June 2020 amounting to R315 675 for Engcobo Project.

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
8. Prepayments (continued)				
Payments made in advance				
Current assets	315 675	2 412 903	315 675	2 383 988
9. Inventories				
Consumable stores	16 671 342	11 398 511	16 671 342	11 398 511
Water for distribution	391 852	391 852	391 852	391 852
	17 063 194	11 790 363	17 063 194	11 790 363
10. Receivables from non-exchange transactions				
Sundry receivables - Roadworks subsidy	6 427 679	13 102 622	6 427 679	13 102 622
Local Municipalities	11 870 640	4 191 907	11 870 640	4 191 907
Rental and Eskom service deposits	11 262 233	9 846 153	11 262 233	9 846 153
Other debtors	5 083 960	4 279 262	5 083 960	4 279 262
DHS Emergency Housing	1 023 070	-	1 023 070	-
Operating Lease	371 680	92 920	371 680	92 920
	36 039 262	31 512 864	36 039 262	31 512 864

**Included in the total of Roads subsidy is an amount of R6.4million which is >3 years old

Local municipalities consists of loans to Enoch Mjijima amounting to R9,870,636.00 and Sakhisizwe Local Municipality R2,000,000.

Service deposits consists of rental deposits and Eskom service deposits.

Other debtors consists of amounts receivable from bursary loan obligation, Vodacom from previous years, Transfer monies, Bank Errors and Others.

DHS Emergency

has an agreement with the municipality that incur expenditure for Emergency houses and claim to the department. R1,023,070.00 was spent in 2019/20 and invoices submitted to the department.

Gross Balances Receivables from non-exchange

Road work subsidy	6 427 679	13 102 622	6 427 679	13 102 622
Local Municipalities	11 870 640	4 191 907	11 870 640	4 191 907
Rental and Eskom deposits	11 262 233	9 846 153	11 262 233	9 846 153
DHS Emergency Housing	5 083 960	-	5 083 960	-
Other Debtors	1 023 070	4 279 262	1 023 070	4 279 262
Operating Leases	371 680	92 920	371 680	92 920
	36 039 262	31 512 864	36 039 262	31 512 864

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
10. Receivables from non-exchange transactions (continued)				
Receivables from non-exchange transactions past due but not impaired				
Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At June 30, 2020, and 2019 were past due but not impaired. The ageing of amounts past due but not impaired is as follows:				
Roads subsidy	6 427 679	13 102 622	6 427 679	13 102 622
-Local Municipalities	11 870 640	4 191 907	11 870 640	4 191 907
-Rental and Eskom deposits	11 262 233	9 846 153	11 262 233	9 846 153
-Other Debtors	5 083 960	4 279 262	5 083 960	4 279 262
DHS Emergency Housing	1 023 070	-	1 023 070	-
Operating Leases	371 680	92 920	371 680	92 920
	36 039 262	31 512 864	36 039 262	31 512 864
Financial asset receivables included in receivables from non-exchange transactions above	(36 039 262)	(31 512 864)	(36 039 262)	(31 512 864)
Total receivables from non-exchange transactions	36 039 262	31 512 864	36 039 262	31 512 864
Receivables from non-exchange transactions pledged as security				
None of financial assets as disclosed are held as collateral nor have they been used for any other credit enhancements.				
Receivables from non-exchange transactions impaired				
As of 30 June 2020, other receivables from non-exchange transactions of R36 039 262 were past due but not impaired.				
None of the financial assets for the period ended 30 June 2020 have been determined individually for impairment.				
11. VAT receivable				
VAT	58 097 566	77 633 818	57 989 249	77 220 343
12. Receivables from exchange transactions				
Gross balances				
Water	1 487 843 291	1 184 282 323	1 487 843 291	1 184 282 323
Sewerage	524 419 876	472 803 743	524 419 876	472 803 743
Refuse	2 632 768	2 588 709	2 632 768	2 588 709
	2 014 895 935	1 659 674 775	2 014 895 935	1 659 674 775
Less: Allowance for impairment				
Water	(1 208 165 425)	(978 926 762)	(1 208 165 425)	(978 926 762)
Sewerage	(488 883 745)	(440 030 089)	(488 883 745)	(440 030 089)
Refuse	(2 519 756)	(2 544 673)	(2 519 756)	(2 544 673)
	(1 699 568 926)	(1 421 501 524)	(1 699 568 926)	(1 421 501 524)
Net balance				
Water	279 677 866	205 355 561	279 677 866	205 355 561
Sewerage	35 536 131	32 773 654	35 536 131	32 773 654
Refuse	113 012	44 036	113 012	44 036
	315 327 009	238 173 251	315 327 009	238 173 251

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
12. Receivables from exchange transactions (continued)				
Water				
Current (0 -30 days)	25 621 427	99 255 814	25 621 427	99 255 814
31 - 60 days	26 947 684	40 570 297	26 947 684	40 570 297
61 - 90 days	25 438 467	25 228 548	25 438 467	25 228 548
91 - 120 days	28 626 008	25 455 651	28 626 008	25 455 651
121 - 365 days	273 659 423	238 679 535	273 659 423	238 679 535
> 365 days	1 107 550 281	755 092 477	1 107 550 281	755 092 477
Impairment	(1 208 165 424)	(978 926 761)	(1 208 165 424)	(978 926 761)
	279 677 866	205 355 561	279 677 866	205 355 561
Sewerage				
Current (0 -30 days)	7 166 327	17 062 593	7 166 327	17 062 593
31 - 60 days	6 171 553	5 616 182	6 171 553	5 616 182
61 - 90 days	6 121 065	5 533 756	6 121 065	5 533 756
91 - 120 days	6 174 822	5 516 439	6 174 822	5 516 439
121 - 365 days	54 301 815	54 941 947	54 301 815	54 941 947
> 365 days	444 510 161	384 132 825	444 510 161	384 132 825
Impairment	(488 883 745)	(440 030 088)	(488 883 745)	(440 030 088)
	35 561 998	32 773 654	35 561 998	32 773 654
Sundry Debtors				
Current (0 -30 days)	102 276	38 805	102 276	38 805
31 - 60 days	-	5 231	-	5 231
61 - 90 days	-	2 533	-	2 533
91 - 120 days	2 734	4 903	2 734	4 903
121 - 365 days	24 554	23 653	24 554	23 653
> 365 days	2 503 207	2 513 583	2 503 207	2 513 583
Impairment	(2 519 759)	(2 544 672)	(2 519 759)	(2 544 672)
	113 012	44 036	113 012	44 036
Reconciliation of allowance for impairment				
Balance at beginning of the year	(1 421 501 524)	(1 222 102 221)	(1 421 501 524)	(1 222 102 221)
Contributions to allowance	(278 067 402)	(199 399 303)	(278 067 402)	(199 399 303)
	(1 699 568 926)	(1 421 501 524)	(1 699 568 926)	(1 421 501 524)

Receivables from non-exchange pledged as security

None of the financial assets as disclosed are held as collateral nor have they been used for any other credit enhancements.

Receivables from non-exchange transaction past due but not impaired

Consumer debtors that are identified as relating to government institutions have not been impaired as there is a general expectation that amounts owing will be settled..

The ageing of amounts past due but not impaired is as follows:

Receivables from non exchange impaired

None of the financial assets for the period ended 30 June 2020 have been determined individually for impairment

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
13. Cash and cash equivalents (continued)				
Cash on hand	9 612	4 604	4 200	4 200
Bank balances	20 951 348	104 594 114	20 599 528	104 191 343
Short-term deposits	21 645 755	273 729 096	21 643 330	273 723 783
	42 606 715	378 327 814	42 247 058	377 919 326

Short-term deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.50% to 6.70% per annum. Investments are made up of short-term deposits held for unspent conditional grants that are ringfenced until the conditions are met and utilised..

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates: Excess cash is invested with reputable finance institutions with good credit ratings.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
First National Bank - Current - 62002510693	18 629 607	98 656 166	75 220 724	18 629 607	98 656 166	(13 422 606)
First National Bank - Call - 62004499481	894 576	61 252	13 588 735	894 576	61 252	13 588 735
First National Bank - Call account - 62190652521 (CRR)	241 891	212 916 295	242 754 637	241 891	212 916 295	242 754 637
First National Bank - Call Account - 62187939784 Infrastructure	624 256	59 048 632	7 506 142	624 256	59 048 632	7 506 142
First National Bank - Call Account - 62187936532 (National)	3 632 818	1 297 853	1 166 978	3 632 818	1 297 853	1 166 978
First National Bank - Call Account - 62187938538 (Provincial)	16 249 789	399 693	1 027 204	16 249 789	399 693	1 027 204
First National Bank - Public Sector Cheque Account 62610267602	1 969 921	5 535 177	8 220 867	1 969 921	5 535 177	8 220 603
FNB Main 623 636 541 56	143 687	383 889	192 264	143 687	383 889	192 264
FNB Skills 623 960 858 99	171 602	1 743	484 812	171 602	1 743	484 812
FNB INV 623 789 429 18	2 425	5 313	4 711	2 425	5 313	4 711
FNB DEA 624 578 562 96	100	3 914	1 606 912	100	3 914	1 606 912
FNB CALL 625 418 515 74	2 158	3 709	3 991	2 158	3 709	3 991
FNB MECH 625 407 434 83	29 515	8 010	38 828	29 515	8 010	38 828
FNB PETTY 625 407 426 83	4 763	1 510	5 854	4 763	1 510	5 854
Total	42 597 108	378 323 156	351 822 659	42 597 108	378 323 156	263 179 065

14. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2020

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

14. Accumulated surplus (continued)

	Accumulated surplus	Total
Opening balance	4 103 919 928	4 103 919 928
Surplus	171 278 443	171 278 443
	-	-
	4 275 198 371	4 275 198 371

Ring-fenced internal funds and reserves within accumulated surplus - Economic entity - 2019

	Accumulated surplus	Total
Opening balance	4 047 539 403	4 047 539 403
Surplus	111 065 175	111 065 175
	-	-
	4 158 604 578	4 158 604 578

Ring-fenced internal funds and reserves within accumulated surplus - Controlling entity - 2020

	Accumulated surplus	Total
Opening balance	4 097 846 527	4 097 846 527
Surplus	173 006 941	173 006 941
	-	-
	4 270 853 468	4 270 853 468

Ring-fenced internal funds and reserves within accumulated surplus - Controlling entity - 2019

	Accumulated surplus	Total
Opening balance	4 035 788 786	4 035 788 786
Surplus	112 867 666	112 867 666
	-	-
	4 148 656 452	4 148 656 452

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
15. Unspent conditional grants and receipts				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
Provincial: Treasury	1 606 965	1 606 965	1 606 965	1 606 965
Chris Hani District Municipality - Irrigation Schemes	873 484	-	-	-
National: Municipal Infrastructure Grant (MIG)	1	81 589 393	1	81 589 393
National: Department of Rural Development and Land Reform	402 614	402 614	402 614	402 614
National: Sport and Development	16 140 327	16 140 327	16 140 327	16 140 327
Provincial: Office of the Premier	21 569	21 569	21 569	21 569
Provincial: Department of Transport	1 732 096	1 732 096	1 732 096	1 732 096
Provincial: Department of Economic Affairs	14 550 844	14 308 884	14 308 884	14 308 884
Provincial: Department of Housing, Local Gvt and Traditional Affairs	1 158 656	1 158 656	1 158 656	1 158 656
ECDRDAR	-	1 047 376	-	-
Other Spheres of Government	43 478	43 478	43 478	43 478
CHDM Biltong	2 187 000	-	-	-
Lapesi Project	42 197	42 197	42 197	42 197
National: EPWP	93 765	-	93 455	-
CHDM Coal Exploration Mining	295 986	-	-	-
CHDM Fertiliser Blending Feasibility Study	104 348	-	-	-
Provincial: RBIG	19 514 739	101 046 222	19 514 739	101 046 222
CHDM Livestock Improvement Beef Infrastructure	56 533	-	-	-
Provincial: Department of Economic Affairs and Trade	360 655	360 655	360 655	360 655
MSIG	(1)	-	(1)	-
National: Municipal Infrastructure Grant (MIG)	1	1	1	1
CHDA-DEDEAT Liability	1 223 200	-	-	-
Municipal Disaster Covid-19	1 559 319	-	1 559 319	-
National: Department of Transport - Rural Road Asset Mgt Grant	1 744 065	3 196 975	1 744 065	3 196 975
HWSETA	96 788	-	-	-
National : WSIG	19 906 277	49 692 137	19 906 277	49 692 137
National : MWIG	-	29 159 488	-	29 159 488
Skills Liability - Chda	479 697	-	-	-
Livestock Improvement Liability - Chda	1 009 810	-	-	-
	85 204 413	301 549 033	78 635 297	300 501 657

The nature and extent of government grants recognised in the consolidated annual financial statements and an indication of other forms of government assistance from which the economic entity has directly benefited; and

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

See note 24 for reconciliation of grants from National/Provincial Government.

Unspent conditional grant relate to R35 million is not presented in note 24 because there is no movement since 2008/2009 financial year.

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

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
16. Payables from exchange transactions				
Trade payables	224 630 456	230 123 892	223 852 814	227 152 534
Payments received in advanced	8 198 082	6 192 028	8 198 082	6 192 028
Retentions	37 111 156	34 790 261	37 111 156	34 790 261
Bonus Provision	10 970 478	8 704 932	9 097 182	7 502 240
Accrued leave pay	15 659 558	13 940 707	15 659 558	13 940 707
Deposits received (held as Surety)	8 335	8 335	8 335	8 335
Other payables	27 545 986	25 035 186	27 545 986	25 035 186
Provision for 13th cheque	72 761	53 653	-	-
Leave pay accrual	954 809	293 645	-	-
Payroll payables	71 891	252 817	-	-
	325 223 512	319 395 456	321 473 113	314 621 291
17. Consumer deposits				
Water	507 696	441 108	507 696	441 108
18. Revenue				
Service charges	300 505 479	305 466 551	300 505 479	305 466 551
Project income	35 877 406	21 189 059	-	-
Mechanisation Centre income	708 189	664 455	-	-
Municipal Revenue UD2	-	70 470	-	-
Tender fees	25 800	25 000	-	-
Other income	2 328 406	802 132	2 020 782	746 616
Interest received	78 861 111	74 723 515	78 495 610	74 351 178
Indirect taxes (VAT, customs duty)	1 773 913	-	-	-
Government grants & subsidies	1 042 665 648	920 035 231	1 042 665 648	916 690 873
	1 462 745 952	1 322 976 413	1 423 687 519	1 297 255 218
The amount included in revenue arising from exchanges of goods or services are as follows:				
Service charges	300 505 479	305 466 551	300 505 479	305 466 551
Project income	35 877 406	21 189 059	-	-
Mechanisation Centre income	708 189	664 455	-	-
Municipal Revenue UD2	-	70 470	-	-
Tender fees	25 800	25 000	-	-
Other income	2 328 406	802 132	2 020 782	746 616
Interest received	78 861 111	74 723 515	78 495 610	74 351 178
	418 306 391	402 941 182	381 021 871	380 564 345
The amount included in revenue arising from non-exchange transactions is as follows:				
Taxation revenue				
Indirect taxes (VAT, customs duty)	1 773 913	-	-	-
Transfer revenue				
Government grants & subsidies	1 042 665 648	920 035 231	1 042 665 648	916 690 873
	1 044 439 561	920 035 231	1 042 665 648	916 690 873

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
19. Service charges				
Service charges	7 359	34 711	7 359	34 711
Sale of water	241 312 886	249 329 356	241 312 886	249 329 356
Sewerage and sanitation charges	59 185 234	56 102 484	59 185 234	56 102 484
	300 505 479	305 466 551	300 505 479	305 466 551
20. Other revenue				
Other income	2 328 406	802 132	2 020 782	746 616
21. Other income				
Tender documents	510 700	471 629	510 700	471 629
VAT on Conditional Grant	1 042 205	-	1 042 205	-
Sundry receipts	467 877	274 987	467 877	274 987
Other income - chda	307 624	55 516	-	-
	2 328 406	802 132	2 020 782	746 616
22. Investment revenue				
Interest revenue				
Bank	1 732 156	1 944 952	1 366 655	1 572 615
Interest investments	19 347 805	34 283 108	19 347 805	34 283 108
Interest - debtors	57 781 150	38 495 455	57 781 150	38 495 455
	78 861 111	74 723 515	78 495 610	74 351 178
23. Grants and subsidies paid				
Transfer and subsidies				
VIP Toilets	89 100 961	15 377 111	89 100 961	15 377 111
Chris Hani Development Agency	5 400 000	-	34 038 080	29 339 125
	94 500 961	15 377 111	123 139 041	44 716 236

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
24. Government grants and subsidies				
Operating grants				
Equitable share	543 689 000	524 527 000	543 689 000	524 527 000
Finance Management Grant	1 250 000	1 250 000	1 250 000	1 250 000
Municipal Infrastructure Grant Operational EPWP	123 898 493	37 348 362	123 898 493	37 348 362
DHS Emergency Housing	4 548 545	6 158 000	4 548 545	6 158 000
MSIG	-	1 583 192	-	1 583 192
LG SETA	-	(1)	-	(1)
Rural Sustainable Village	564 824	669 190	564 824	669 190
Municipal DIS Covid-19	4 126 374	6 200 000	4 126 374	6 200 000
Rural Road Asset Management Grant	1 956 681	-	1 956 681	-
Prov: Roads Subsidies	1 676 935	-	1 676 935	-
	16 701 091	20 679 101	16 701 091	20 679 101
	698 411 943	598 414 844	698 411 943	598 414 844
Capital grants				
Municipal Infrastructure Grant	164 724 721	151 942 246	164 724 721	151 942 246
Water Services Infrastructure Grant	93 714 723	75 940 025	93 714 723	75 940 025
Regional Bulk Infrastructure Grant	85 814 261	90 393 758	85 814 261	90 393 758
	344 253 705	318 276 029	344 253 705	318 276 029
	1 042 665 648	916 690 873	1 042 665 648	916 690 873
National: Municipal Infrastructure Grant (MIG)				
Balance unspent at beginning of year	81 589 393	-	81 589 393	-
Current-year receipts	287 034 000	270 880 000	287 034 000	270 880 000
Conditions met - transferred to revenue	(288 623 215)	(190 879 822)	(288 623 215)	(190 879 822)
Re-payment of unspent	(80 000 178)	1 589 215	(80 000 178)	1 589 215
	-	81 589 393	-	81 589 393
Conditions still to be met - remain liabilities (see note 15)				
National: Regional Bulk Infrastructure Grant				
Balance unspent at beginning of year	101 046 222	29 439 980	101 046 222	29 439 980
Current-year receipts	105 329 000	162 000 000	105 329 000	162 000 000
Conditions met - transferred to revenue	(85 814 261)	(90 393 758)	(85 814 261)	(90 393 758)
Re-payment of unspent	(101 046 222)	-	(101 046 222)	-
	19 514 739	101 046 222	19 514 739	101 046 222
Conditions still to be met - remain liabilities (see note 15).				
National: Finance Management Grant				
Balance unspent at beginning of year	1	1	1	1
Current-year receipts	1 250 000	1 250 000	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)	(1 250 000)	(1 250 000)
	1	1	1	1

Conditions still to be met - remain liabilities (see note 15)

National: DOT - Rural Road Asset Management Grant

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
24. Government grants and subsidies (continued)				
Balance unspent at beginning of year	3 196 975	2 680 975	3 196 975	2 680 975
Current-year receipts	3 421 000	3 229 000	3 421 000	3 229 000
Conditions met - transferred to revenue	(1 676 935)	(2 713 000)	(1 676 935)	(2 713 000)
Re-payment of unspent	(3 196 975)	-	(3 196 975)	-
	1 744 065	3 196 975	1 744 065	3 196 975

Conditions still to be met - remain liabilities (see note 15).

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	49 692 137	-	49 692 137	-
Current-year receipts	84 461 000	137 300 000	84 461 000	137 300 000
Conditions met - transferred to revenue	(93 714 723)	(87 607 863)	(93 714 723)	(87 607 863)
Re-payment of unspent	(49 691 625)	-	(49 691 625)	-
	(9 253 211)	49 692 137	(9 253 211)	49 692 137

Conditions still to be met - remain liabilities (see note 15).

Water Service Infrastructure Grant

Balance unspent at beginning of year	29 159 488	32 991 649	29 159 488	32 991 649
Conditions met - transferred to revenue	-	(3 832 161)	-	(3 832 161)
	29 159 488	29 159 488	29 159 488	29 159 488

Conditions still to be met - remain liabilities (see note 15).

Grant: Emergency Housing

Balance unspent at beginning of year	-	1 583 192	-	1 583 192
Current-year receipts	(1 023 070)	-	(1 023 070)	-
Debtor raised	1 023 070	-	1 023 070	-
Re-payment	-	(1 583 192)	-	(1 583 192)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 15).

Rural Sustainable Village

Current-year receipts	4 126 374	-	4 126 374	-
Conditions met - transferred to revenue	(4 126 374)	-	(4 126 374)	-
	-	-	-	-

Conditions still to be met - remain liabilities (see note 15)

Municipal Disaster Covid-19

Current-year receipts	3 516 000	-	3 516 000	-
Conditions met - transferred to revenue	(1 956 681)	-	(1 956 681)	-
	1 559 319	-	1 559 319	-

Conditions still to be met - remain liabilities (see note 15)Additional text

Provincial: Department of Roads

Chris Hani District Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
24. Government grants and subsidies (continued)				
Current-year receipts	16 701 091	32 586 506	16 701 091	32 586 506
Conditions met - transferred to revenue	(16 701 091)	(20 679 101)	(16 701 091)	(20 679 101)
Other	-	(18 002 637)	-	(18 002 637)
	-	6 095 232	-	6 095 232
	-	-	-	-

Conditions still to be met - remain liabilities (see note 15).

National: EPWP

Current-year receipts	4 642 000	6 158 000	4 642 000	6 158 000
Conditions met - transferred to revenue	(4 548 545)	(6 158 000)	(4 548 545)	(6 158 000)
	93 455	-	93 455	-

Conditions still to be met - remain liabilities (see note 15).

Chris Hani District Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
25. Employee related costs				
Basic	224 513 883	206 314 590	210 918 071	195 335 188
Bonus	16 693 369	16 262 099	15 162 818	15 059 407
Medical aid - company contributions	22 611 305	37 025 836	21 757 210	36 575 941
UIF	1 790 578	1 602 571	1 723 437	1 561 898
WCA	57 864	49 046	-	-
Leave pay provision charge	6 229 399	7 979 918	5 246 927	7 816 668
Industrial Council Levies	90 126	86 256	90 126	86 256
Defined contribution plans	886 006	749 217	-	-
Travel, motor car, accommodation, subsistence and other allowances	31 505 167	25 377 367	31 505 167	25 377 367
Overtime payments	13 872 563	11 791 339	13 872 563	11 791 339
Long-service awards	2 041 056	3 031 387	2 041 056	3 031 387
Housing benefits and allowances	2 144 076	2 166 271	2 144 076	2 166 271
Pension Fund Contribution	33 001 300	30 824 821	33 001 300	30 824 821
Group Life Insurance	1 429 558	1 229 283	1 429 558	1 229 283
	356 866 250	344 490 001	338 892 309	330 855 826

Remuneration of municipal manager - G. Mashiyi

Annual Remuneration	397 481	-	397 481	-
Car Allowance	219 235	-	219 235	-
Performance Bonuses	87 803	-	87 803	-
Contributions to UIF, Medical and Pension Funds	744	-	744	-
Other allowances	18 472	-	18 472	-
Non Pensionable	97 564	-	97 564	-
	821 299	-	821 299	-

During 2018/2019 to Jan 2020, Dr BJ Mtembu was an acting Municipal Manager. Mr G. Mashiyi was appointed from Feb 2020

The former Municipal Manager, Mr M.A. Mene resigned on 13 March 2018 and his performance bonuses paid are disclosed below.

Remuneration of Acting Municipal Manager - Dr BJ Mthembu

Acting allowance	144 539	118 862	144 539	118 862
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Remuneration of Municipal Manager - M A Mene

Performance Bonuses	-	635 891	-	635 891
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Remuneration of Chief Finance Officer - M. Dyushu

Annual Remuneration	697 423	-	697 423	-
Car Allowance	305 617	-	305 617	-
Performance Bonuses	88 367	-	88 367	-
Contributions to UIF, Medical and Pension Funds	1 190	-	1 190	-
Other allowances	65 742	-	65 742	-
Non Pensionable	164 243	-	164 243	-
	1 322 582	-	1 322 582	-

From July 2018 to March 2019 Ms N. Fetsha was a Chief Financial Officer. From 18 March 2019 to Dec 2019, Mr. T. Pambaniso was an acting Chief Financial Officer. Mr. M. Dyushu was appointed from Jan 2020. The acting allowance disclosed below is already included in the Municipal staff.

Remuneration of Former CFO: N. Fetsha

Chris Hani District Municipality

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
25. Employee related costs (continued)				
Annual Remuneration	-	1 320 084	-	1 320 084
Car Allowance	-	372 268	-	372 268
Performance Bonuses	-	169 833	-	169 833
Contributions to UIF, Medical and Pension Funds	-	1 785	-	1 785
Other allowances	-	7 615	-	7 615
Other	-	83 204	-	83 204
	-	1 954 789	-	1 954 789
Remuneration of Acting CFO: T. Pambaniso				
Acting Allowances	215 036	131 027	215 036	131 027
Remuneration of Director: Corporate Services - Y. Matakane-Dakuse				
Annual Remuneration	1 075 609	1 069 346	1 075 609	1 069 346
Car Allowance	415 860	395 837	415 860	395 837
Performance Bonuses	182 998	169 926	182 998	169 926
Contributions to UIF, Medical and Pension Funds	242 324	229 777	242 324	229 777
Other allowances	8 744	-	8 744	-
	1 925 535	1 864 886	1 925 535	1 864 886
Remuneration of Director: Health Services - Y. Sinyanya				
Annual Remuneration	1 075 609	1 179 763	1 075 609	1 179 763
Car Allowance	427 960	408 448	427 960	408 448
Performance Bonuses	182 981	169 967	182 981	169 967
Contributions to UIF, Medical and Pension Funds	230 051	217 848	230 051	217 848
Other allowances	8 744	7 720	8 744	7 720
	1 925 345	1 983 746	1 925 345	1 983 746
Remuneration of Director: Integrated Planning and Development - Z. Shasha				
Annual Remuneration	1 064 741	1 057 180	1 064 741	1 057 180
Car Allowance	421 223	406 976	421 223	406 976
Performance Bonuses	181 544	165 441	181 544	165 441
Contributions to UIF, Medical and Pension Funds	234 254	213 411	234 254	213 411
Other allowances	8 656	7 643	8 656	7 643
	1 910 418	1 850 651	1 910 418	1 850 651
Remuneration of Director: Strategic Services - B. Mthembu				
Annual Remuneration	1 092 524	1 129 020	1 092 524	1 129 020
Car Allowance	424 577	402 898	424 577	402 898
Performance Bonuses	270 455	83 204	270 455	83 204
Contributions to UIF, Medical and Pension Funds	242 324	157 013	242 324	157 013
Other allowances	112	105	112	105
	2 029 992	1 772 240	2 029 992	1 772 240
Remuneration of Director : Technical Services - L. Govu				
Annual Remuneration	957 240	-	957 240	-
Car Allowance	389 045	-	389 045	-

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
25. Employee related costs (continued)				
Performance Bonuses	160 785	-	160 785	-
Contributions to UIF, Medical and Pension Funds	177 708	-	177 708	-
Other	26 857	-	26 857	-
	1 711 635	-	1 711 635	-

Mr M. Dungu's contract expired in October 2018. From October 2018 to July 2019 Mr M. Shasha was acting. Mr L. Govu was appointed in August 2019. The acting allowance disclosed below is already included in the Municipal staff.

Remuneration of Acting Director: Technical Services - M. Shasha

Acting allowance	20 937	198 803	20 937	198 803
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Remuneration of the Chief Executive Officer

Annual remuneration including social contributions	382 428	812 248	382 428	812 248
Performance bonuses	-	151 823	-	151 823
Contributions to UIF, Medical and Pension Funds	33 676	54 592	33 676	54 592
	416 104	1 018 663	416 104	1 018 663

Remuneration of Chief Finance Officer

Annual remuneration including social contributions	1 540 267	1 348 078	1 540 267	1 348 078
Performance Bonuses	41 782	128 640	41 782	128 640
Contributions to UIF, Medical and Pension Funds	137 645	115 708	137 645	115 708
	1 719 694	1 592 426	1 719 694	1 592 426

Remuneration of Executive Manager Operations

Annual remuneration including social contributions	1 122 841	1 258 534	1 122 841	1 258 534
Performance Bonuses	106 187	128 640	106 187	128 640
Contributions to UIF, Medical and Pension Funds	137 645	121 885	137 645	121 885
	1 366 673	1 509 059	1 366 673	1 509 059

Remuneration of Director: Technical Services: M. Dungu

Annual Remuneration	-	525 230	-	525 230
Car and other allowances	-	146 242	-	146 242
Performance Bonuses	-	80 021	-	80 021
Contributions to UIF, Medical and Pension Funds	-	20 767	-	20 767
Other allowances	-	3 105	-	3 105
	-	775 365	-	775 365

26. Remuneration of councillors

Executive Major	1 087 797	1 215 547	1 087 797	1 215 547
Deputy Executive Mayor	878 397	277 865	878 397	277 865
Mayoral Committee Members	4 840 124	5 141 791	4 840 124	5 141 791
Speaker	878 396	843 697	878 396	843 697
Councillors	2 833 297	3 420 208	2 833 297	3 420 208
Chief Whip	826 011	766 117	826 011	766 117
Sec 79 Chair	881 777	-	881 777	-
	12 225 799	11 665 225	12 225 799	11 665 225

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
27. Depreciation and amortisation				
Property, plant and equipment	158 597 415	153 078 497	157 076 616	151 486 915
Intangible assets	761 406	653 003	761 406	653 003
	159 358 821	153 731 500	157 838 022	152 139 918
28. Finance costs				
Interest cost	88 047	266 610	88 047	266 610
Late payment of tax	17	730 445	-	-
	88 064	997 055	88 047	266 610
29. Debt impairment				
Debt impairment	278 891 121	173 390 698	278 891 121	173 390 698
30. Bulk purchases				
Electricity - Eskom	459 431	628 938	-	-
Water	16 046 762	19 156 293	16 046 762	19 156 293
	16 506 193	19 785 231	16 046 762	19 156 293
31. Contracted services				
Presented previously				
Outsourced Services	66 136 171	98 192 986	65 714 252	98 039 043
Consultants and Professional Fees	11 043 876	26 159 686	11 043 876	26 159 686
Project cost - external projects - CHDA	40 177 405	33 192 543	-	-
Other contractors / Repairs and Maintenance	92 133 857	109 018 918	91 621 592	108 972 577

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
32. General expenses				
Accounting fees	15 521	8 400	-	-
Advertising	2 390 167	4 337 299	2 013 367	4 095 553
Auditors remuneration	9 699 099	8 706 928	8 441 686	6 840 434
Bank charges	1 634 383	1 545 915	1 590 321	1 495 684
Cleaning	47 871	62 174	-	-
Computer expenses	12 294 128	9 085 722	12 294 128	9 085 722
Consumables	12 211 290	6 293 981	12 207 385	6 293 981
Assets transfers	-	15 368	-	-
Entertainment	1 722 115	2 773 225	1 627 443	2 652 423
Hire	195 714	1 032 631	195 714	1 032 631
Insurance	2 438 951	1 943 972	2 148 916	1 779 440
Community development and training	830 122	985 845	830 122	985 845
Conferences and seminars	33 847	-	-	-
IT expenses	331 860	250 708	-	-
Motor vehicle expenses	978 984	1 961 418	978 434	1 959 738
Fuel and oil	26 734 009	26 170 298	26 612 834	26 051 612
Postage and courier	10 187	308 216	6 885	304 820
Printing and stationery	4 469 459	8 442 185	4 266 901	8 269 235
Protective clothing	1 548 506	2 052 387	1 548 506	2 052 387
Software expenses	607 147	366 283	-	-
Staff welfare	2 158 649	17 823 539	2 158 649	17 823 539
Subscriptions and membership fees	3 818 296	11 595 548	3 805 208	11 569 039
Telephone and fax	3 700 048	3 787 777	3 565 691	3 655 933
Travel - local	12 004 679	20 328 425	11 214 218	19 632 322
Travel - overseas	133 384	-	-	-
Refuse	47 613	71 125	-	-
Title deed search fees	89 157	105 841	-	-
Assets expensed	2 956 134	3 358 910	2 956 134	3 358 910
Electricity	23 034 048	36 291 553	22 886 470	36 178 439
Gas	121 921	401 595	121 921	401 595
Water	2 465	146 696	2 465	146 696
Refuse	40 629	78 174	40 629	78 174
Sewerage	23 593	10 675	156	269
Public events and Imbizo	59 500	1 078 097	59 500	1 078 097
Study assistance reimbursements	1 421 724	1 237 975	191 361	157 042
Board fees	1 521 250	842 750	-	-
Communication	879 710	1 266 435	879 710	1 266 435
Staff gifts and welfare	94 178	7 878	-	-
Penalties	-	9 351 124	-	9 351 124
Indigent Subsidy	8 948 469	11 350 853	8 948 469	11 350 853
Staff training and development	169 563	231 946	-	-
Recruitment costs	316 545	3 164	-	-
Board tools of trade	27 475	22 394	-	-
Chemicals	10 596 260	8 651 931	10 596 260	8 651 931
Skills development levy	3 083 984	2 857 058	2 958 380	2 824 134
Operating Leases	6 604 850	5 533 838	6 604 850	5 533 838
	160 047 484	212 778 256	151 752 713	205 957 875

33. Auditors' remuneration

External audit fees	8 886 950	7 779 118	8 441 686	6 840 434
Internal audit fees	812 149	927 810	-	-
	9 699 099	8 706 928	8 441 686	6 840 434

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
34. Cash generated from operations				
Surplus	171 278 443	111 065 175	173 006 941	112 867 666
Adjustments for:				
Depreciation and amortisation	159 358 821	153 731 500	157 838 022	152 139 918
Gain on sale of assets and liabilities	312 667	155 654	312 667	155 654
Impairment deficit	73 768	-	73 768	-
Debt impairment	278 891 121	173 390 698	278 891 121	173 390 698
Non-cashflow movement in employee cost	5 409 340	2 895 736	5 409 340	2 895 736
Actuarial gains/losses	(8 986 709)	1 632 651	(8 986 709)	1 632 651
Changes in working capital:				
Inventories	(5 272 831)	4 551 851	(5 272 831)	4 551 851
Receivables from exchange transactions	(77 153 758)	(122 425 992)	(77 153 758)	(122 425 992)
Consumer debtors	(618 757)	(1 573 743)	-	-
Other receivables from non-exchange transactions	(4 526 398)	18 906 936	(4 526 398)	18 906 936
Prepayments	2 097 228	8 418 107	2 068 313	8 381 519
Vat payable movement	-	(5 384 303)	-	(5 384 303)
Payables from exchange transactions	5 828 056	181 167 944	6 851 822	177 828 736
VAT	19 536 102	(78 092 427)	19 230 944	(77 220 343)
Unspent conditional grants and receipts	(220 219 347)	185 532 171	(221 866 360)	186 252 641
Consumer deposits	66 588	111 922	66 588	111 922
Movement operating lease liability	691 553	536 730	691 553	536 730
Payables from exchange transactions -chda	-	(3 024 818)	-	-
Other receivables from non exchange-chda	-	1 198 185	-	-
	326 765 887	632 793 977	326 635 023	634 622 020

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
35. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Infrastructure	860 219 206	625 591 235	860 219 206	625 591 235
• Buildings	183 954 807	188 181 242	183 954 807	188 181 242
• Other	57 990 681	55 241 311	57 990 681	55 241 311
• Community	12 825 714	3 684 641	12 825 714	3 684 641
	1 114 990 408	872 698 429	1 114 990 408	872 698 429
Total capital commitments				
Already contracted for but not provided for	1 114 990 408	872 698 429	1 114 990 408	872 698 429
Total commitments				
Total commitments				
Authorised capital expenditure	1 114 990 408	872 698 429	1 114 990 408	872 698 429
Authorised operational expenditure	7 290 168	9 225 294	7 290 168	9 225 294
	1 122 280 576	881 923 723	1 122 280 576	881 923 723

This committed expenditure relates to plant and equipment and will mainly be financed by Infrastructure Grants (Municipal Infrastructure Grant, Regional Bulk Grant and Municipal Water Infrastructure Grant) as well as available bank facilities, accumulated surplus..

Operating leases - as lessee (buildings)

Minimum lease payments due

- within one year	1 874 294	1 897 977	1 874 294	1 897 977
- in second to fifth year inclusive	-	103 170	-	103 170
	1 874 294	2 001 147	1 874 294	2 001 147

Operating lease payments represent rentals payable by the economic entity 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.

Operating leases - as lessee (Other Equipment)

- within one year	2 252 909	2 299 135	2 229 469	2 228 812
- in second to fifth year inclusive	1 300 524	3 720 546	1 300 524	3 714 686
	3 553 433	6 019 681	3 529 993	5 943 498

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
36. Contingencies				
The municipality is party to the following litigation matters Litigations				
Litigations				
The Municipality as the 1st Defendant in the matter relating to a motor vehicle accident that occurred between a CHDM employee and the Plaintiff. The Plea has been filed and we have filed our Rule 23 Notices. Plaintiff has filed a Rule 24(9)(a) and (b) Notice. Claim by Civil and General Construction CC. Application to interdict and restrain CHDM from continuing with tender process and are awarding tender to Urban Africa Services pending hearing of main Application which is for the review and setting aside of the decision to award the bid to Urban Africa Services. Opposed Main Application enrolled for hearing on 4 August 2016. Matter decided in the municipality's favour, but the Applicant has applied for leave to appeal the decision of the Court. Application for Leave to Appeal granted. Appellant has prosecuted Appeal. Appeal heard, and granted in favour of the Appellant. Municipality has filed Leave to Appeal to the SCA. Leave to Appeal dismissed with costs. Costs of Appeal have yet to be taxed, and it is the responsibility of the successful party to tax costs, and Civil & General have yet taxed the costs. Claim by City Square Trading 204 (Pty) Ltd against CHDM and one other for goods supplied and service rendered. CHDM is the 2nd Defendant in the matter. Action defended and was set down for the 26th of August 2020. We filed a Request for Trial Particulars and await a response thereto. We have finalised the Rule 37 Minute	74 000	-	74 000	-
Plaintiff, Total Laboratory Technologies, issued summons against the Municipality for goods allegedly, supplied and delivered. Judgement was granted by default. The municipality partially disputes the claim and hence is in the process of applying for the rescission of judgement. Matter withdrawn. Plaintiff, Arise and Shine Security & Cleansing Services, brought a claim for service rendered and outstanding claims against the Municipality. Matter has been defended and the Municipality is in the process of filling a counterclaim for a lost generator. Matter withdrawn.	500 000	500 000	500 000	500 000
	8 500 000	8 500 000	8 500 000	8 500 000
	-	125 000	-	125 000
	-	400 000	-	400 000

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
36. Contingencies (continued)				
The Municipality defends a claim that was brought against it for damages allegedly caused by blasting while the Municipality implemented an infrastructure project. The Municipality has defended the action. A plea was served via email to the Plaintiff and that we are awaiting proof of filing from C/O attorney to proceed with discovery	400 000	500 000	400 000	500 000
The Municipality has defended action for damages allegedly caused by the Municipality's employees while performing operations and maintenance duties.	100 000	100 000	100 000	100 000
Telkom's claim still needs to be fully substantiated. Applicant (Mopo Mene) making an application to set the decision of Council to rescinding his appointment aside. Matter has been opposed, and papers in opposition have been filed. No replying affidavit has been filed. Matter is still pending. The liability will be limited to the remuneration amount for the remainder of the contract of employment. Financial exposure is too remote for the matter to be considered a contingent liability.	-	200 000	-	200 000
Claim by A.M. Putter and 4 others regarding obligation of CHDM to pay medical aid contributions to surviving spouse of deceased employee / retired employee. Awaiting judgement and amount is indeterminable. . Matter was referred to oral evidence and heard at High Court before Judge Makaula in 2016. He reserved judgment, and he has not delivered same for the past 4 (four) years.	300 000	300 000	300 000	300 000

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
36. Contingencies (continued)				
Rumdel Construction brought an action for an alleged non-payment of Certificate No. 21 arising out of a project for construction of a pipeline and a Water Treatment Works at Tora in the Ngcobo Area. Though the matter is not disputed by the Engineering Services Directorate, it appears that the reason for non-payment is the fact that the amount due arises out of variation order that was agreed to despite the contract already had reached a threshold of 20 percent for variation orders (and without approaching Council). Council has not been approached despite the fact that this matter has been within the knowledge of the directorate for a period of more than 6 (six) months. The matter was been defended purely on technical grounds in order to allow the directorate time to deal with the matter, and also to avoid judgment and eventual attachment of municipal assets. Capital amount (interest waived) have been paid, and the only thing left is legal costs that shall be settled.	30 000	-	30 000	-
Truda Foods (Pty) Ltd brought an application against the Municipality and others to declare failure to give them permits unlawful, and also restrain the Municipality from closing its business premises. Matter has been argued at Court on the 3rd of September 2020, and judgment has been reserved.	200 000	-	200 000	-
Arbitrator at SALGBC awarded in favour of Dr AM Sambumbu to be re-instated at work with effect from 2019. A further order is that he should be paid an amount of R 512, 017.40, which represents an equivalent of monthly salary of R 56, 890.83 for a period of 9 months. The Municipality has approached the Labour Court in view to review the decision. Matter is ongoing.	1 300 000	-	1 300 000	-
Directors have performance agreements which were signed in the beginning of the year. Performance reviews are done and submitted to council for approval after which the director will receive a bonus. At year end, performance reviews were not done. Once reviews are done and directors have met their performance targets, the council will have the final approval for the payment of the bonus. Depending on the approval of by council, the municipality might be liable to pay R992 952 as performance bonus to the directors who has met their targets.	-	992 952	-	992 952

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
36. Contingencies (continued)	11 404 000	11 617 952	11 404 000	11 617 952

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
37. Related parties				
Relationships Associates				Refer to accounting officer's report note KEY MANAGEMENT OF THE MUNICIPALITY HAVE RELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW
Mashiya Gcobani				Member in Iziphumo Consulting Solutions; Member in Technical Cross Holdings; Member in Latitoez Food Enterprise; Member in Ikhwezi Lomso Trading and Projects
Somkoko Mvuyeleni				Member of Jange and Mlungu Civils; Spouse is a member of Kuvala 205 Trading Enterprise
Mfecane Anita Delubom Lindile				Member of Delubom Transport, L Delubom Trading and MTN Zakhane Shares; Spouse is a member of Lulwazi Trading Enterprise and MTN Zakhane Shares
Memani Thobela Headwell				Member in Anitaza Trading 5
Makonza Asanda				Member of Delubom Transport, L Delubom Trading and MTN Zakhane Shares; Spouse is a member of Lulwazi Trading Enterprise and MTN Zakhane Shares
Shasha Mzwamadoda Moses				Member of Vunoleo Building & Civil YouthConstruction
Mapatwana Ntombizanele Gqodo Zixolisile				100% Membership in Seasons Find 1260 CC; Member of Funumbona Construction & Projects
Katsere Tendai				100% Membership in Safika Rural Development Consultants
Gobeni Nonelela				Member of Brainwave Project 205
Makwabe Thandisizwe Tito Sibongile Lucando Bulelani				Member of GZ Civil Engineering and Member of FC Builders & Construction
Petela Neziwe				35% Membership of Mazvita Trading; 100% Membership of Jekeso Communications; Member of Relilite Investments; Spouse is a member of Umzali Trading Enterprise
Dlova Zingisile Gidion Madikane Thozama				Director of Hi-Lite Development Agency; Member of Ulutho Funerals
Nqwemeshe Nomvuyo				50% Membership in Mokoti Construction
COUNCILLORS				Director of Smith Tabata
Cengani Jongumzi				33% membership in El Shaddai Civil and Building Contractors
Mbali Xolela				Member of Kumbu & Lam Trading Enterprise; Member of Kei Recyclers; Spouse is a member of Cool Ideas 1413 Director in BS Holdings
				Director in Zinbar Enterprise
				50% Membership in Secreets Trading; 50% Membership in Koelro No 106; 100% Membership In Silkyline Hair Studio
				Spouse is a member of Liso Security Services & Trading
				REFER TO LIST OF COUNCILLORS DISCLOSED UNDER GENERAL INFORMATION.
				COUNCILLORS OF THE MUNICIPALITY HAVE RELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW:
				25% Membership in Four of us Construction & Development; 50% Membership in Manga-Manga Trading Enterprise; 100% Membership in Ntandoyam Trading; 33% Membership in CMZ Tours
				25% Membership in Amabandla Construction

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
37. Related parties (continued)				
Dyanty Sinethemba Reginald			Director and Founding Member of HappyValleyAbattoir Co-operative Limited; Director of Sanelisa Services; Director of Tlholo Entrepreneur Support Centre	
Gela Wongama			Director of Ithemba Liyaphilisa Financial Services; Director of Sesinethemba Construction; 10% Membership in Silver Solutions 2978; 20% Membership in Sikhuselu'luntu Protection and Training Services; 20% Membership in The Best Mining and Transportation Services; 20% Membership in Urafile Trading	
Goniwe Nyameka			33,33% Membership in Karoo Furniture Manufacturers; 33,33% Membership in Umehluko Developments; 33,34% Membership in Invelo Agencies; 50% Membership in Balisa Sivelise Productions	
Koyo Mxolisi Clifford			Director of Tsomo Valley Farmers; 100% Membership in MBK Consulting Services; Spouse Has membership in Buyie's Catering Service, Liwalama Trading Enterprise and Qamata Agric Service	
Nkwentsha-Gunuza Lindiwe			Member in Lembede Investments Holdings; Member in Lembede Strategic Investments; Sangolekhaya Funeral Services; Tando-Luzuko Trading and Projects; Sunrise Coach Services	
Nyukwana Nomveliso			30% Membership in Liqhakazi Construction and Projects	
Myataza Saziso			Member of Hluthamhlali Multi-purpose Trading	
Vimbayo Kholiswa			Member in Border Rural Committee	
Radzilani NR			Member of Forecast Traders	
Roskruge N			0% Membership in Liqhakazi Construction and Projects; 100% Membership in Amilile Trading Enterprise	
Shweni ZR			Spouse is a member of Shweni Trading, Ngxongounathi security, Bomi investment Holdings, Bomi investment Holdings, Eand So civil engineering and construction, Hlumisa Travelling Agency, Ezomso training and conference centre, Lilitha vehicle hire, Manzana Mancoba and Shweni Heavy Duty Transportation Olona Trading and Project	
Bula Mzwandile Nelson			Founding member of Mthunziwethu Trading Cooperative, Polonius Investments, Bendis Investments, Zinkamba Trading 1002, Gobashe Trading Enterprise	
Deliwe Zanemvula			Director in Beyond 2030 Consulting Services; Member in Top Town Farmers Agric Co-op	
Mdwayingana William			Member in Mdwanmtwa Construction & facilitation; Member in Mpoza-mpoza Business Solutions; Member in Masichume Fattening Agriculture Bring About	
Twani Sylvia			Director in Qamata Tembisi Hani Intergrated Energy Centre Co-operative Limited; 25% Maq no Security & Cleaning Services	
Nquma Nombuyiselo Patricia			33.4% Membership in Fenas and Nquma Civils and Property Developers	
Mfundisi Nomalizo			33% Membership in Hewu Farming Project	

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
37. Related parties (continued)				
Ntakana Siyavuma				Member in Abahlobo Benene Trading & Projects; Ntakana Brothers Transport & Construction
MUNICIPAL EMPLOYEES				EMPLOYEES OF THE MUNICIPALITY HAVE RELATIONSHIPS WITH BUSINESSES AS INDICATED BELOW:
Hlahla Mtibe NNV				Spouse is a member of Yovo Trading Enterprise
MR MM SHASHA- SENIOR MANAGER WSA				Spouse/Partner/Associate NOMALIZO MONICADAMOYI has an interest in BITLINE SA 1060CC
MR MT MAVUNDHLA- WSP: O & M TECHN (INKWANCA				Spouse/Partner/Associate AGNES MAKAZIMATROSS has an interest in MAMA TROSKIETRADING ENTERPRISE
Controlling entity				Chris Hani District Municipality
Mayenzeke QS				Spouse in the service of state for EC Department of Human Settlements.
SMS ICT Choice				Spouse in the service of state of Department of Trade and Industry
Emakhozeni HarveyWorld				Spouses of two HarveyWorld directors are in the service of state

Related party transactions

Interest paid to (received from) related parties

Wezi Gqiza	-	9 450
Keith Ngesi Media (Pty) Ltd	86 500	211 250
Ian S Development Services	28 320	55 770
Vodacom (Pty) Ltd	1 657 741	834 164
Mesilane Projects	13 950	-
Rumdel Construction	2 401 441	5 050 548
Buyile No. 88 Construction and Catering	22 500	15 200
Izaphetha Trading and Projects	-	9 900
Chris Hani Development Agency	42 712 842	38 661 185
Mduba General Trading	17 000	7 500
Guard Risk Life Limited (Medway)	-	3 000
Ubomi Civils Construction Services	-	717 568
Chris Hani Choral Music Association	297 000	249 600
EFG (Proprietary) Limited	-	109 766

38. Prior period errors

Statement of Financial Position

1. Receivables from non-exchange transactions

The restatement of receivables from non-exchange transactions was due to the following reasons:

- . The Inxuba Yethemba Municipality debtor raised in 2017/18. The district municipality loan the municipality with the R12,000,000.00 and have an agreement that the payment will be settled with invoices sent to the municipality on electricity; and
- . During 2018/19 the outstanding amount was R9,103,108.00 and the reconciliation between the two municipalities was done however the process on the system was not done up until the Annual Financial Statements for 2018/19 submitted and audited by Auditor General. The error is corrected in 2019/20.

2. VAT Receivables

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

38. Prior period errors (continued)

- . The VAT receivable increase because of accruals that was not yet raised in 2018/19
- . The prepayment was recognised as the connection was done in 2014.
- . Operating leases that was overstated in 2018/19.
- . Prepayment that was raised in 2018/19 though it was already connected in April 2019

3. Prepayments

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

38. Prior period errors (continued)

Prepayment was restated due to the following reasons

. An amount of R10,489,293 was paid to Eskom for connection during 2010/11 for Xonxa Dam. During 2018/19 Auditor General raised the finding that the prepayment is having more years while there is no connection. An investigation was made to Eskom for all prepayments raised amounting to R10 489 293, R315,675 that was raised in 2016/17 and R586,758 raised in 2018/19.
. The municipality received the confirmation from Eskom that Xonxa was connected in 2015 and the 2 projects were connected in 2019/20 and 1 project Jojweni was connected in April.

. 1 Project is not yet confirmed by Eskom as it was stopped and the money was transferred to another account and investigation is still in progress by the Engineering Department; and
. Upon the information received from Eskom and the municipality, technician confirmed that the connection was made for 2 projects in 2018/19.

4. Receivables from exchange transactions

During the drafting of 2019/20, it was identified that there is a misallocation of votes for vat receivable and receivable from exchange transaction. The reason of misallocation was that in 2017/18 vote 15407687010ZZZZZZZWD and description was written Output Vat Prov Doubtful Debt Impairment, however in 2018/19 vote was 15407687010ZZZZZZZWD and the description was Prov D/Ful Debt Imp CHDM Opening balance.

5. Property, Plant and Equipment

The Property, Plant and Equipment were restated due to the below transactions:

. Correction of retention balance that was understated amounting to R664,428.09
. Project completed in 2018/19 but not transferred to PPE amounting to R31,666,886.52
. Payment not recognised in previous year as accrual amounting to R312,420.76
. Alignment of WIP register to Trial Balance amounting to R1,328,856.46
. The prepayment amounting to R150,019.00 for Jojweni Booster was recognised as prepayment during preparation of 2018/19 financials although it was already connected in April 2019.

. 2 Infrastructure: We received the asset registers for moveable assets and the following corrections were made:

a) Project number 33/2013/MD(BL) was completed in 2015/16 however only R51,709,081.45 was capitalised and not the whole total project amounting to R65,815,391.50. When the error was corrected in the previous year, a debit was passed on retained earnings instead of capitalisation to infrastructure asset.

b) Project number 18/2011/MD(LM) was completed in 2016/17, however it was not capitalised. When the error was corrected in the previous year, a debit was passed on retained earnings instead of capitalisation to infrastructure asset.

. Reversal of 2010/2011 prepayment connected in 2015 for project

. Project completed in 2018/2019 not transferred to PPE.

. During the correction of the prepayment it was noted that the opening balance of R10,765,506.95 was understated by R39,461.05.

. Casting error

We reviewed the asset register for moveable assets and the following corrections were made:

- Casting errors were corrected.

- Formular errors on the spreadsheet were corrected.

- Recalculated depreciation amounts.

- Recalculated accumulated depreciation.

- Corrected carrying values with negative amounts.

- Checked and corrected duplicated assets.

- Corrected misclassification of assets.

- The effect of the differences will be processed as adjustments to the general ledger as per reconciliation.

- Duplication was caused by the journal passed during 2018/19 from repairs and maintenance.

6. Payables from exchange

The payables from exchange were restated due to accruals that were understated;

a) Accruals, the following necessitated the restatement of accruals;

. There were invoices paid during 2019/20 relating to 2018/19 though they were not raised as accruals. The investigation of payment voucher was done to all population and we found that only R3,704,250.36 invoices relating to previous years.

7. Employee benefit obligation

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

38. Prior period errors (continued)

The reclassification of bonus provision from employee benefit obligation was made of an amount of R7,502,240.37 that was moved to Payables from exchange transactions.

8. Unspent conditional grant

. The municipality was disclosing unspent conditional grant amounting to R42,936,412 since 2007/2008 up until 2018/19. During the 2018/19 audit, the finding was raised and the investigation was not completed up until the audit report issued.
 . The municipality continue with the investigation, the letters were sent to all affected departments relating to unspent conditional grant and only the municipality succeed to receive as response from Development Bank of Southern Africa (DBSA) for the amount of R7,118,971 that was confirmed by the DBSA that it was a loan not a conditional grant and the loan was fully paid by the municipality.
 . An error was corrected against the accumulated surplus; and
 . The municipality is still waiting for Provincial Treasury intervention to departments for response of the unspent conditional grant amounting to R35,817,441.

During 2017/2018 Management raised a debtor of R1,589,215.00 against MIG as it was an overspending. During 2018/2019 management recovered the debtor of R1 589,215.00 from MIG allocation and the recovered amount was audited and the finding was raised in 2018/2019 that the municipality does not have a contractual agreement with MIG in order to recover the overspending in the next allocation.

9. Operating Leases

Process followed to restate Operating Leases

. The municipality identify that the service provider that lease the photocopy machines started in 2018/19 financial year was overbilling the municipality by R23,230.00 per month for other software that was not in the service level agreement. The matter was discussed with the service provider (XEROX) and the acknowledgement of error was signed by the company.
 . The municipality then raised the debtor for the fourth month of 2018/19 an amount of R92,920.00 and the agreement will be, the credit note will be done in the October 2020 invoice.

10. Irregular Expenditure

The prior year irregular register was reviewed to assess completeness of irregular payments and there were some payments identified that were not previously disclosed. There were some other previously reported as irregular that were subsequently found not to be irregular expenditure.

Statement of Financial Performance

1. Government grants and subsidies

Government grants and subsidies has been restated for the reason below;

. The municipality incurred expenditure for DHS Emergency housing during 2018/19 and the debtor was not raised. The municipality is having an agreement with the department that they will incur expenditure and invoice the department. The invoices were sent to the department and payment was received for the invoices.

2. Contracted services

The contracted services were restated due to accruals that were restated.

3. General Expenses

Statement of Financial Position

1 & 9 - Receivables from non-exchange transactions	40 523 052	(9 010 188)	-	31 512 864
2. VAT Receivables	168 712 503	1 871 357	(93 363 517)	77 220 343
3. Prepayment	13 006 341	(10 622 354)	-	2 383 987
4. Receivables from exchange transactions	238 173 251	-	91 416 403	329 589 654
5. Property Plant and Equipment	4 042 285 655	48 808 638	-	4 091 094 293
6. Payables from exchange transactions	(303 183 703)	(4 368 678)	(7 547 649)	(315 100 030)
7. Employee Benefit Obligation	12 797 214	-	(7 502 240)	5 294 974
8. Unspent conditional grant	(307 614 605)	7 112 948	-	(300 501 657)

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
38. Prior period errors (continued)				
Statement of financial performance				
1. Government grants & subsidies	915 107 681	1 583 192	-	916 690 873
2. Contracted Services	247 570 691	977 725	-	248 548 416
3. General Expenses	205 380 888	576 987	-	205 957 875
Cash flow statement				
Cash flow from operating activities				
Sale of goods and services	183 787 174	-	(11 436 432)	172 350 742
Grants	1 121 969 887	-	(19 026 373)	1 102 943 514
Employee costs	(353 800 311)	-	2 895 735	(350 904 576)
Suppliers	(499 669 922)	-	174 313 148	(325 356 774)
Property, Plant & Equipment	(328 126 401)	-	(939 774)	(329 066 175)
Other movement - PYA	-	-	(154 422 701)	(154 422 701)
	124 160 427	-	(8 616 397)	115 544 030

Prior period errors - CHDA

Payables from exchange transactions- Correction of an invoice from a service provider that was erroneously processed as a credit note, the amount was R15,196.

Receivables from non-exchange transaction Bursary fund Recipient withdrew from the bursary after it was paid, the University will pay it back to CHDA, the amount was R125,031.

Unspent conditional grants and receipts Bursary fund Recipient withdrew from the bursary after it was paid, the University will pay it back to CHDA, the amount was R125,031.

Statement of financial position

Payables from exchange transactions	-	(15 196)	-	-
Receivables from exchange transactions	-	125 031	-	-
Unspent conditional grants and receipts	-	(125 031)	-	-
	-	(15 196)	-	-
Opening Accumulated Surplus or Deficit	-	15 196	-	-

Irregular expenditure

Adjustment made to opening balance of irregular expenditure is due to an omission of irregular expenditure R - made to ABC Engineers in the 30 June 2018 consolidated annual financial statements, as it was subsequently noted that the suppliers tax affairs were not in order.

39. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Economic entity

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

39. Comparative figures (continued)

2020 Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	315 327 009	315 327 009
Other receivables from non-exchange transactions	-	36 039 262	36 039 262
Cash and cash equivalents	42 606 715	-	42 606 715
Receivables from exchange transaction - Chda	-	2 402 209	2 402 209
Total	42 606 715	353 768 480	396 375 195

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	325 223 512	325 223 512

2019 Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	238 173 251	238 173 251
Other receivables from non-exchange transactions	-	31 512 864	31 512 864
Cash and cash equivalents	377 327 814	-	377 327 814
Receivables from exchange transactions - Chda	-	1 783 452	1 783 452
	-	271 469 567	648 797 381

Financial liabilities

	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	-	319 395 456	319 395 456

Controlling entity

2020 Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	315 327 009	315 327 009
Other receivables from non-exchange transactions	-	36 039 262	36 039 262
Cash and cash equivalents	42 242 858	-	42 242 858
Total	42 242 858	351 366 271	393 609 129

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand

39. Comparative figures (continued)

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	321 473 113	321 473 113

2019 Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	238 173 251	238 173 251
Other receivables from non-exchange transactions	-	31 512 864	31 512 864
Cash and cash equivalents	377 915 068	-	377 915 068
	377 915 068	269 686 115	647 601 183

Financial liabilities

	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	-	314 621 291	314 621 291

40. Risk management

Financial risk management

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

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk by maintaining adequate reserves and banking facilities. The budget and treasury office monitors the cashflow requirements on a regular basis.

The municipality's cashflows consist of short term deposits and current accounts with notice periods of 30 days or less. Due to the short term nature of the portfolio a maturity analysis is not required.

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Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

40. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the municipality. Due to the nature of the municipality's operations, the municipality has an obligation to provide services to all qualifying people in its area. As such, the municipality is not able to select only credit worthy counterparts

Credit risk consists mainly of cash deposits, cash equivalents, investments and trade debtors.

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The existing trade receivables portfolio has historically been significantly impaired as a result of a number of contributing factors. Trade receivables are thus presented net of an allowance for impairment

Except for trade and other receivables which have already been impaired, the following financial assets are exposed to limited credit risk at year end:

Financial instrument	Economic entity - 2020	Economic entity - 2019	Controlling entity - 2020	Controlling entity - 2019
Interest rate swap	42 606 715	378 327 814	42 247 058	377 919 326

41. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus (deficit) of R 4 327 507 296 and that the municipality's total liabilities exceed its assets by R 4 327 507 296.

The consolidated 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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these consolidated annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

42. Events after the reporting date

Coronavirus Disease of 2019 (COVID-19) Global Pandemic

The President of the Republic, Mr C Ramaphosa, on 15 March 2020, declared the COVID-19 pandemic a disaster in terms of the Disaster Management Act (Act 57 of 2002). On midnight 26 March 2020, a national hard lockdown was implemented.

The lockdown only allowed essential services. The Water Services, Health & Community Services, Customer Care, part of the Budget and Treasury section and Human Resource formed part of these services. The lockdown and economic depression have placed a material downward effect on the municipality revenue generating capacity. In June 2020 the Council approved an adjustment budget for the 2019/20 Financial to reflect the additional fund named as Municipal Disaster Fund COVID 19 amounting to R3, 516,000 from National and incurred R1,956,681. The budget was also re prioritized to meet COVID-19 Occupational Health and Safety.

In addition to the national disaster fund the municipality made a provision during the adjustment budget , the budget of R1,887,500.00 and the expenditure incurred is R1,346,252.50 .The municipality incurred expenditure for masks, sanitizer and appoint the service provider for disinfection where there is a reported case. The municipality does not have asset bought for COVID 19 and there is a litigation occurred during the COVID 19 that affected the municipality.

During the hard lockdown the company called Truda Foods (PTY) Ltd brought an application for an interdict against Chris Hani District Municipality together with the members of the South African Police Services closed their light foods manufacturing and distribution premises at Queen Industrial, Ezibeleni, the company sought an order declaring that the Municipality had no authority in terms of the Disaster Management Regulations to issue essential services permits for their employee.(See note 37 Contingencies for further details)

The municipality has considered the COVID-19 pandemic in determining its Going Concern considerations. After taking account current circumstances, future funding and projections the entity still considers the current Going Concern standing as appropriate.

43. Unauthorised expenditure

Opening balance as previously reported	616 684 082	616 684 082	616 684 082	616 684 082
Opening balance	616 684 082	616 684 082	616 684 082	616 684 082
Add: Expenditure identified - current	135 903 392	-	135 903 392	-
Closing balance	752 587 474	616 684 082	752 587 474	616 684 082

During 2018/19 financial year, the municipality tabled the adjusted budget for 2018/19 to council in addressing unauthorised expenditure for the 2016/17 financial year in terms of section 28(2)(g) of the MFMA read together with regulation 23(6)(b) of the MBRR. An adjustment budget contemplated in section 28(2)(g) of the Act may only authorise unauthorised expenditure as anticipated by section 32(2)(a)(i) of the Act.

The unauthorized expenditure amounting to R5 231 582 was caused by the Department of Roads which had a budgeted amount of R29 000 000 and actual expenditure amounting to R27 149 252, however the municipality received R21 917 670 from the Department of Roads.

The current year unauthorised expenditure will be tabled to council with the audit report in terms of section 28(2)(g) of the MFMA read together with regulation 23(6)(b) of the MBRR. This will include the total amount of unauthorised expenditure that will be investigated by MPAC as per the Council resolution, however, MPAC started phase one investigating irregular expenditure. After that the investigation will focus on unauthorised and fruitless and wasteful expenditure.

Unauthorised expenditure relates to overspending in Security, Repairs and maintenance and computer equipment votes

Chris Hani District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
44. Fruitless and wasteful expenditure				
Opening balance as previously reported	14 928 168	3 994 633	14 057 743	3 854 654
Opening balance	14 928 168	3 994 633	14 057 743	3 854 654
Fruitless & Wasteful - Current year	134 468	1 191 234	88 047	267 617
Penalty and Interest from Dept of Labour	-	9 351 124	-	9 351 124
Advance payment for services not received	-	584 348	-	584 348
Amount paid to incorrect account	554 683	-	554 683	-
Asset not paid by the insurance	41 068	-	41 068	-
Less: Amount written off - prior period	(500)	(176 160)	-	-
Less amount recovered	(39 219)	(17 011)	-	-
Closing balance	15 618 668	14 928 168	14 741 541	14 057 743

The opening balance is still under MPAC investigation as well as the current year balance. R554 683, management has conducted disciplinary hearing for three employees from Budget and Treasury Office. Two employees are still on suspension since March 2020 and one is dismissed during December 2020. The process is not yet finalised. R41 068, was claimed from insurance but was not paid and the municipality paid.

A substantial amount of the fruitless and wasteful expenditure balance is R 869 747.47 resulting from penalties and interest charged on late submission and payment of 2017 income tax return to South African Revenue Services (SARS). There has been no recovery of this amount to date as Internal Audit is still conducting an independent review on the matter as requested in the ad-hoc assignment by the Agency's board of directors.

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Notes to the Consolidated Annual Financial Statements

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	2020	2019	2020	2019
45. Irregular expenditure				
Opening balance as previously reported	1 465 761 217	1 382 073 473	1 465 761 217	1 382 073 473
Opening balance as restated	1 465 761 217	1 382 073 473	1 465 761 217	1 382 073 473
Add: Irregular Expenditure - current	25 196 606	83 687 744	25 196 606	83 687 744
Less: Amount written off by Council	(1 073 536 471)	-	(1 073 536 471)	-
Closing balance	417 421 352	1 465 761 217	417 421 352	1 465 761 217

Details of irregular expenditure – current year

1. Inherited from LM - No documentation could be found as the appointment was made before SCM came into effect	6 559 395	-	6 559 395	-
2. No documentation could be found as the appointment was made before SCM came into effect	12 545 958	-	12 545 958	-
3. Deviation not in line with regulation 36 and SCM Policy	2 126 194	-	2 126 194	-
5. CHDM does not have its own truck & TLB	3 965 059	-	3 965 059	-
	25 196 606	-	25 196 606	-

Details of irregular expenditure - Prior year

1. Proof that the bidder has no undisputed commitments for municipal services for which payment is overdue for more than 90 days, could not be obtained; No proof of registration with CIBD; Original or certified copy of BEE Certificate could not be obtained; Company registration documents not attached.	-	35 463 838	-	35 463 838
2. Inherited from LM - No documentation could be found as the appointment was made before SCM came into effect	-	91 559	-	91 559
3. No documentation could be found as the appointment was made before SCM came into effect.	-	11 457 377	-	11 457 377
4. Incorrect PPPFA Points used in the advert, specification, evaluation and adjudication, as the project was advertised after 01 April 2017 using the old regulation after the implementation of the revised PPPFA	-	20 096 618	-	20 096 618
5. No declaration made by winning bidders regarding past 5 years; No evidence of risk assessment being conducted by CHDM for the awarded bidder	-	10 467 628	-	10 467 628
6. The tender was advertised for less than the required number of days as per the SCM regulations (i.e <30 days)	-	186 000	-	186 000
7. Procurement process not followed (Operating)	-	5 924 425	-	5 924 425
	-	83 687 445	-	83 687 445

The municipality had R1,4 billion as disclosed in note 39. This is a cumulative from 2010 financial year. Management tabled to Council during 2017/2018 for condonation, however, Council resolved that MPAC should conduct an investigation. During 2019/2020 a service provider (LUNIKA INCORPORATE) was appointed to assist the MPAC investigation. LUNIKA INCORPORATE conducted an investigation and the report was submitted to MPAC recommending that an amount of R530m be written off by Council and that it was made as such. The second phase of conducting an investigation was concluded by LUNIKA INCORPORATE amounting to R543m and tabled to Council for write off, that made a total of R1,073 billion and left the council with the Irregular expenditure balance of R417m. The investigation report does not state any irregularities or money that can be recovered from any staff member..

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019
46. Additional disclosure in terms of Municipal Finance Management Act				
SALGA				
Current year subscription / fee	-	3 140 930	-	3 140 930
Amount paid - current year	-	(3 140 930)	-	(3 140 930)
	-	-	-	-
Audit fees				
Current year subscription / fee	9 699 099	9 675 935	8 441 686	7 809 441
Amount paid - current year	(9 699 099)	(9 675 935)	(8 441 686)	(7 809 441)
	-	-	-	-
PAYE and UIF				
Opening balance	186 498	-	-	-
Current year subscription / fee	57 358 573	39 068 276	53 449 851	35 751 375
Amount paid - current year	(57 545 071)	(38 881 778)	(53 449 851)	(35 751 375)
	-	186 498	-	-
Pension and Medical Aid Deductions				
Current year subscription / fee	49 111 677	45 751 375	49 111 677	45 751 375
Amount paid - current year	(49 111 677)	(45 751 375)	(49 111 677)	(45 751 375)
	-	-	-	-
VAT				
VAT receivable	58 097 566	77 633 818	57 989 249	77 220 343

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

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

47. 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.

Deviations - 30 June 2020	Budget and Treasury Office	Technical Services	Corporate Services and Health Services	Total
Acquisition of a jetting Machine	-	2 961 835	-	2 961 835
Approval of RFQs could not be done on time and extension of scope was granted	-	256 554	-	256 554
Emergency situation	-	870 704	1 526	872 230
NG Municipal Disaster Covid-19	-	-	2 250 183	2 250 183
	-	3 832 539	2 251 709	6 340 802

Chris Hani District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019	2020	2019

48. Water Distribution Losses

The municipality incurred water distribution losses in the current year estimated at 68.28% amounting to R182,114,933. The municipality incurred water distribution losses in prior year estimated at 15% amounting to R8,408,804

Water losses	182 114 933	8 408 804	182 114 933	8 408 804
Nature of the restrictions				

49. Budget differences

Material differences between budget and actual amounts

Revenue:

1. Service charges: The decrease is caused by the billing estimation made during COVID 19.
2. Other Income: 1) The municipality was planned to increase the revenue on rental for facilities however there was no revenue generated during 2020..

3. Interest Income : 1. The municipality budget the interest on debtors based on the previous year actual, however because of the COVID 19 the estimation on billing cause the reduce on interest on debtors.

2. The municipality invest less during 2019/20 hence there is a decrease on investment interest..

4. Gains on disposal of asset: The municipality did not dispose any asset during the year hence there is no actual amount because of the COVID 19.

5. Government Grants and subsidies: 1) The municipality recognised less expenditure and the budget was based on that the municipality will fully recognise grants however because of the COVID 19 the spending did not move.

Expenditure

1. Employee related : The final placement of the WSSA staff made the increase on employee related costs.

2. Remuneration of Councillors: The increase was caused by the resolution that paid Section 79 Councillors.

3. Depreciation and amortization: 1) The budget was based on the actual 2018/19 depreciation however there were changes in the asset register that made decrease.

4. Finance cost: The budget was based on the actual 2018/19 and the municipality was putting the monitoring of late payment by developing an invoice register and developing the SOP but the result did not have improved impact

5. Bulk Purchase: During the adjustment budget the municipality was having unfunded budget and this force the municipality to cut the budget.

6. Contracted services: During the adjustment budget the municipality was having unfunded budget and this force the municipality to cut the budget. Maintaining the cost containment also contributed.

7. Transfers and subsidies: The difference is already included in the operational cost as the Chris hani development corporate .

8. General expenses: During the adjustment budget the municipality was having unfunded budget and this force the municipality to cut the budget.

9. Debt Impairment: The budget was based on the actual 2018/19 debt impairment because there measure in place to improve revenue collection like revenue enhancement strategy however the debt book increase because of the COVID19

Differences between budget and actual amounts basis of preparation and presentation

Changes from the approved budget to the final budget

The changes between the final and adjusted budget are consequence of changes in the municipal performance and additional funding receipts from states institutions. For details on these changes please refer to the annual report.

Material differences between budget and actual amounts

Project Income-The agency anticipated to receive funds for as per the agreements signed but there were delays in project implementation therefore delaying the receipt funds.

Mechanisation income-It is recognised after taking into consideration expenditure related to the mechanisation.

Personnel- Critical posts were vacant.

Depreciation budget spent as anticipated.

Repairs and maintenance Unexpected expenditure due to enhancement to the office building

Project Costs - Internal Programs spent as anticipated.