Dr. KKDM ECONOMIC AGENCY

Dr. Kenneth Kaunda District Municipality Economic Agency

enabling economic growth & diversification

ANNUAL REPORT 2021/2022

Contents

ABBREVIATIONS IN ALPHABETIC ORDER

ARC	Audit and Risk Committee
CASP:	Comprehensive Agricultural Support Programme
CEO:	Chief Executive Officer
CIPC:	Companies and intellectual property commission
DARD:	Department of Agriculture and Rural Development
DED & T	District Economic Development and Tourism
DGDS:	District Growth and Development Strategy
DR. KKDM:	Dr. Kenneth Kaunda District Municipality
DTI	Department of Trade and Industry
GDS:	Growth and Development Strategy
IDC:	Industrial Development Corporation
IDP:	Integrated Development Plan
INW:	Invest North West
KPIs:	Key Performance Indicators
LED:	Local Economic Development
MFMA	Municipal Finance Management Act
MPAC:	Municipal Public Accounts Committee.
MSA	Municipal Systems Act
NW:	North West
R&D:	Research and Development
SLA:	Service Level Agreement

CHAPTER 1: THE CHIEF EXECUTIVE OFFICER'S FOREWORD AND EXECUTIVE SUMMARY

1.1. THE CHIEF EXECUTIVE OFFICER'S FOREWORD

OVERVIEW

Following council resolution to disband the agency by end of October 2020, the agency was not in an operation mode in the current year. Therefore, there is absolutely nothing to report about in the 2021/2022 financial year. At the beginning of the 2021/2022 the board was disbanded and the employees were left without any accounting structure. By end of the financial year there was nothing happening because there was not even money budgeted for the agency except for salaries which were paid through Dr Kenneth Kaunda District Municipality.

SEPHAKA MOTSWIANE
CHIEF EXECUTIVE OFFICER

1.2. OVERVIEW

BACKGROUND

The Dr Kenneth Kaunda District Municipality Economic Agency is an economic development entity of the Dr. Kenneth Kaunda District Municipality responsible for Economic Development within the DR Kenneth Kaunda District.

1.3. MANDATE

To be the champion of the selected impact projects in order to stimulate economic, job creation and economic diversification in the district as well as to focus on an identified niches that are in developmental stage and also as a special vehicle to complement the District Economic Development and Tourism department.

1.4. VISION

To be a catalyst for the Economic Development in the Dr Kenneth Kaunda District Municipality of North West province, benefitting all communities in the district-designated area of jurisdiction.

1.5. MISSION

The mission of the Entity is to:-

- Effectively implement existing, partner and new projects,
- Attract investment for business development within the Dr. KKDM region,
- Encourage and support business participation in spatial development initiatives, as well as,
- Strengthen and regenerate business sectors (sector development).

1.6. GOAL

To partner with Local Municipalities within the Dr. Kenneth Kaunda District in the implementation of Local Economic Development projects, by championing investment in or supporting business development for selected high impact projects to stimulate economic growth, job creation, and economic diversification in the Dr. Kenneth Kaunda District.

1.7. DEMOGRAPHIC AND ECONOMIC GROWTH, POPULATION AND GROWTH

1.7.1. THE SITUATION ANALYSIS

Introduction

Dr. Kenneth Kaunda DM consists of three local municipalities i.e. Matlosana, JB Marks, and Maquassi Hills. The area covered by the District Municipality appears on the map below (Figure B.1) and this is followed by the demographics. The statistical information is the combination of the Census 2011, the 2016 Community Survey by StatsSA, and the IHS Market Regional explorer, the Dr. Kenneth Kaunda DM Spatial Development

Framework of 2011, and other analyses described hereunder. The analyses are based upon the demarcation boundaries as of 2016 provided by the Municipal Demarcation Board (MDB) of the Republic of South Africa.

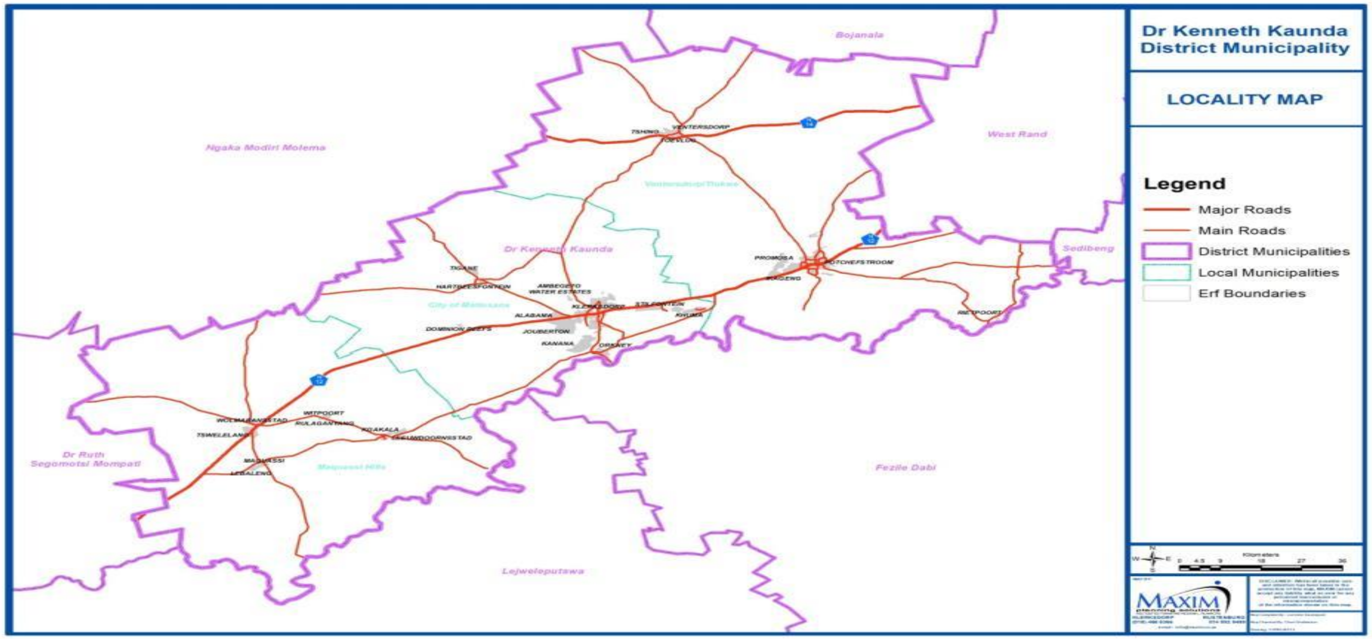


Figure B.1: Map of Dr Kenneth Kaunda District Municipality

The Municipal Demographics

Total Population

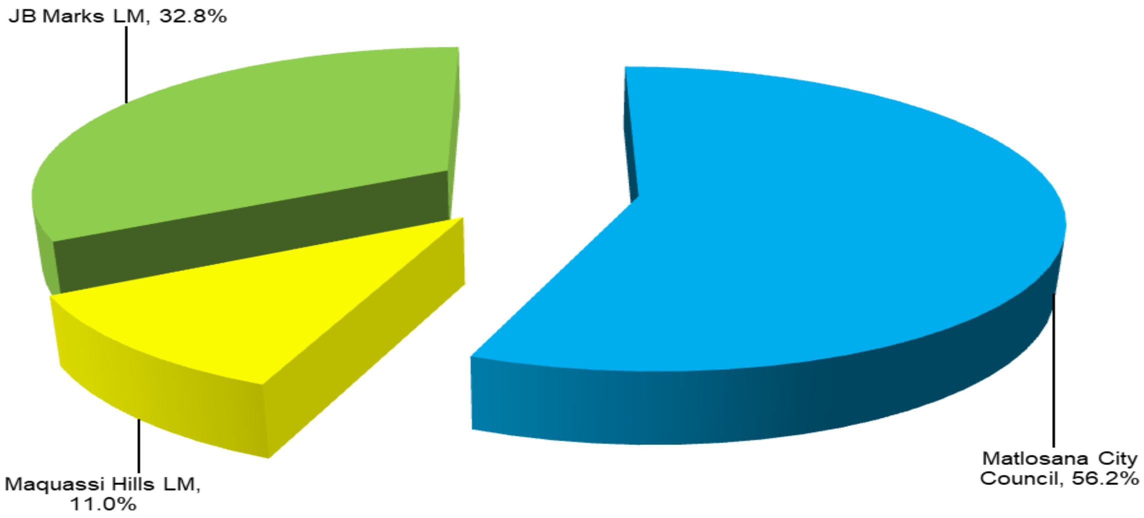
According to Statistics South Africa (Community Survey 2016), the population of the Dr. Kenneth Kaunda District (based on 2016 municipal boundaries) is 742 822, which increased from 695 934 in 2011 (Consider Table B.2.1). The population is unevenly distributed among the three (3) Local Municipalities and the average annual growth rate of the district is 1.07% which dropped from 1.16% between 2001 and 2011.

Table B.2.1: Dr. Kenneth Kaunda District Population Figures

Municipality	Total Population			Population (%)			Annual Growth (%)	
	2001	2011	2016	2001	2011	2016	2001-11	2011-16
JB Marks (NW405)	171431	219464	243528	28.59	31.54	32.78	1.28	1.11
City of Matlosana (NW 403)	359202	398676	417281	59.90	57.29	56.18	1.11	1.05
Maquassi Hills (NW 404)	69037	77794	82013	11.51	11.18	11.04	1.13	1.05
Dr Kenneth Kaunda (DC40)	**599670**	**695934**	**742822**	**100**	**100**	**100**	**1.16**	**1.07**

The majority of the Dr. Kenneth Kaunda District population reside within the City of Matlosana LM (56.18, down from 57.29% in 2011), followed by NW405 JB Marks (32.78, up from 31.54% in 2011). The Local Municipality with the lowest population in the Dr. Kenneth Kaunda District is Maquassi Hills (11.04, down from 11.18%). The number of wards per local municipality is Matlosana (39), JB Marks (34), and Maquassi Hills (11) for a total of 84 in the DM, as in September 2016 (Statistics SA, Census 2011, and Community Survey 2016). The number of households within the Dr. Kenneth Kaunda District was estimated at about 221 400 in 2016, from 203 331 in 2011 (IHS Market Regional Explorer Version 1160).

Figure B.2.1 Population of Dr Kenneth Kaunda DM (Percentage Distribution)



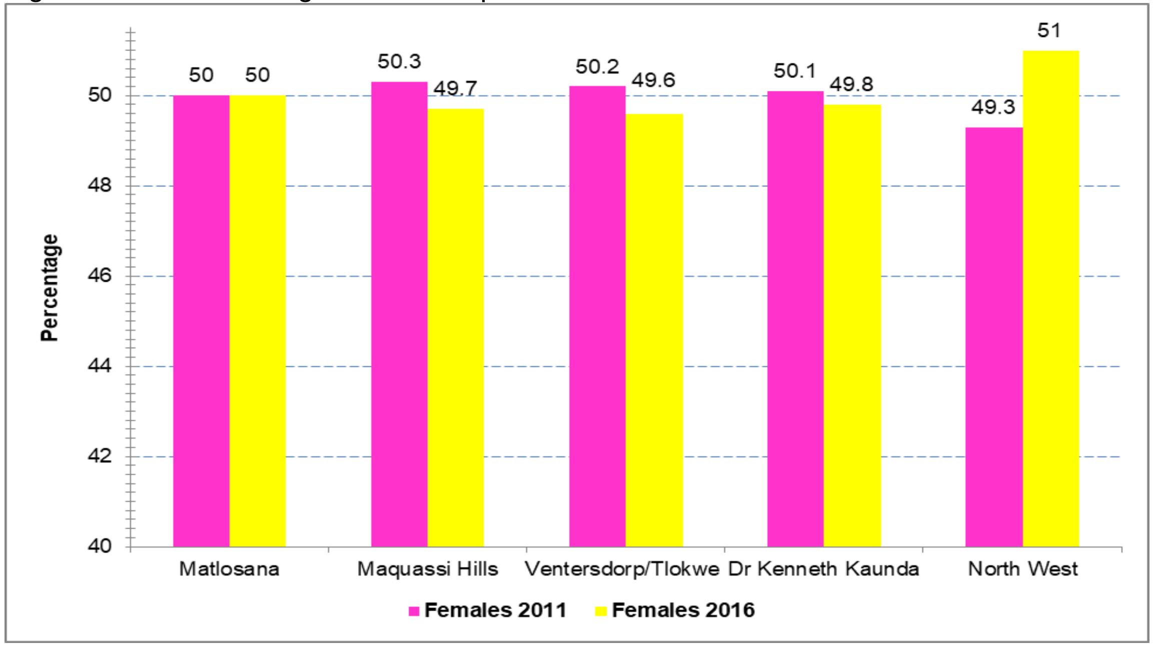
Source: Statistics SA, Community Survey 2016

Population by Gender

The gender structure of the North West Province, Dr. Kenneth Kaunda DM, and its constituent Local Municipalities are depicted in Figure B.2.2. This information indicates a fairly equal distribution between the male and female population in all constituent municipalities. The proportion of the female population is for NW405 JB Marks, 49.6%, Matlosana, 50%, Maquassi Hills, 49.7%, and Dr. Kenneth Kaunda DM averages at 49.8, while the NW Province sits at 51%.

There are no apparent significant changes that have occurred between 2011 and 2016 in terms of gender population. It would normally be expected that the gender structure of the population in an area dominated by the mining sector (such as Matlosana) is dominated by males due to the presence of migrant workers. The continuous closure of mines has seen the male, female population percentage ratio in Matlosana at almost 50:50 (percentage points). This is consistent with the Census of 2011 and the Community Survey of 2007 estimates.

Figure B.2.2: Percentage Female Population, 2011 and 2016



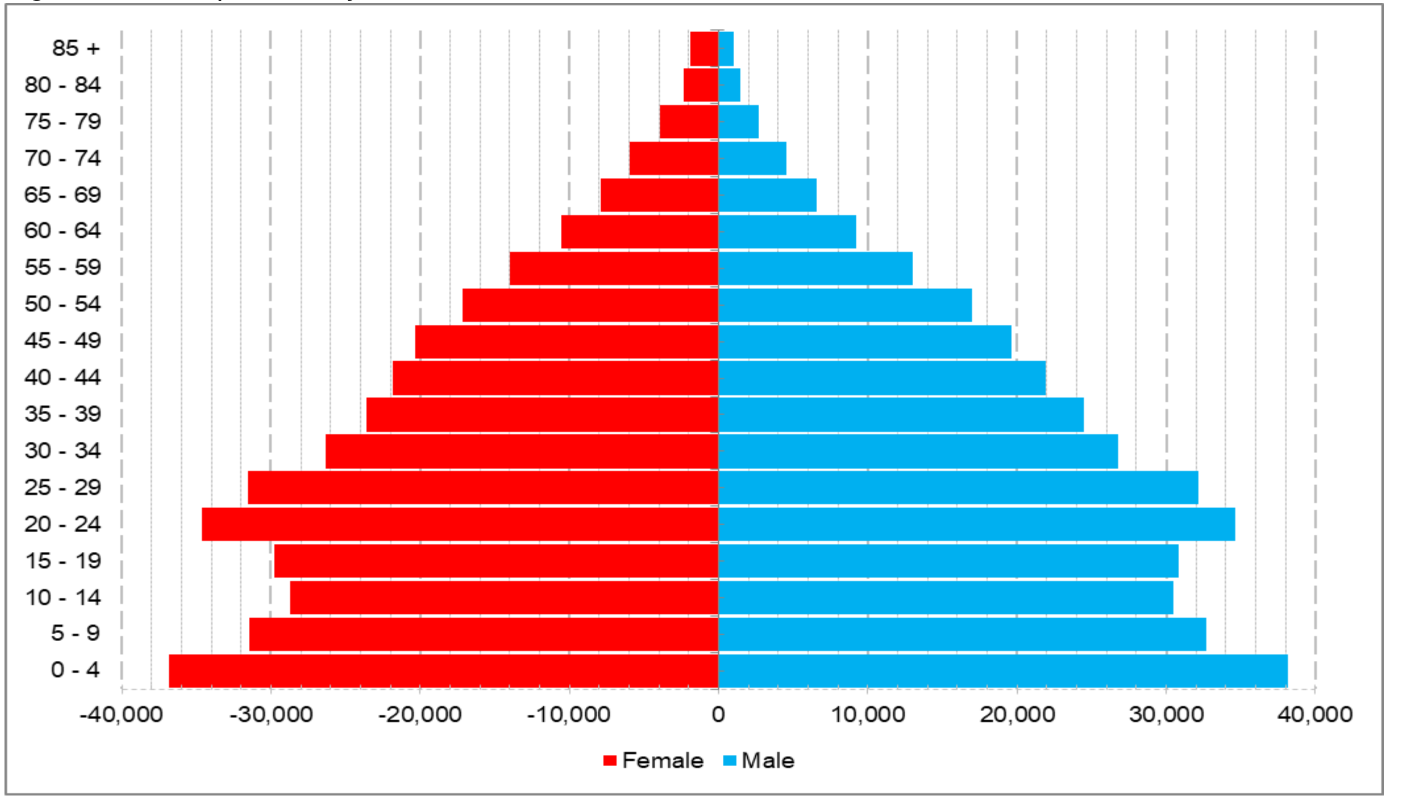
Source: 1. Statistics SA, Census 2011

2. Statistics SA, Community Survey 2016

Population by Age

The population pyramid (Figure A.1.3) indicates that there were more people in younger ages, particularly in age groups 0–4 and 5–9, and fewer people in older ages, particularly from the ages 65 and older. A new cycle of the pyramid is being developed from the lower ages, barring some significant changes in the mortality rates. The graph explicitly indicates that from about ten (10) to twenty (20) years ago, infant mortality was high, hence the indentation in the pyramid. The population distribution has, however, followed a normal distribution for the past ten years. This may be attributed to the increasing quality of health care which contained the epidemic successfully. The department of Health is better positioned to explain the reasons for the high infant mortality which occurred in the past ten to twenty years' timeframes.

Figure A.1.4: Population Pyramid: 2011

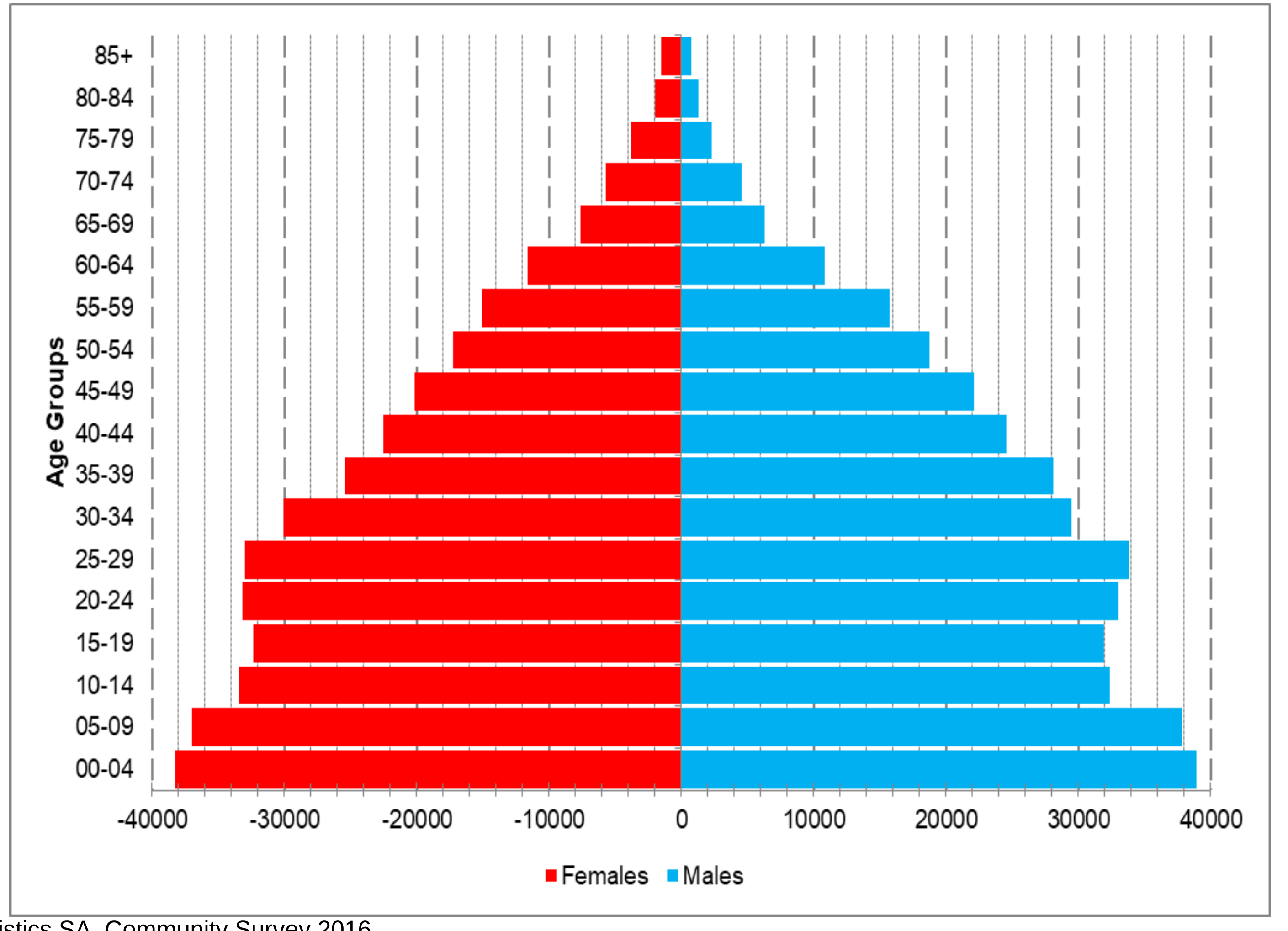


Source: Statistics SA, Census 2011

Population by Province of Previous Residence

According to Table B.2.4, the highest number of immigrants from outside the province comes from the Gauteng Province, followed by the Free State, then those outside the Republic of South Africa, and then the Eastern Cape Province.

Table 2.4: Population numbers by Province of Previous Province



Source: Statistics SA, Community Survey 2016

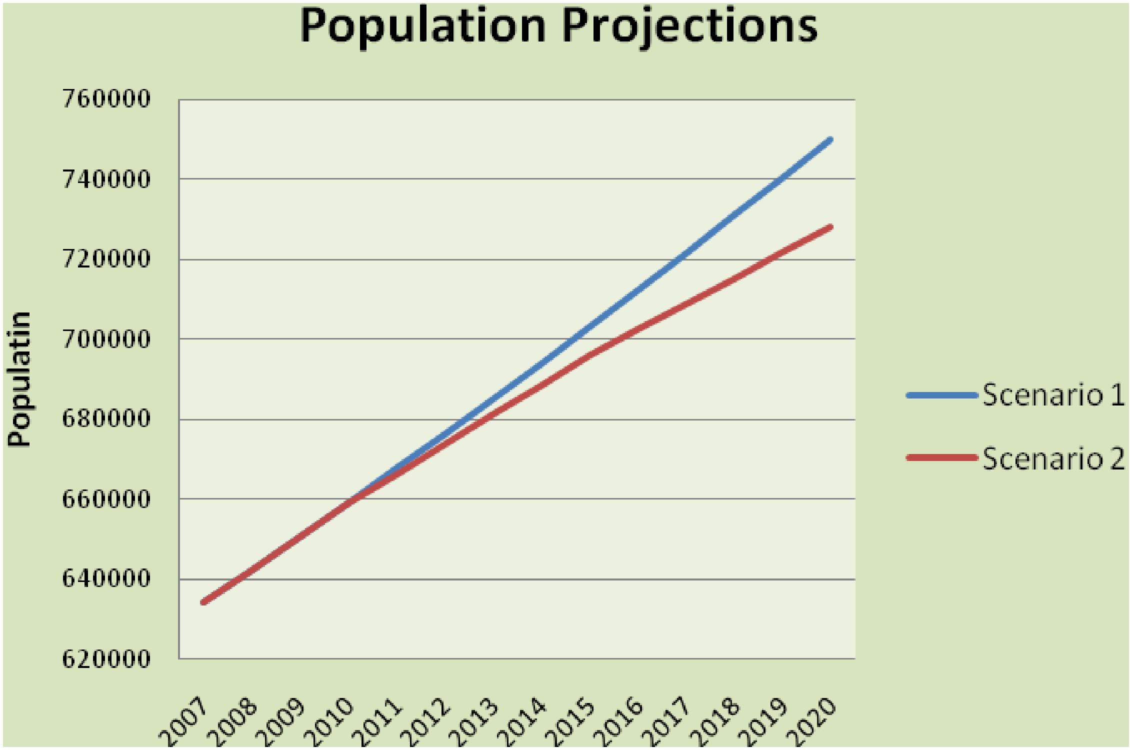
	Western Cape	Eastern Cape	Northern Cape	Free State	Kwazulu-Natal	North West	Gauteng	Mpumalanga	Limpopo	Outside SA	Do not know	Not Applicable	Unspecified	Total
City of Matlosana	310	1070	498	2589	446	30984	3477	361	750	1618	99	375013	69	417282
Maquassi Hills	20	19	49	350	-	6599	333	-	458	239	-	73944	-	82012
JB Marks	630	459	484	2017	425	15025	5081	474	834	617	75	217388	17	243527
Dr Kenneth Kaunda DM	960	1548	1031	4956	871	52608	8891	835	2042	2474	174	666345	86	742821

Population Growth Rate

The population growth figures for the district between 2011 and 2016 are summarized in Table B.2.1 and Figure B.2.5. According to the official Statistics SA data, the total population has increased from 695 933 in 2011 to 742822 in 2016. The average annual growth rate has declined from 1.18% "between" 2001 to 2011, to 1.07% between 2011 and 2016. This growth rate is significantly lower than 2.1% which is necessary to maintain the current population levels constant.

Various population growth rates are being utilized for population projections in various existing policy documents and plans. Two alternative population projections, utilizing the base year figure in 2007 was provided by Statistic SA. The first scenario assumes a constant annual growth rate remaining at 1.3% per annum from 2007 to 2020. The second scenario assumes a decreasing growth rate estimating a figure of 1.3% per annum up to 2010, a figure of 1.1% per annum from 2011 to 2015, and 0.9% from 2016 to 2020. The projected 2020 population figures, based on these alternative scenarios will be 750 000 and 728 000 respectively by 2020.

Figure B.2.4: Population Projections, 2007-2020



(StatsSA, Community Survey, 2007)

The population characteristics and trends as referred to above take cognizance of migration trends to and from the district and its surrounding areas.

Population Education Levels

The status and changes in the education profile of the district population between 2001 and 2016 is given in Table B.2.6 and depicted in Figures B.2.6 (a) to (b). There has been a significant improvement in overall skill levels, most notably the decrease of adult illiteracy by 0.67 as a percentage of the population. Also, the percentage of people without matric have decreased by 0.91%, with a corresponding increase in the proportion of the population with matric 0.05%), matric and bachelor's degrees (or equivalent qualification (0.52%)) and matric plus postgraduate degrees (or equivalent qualification (0.08%)).

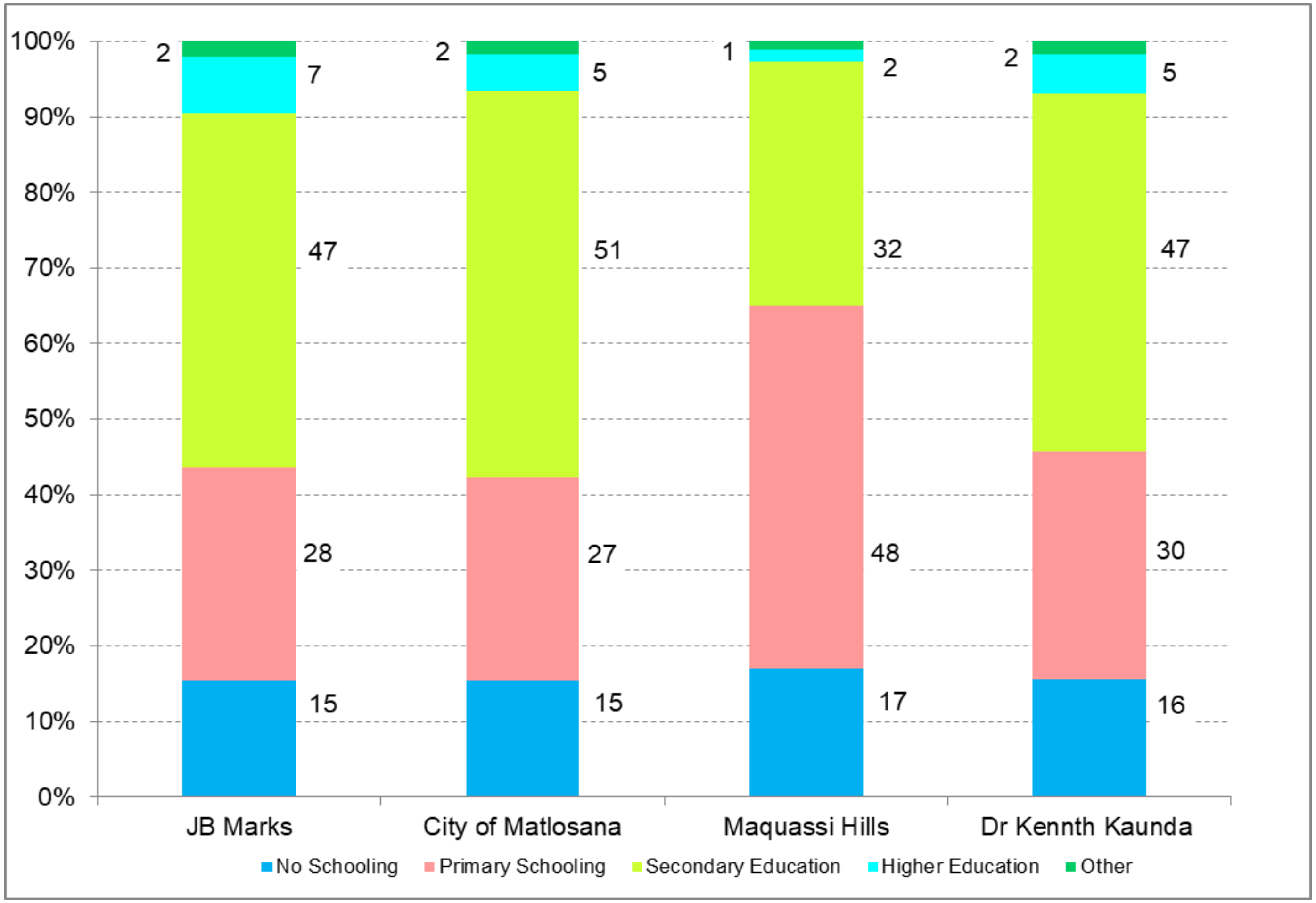
Matlosana has the highest proportion of the population with matric (51%), with the lowest proportion in Maquassi Hills (32%). Maquassi Hills has also a corresponding higher percentage of the population with a qualification of less than matric at 48% (district average is 30%) and a slightly higher percentage of the population without any schooling at 17% (just higher than the district average of 16%). The newly established (through a merger of Ventersdorp and Tlokwe) municipality has a higher percentage of the population with qualifications higher than matric at 9% to the district average of 7%.

Table B.2.6: Education Profile of Population older than 20 Years (2001-2016)

	Dr. Kenneth Kaunda			City of Matlosana			Maquassi Hills			JB Marks		
	2001	2011	2016	2001	2011	2016	2001	2011	2016	2001	2011	2016
No schooling	59968	41333	39545	30996	18836	18177	13084	10026	8143	15888	12471	13225
Certificate / Diploma without Matric	219753	237853	249438	138467	139604	142587	19814	24596	27906	61472	73653	78945
Matric only	74003	116527	125902	46846	70972	75369	4842	8566	9631	22315	36989	40902
Matric &Bachelor's Degree	22563	34301	40855	12780	19731	22812	1268	1903	2182	8515	12667	15861
Matric & Postgrad Degree	3279	8259	9477	1147	3344	4044	94	290	332	2038	4625	5101

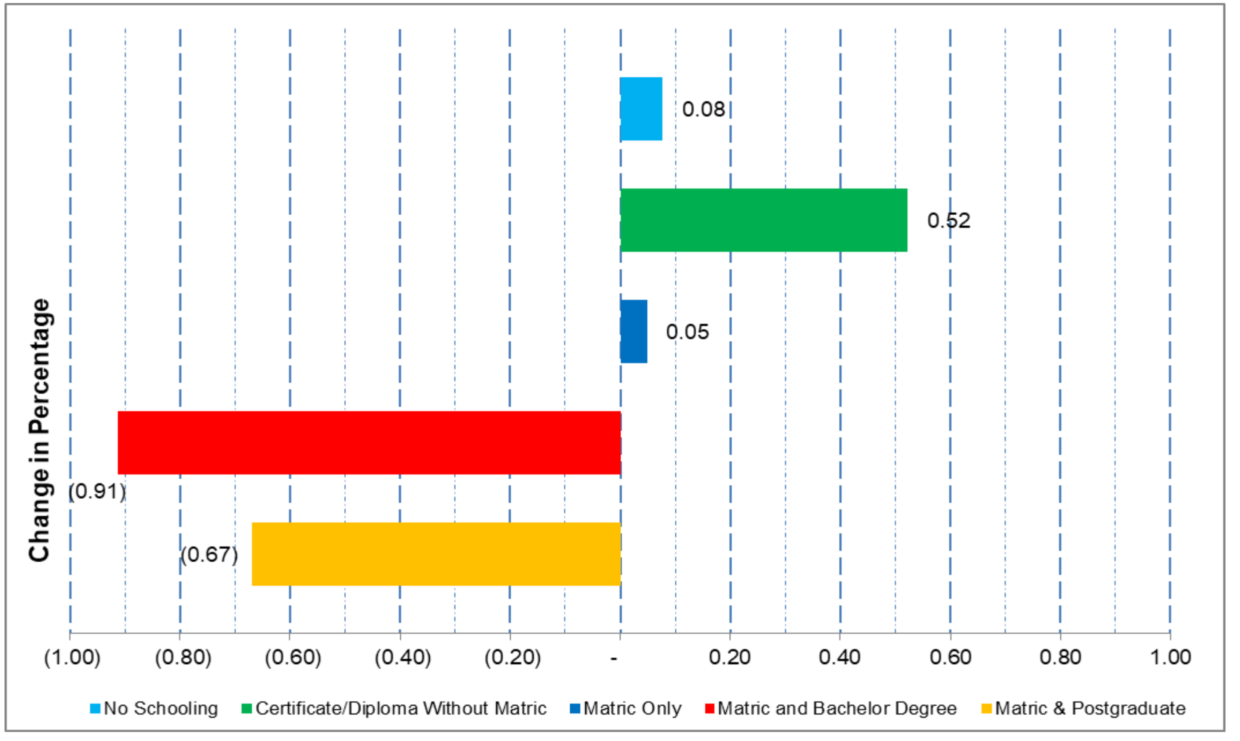
Source: Statistics SA, Community Survey 2016

Figure B.2.5 (a): Education Profile of Population Older than 20 Years (2016)



Source: Statistics SA, Community Survey 2016

Figure B.2.5 (a): Change in the Education Profile of Population across Dr. KKDM (2016)



Source: Statistics SA, Community Survey 2016

Spatial Analysis

The spatial analysis of the Dr. Kenneth Kaunda DM is given in the Spatial Development Framework (SDF) review document adopted in March 2011. The review, which started in 2009, was of the original 2004 document which had become outdated due to the many developments that had occurred since it was completed-including Merafong City Local Municipality being incorporated into and out of the District Municipality.

Analysis and additional information, including the Strategic proposals based on both the 2004 and the 2011 adopted documents, are given under Chapter D of this IDP. The 2011 SDF will be reviewed in the 2018/19 financial year.

Social and Economic Analysis of Patterns, Trends, and Risks

The analysis of patterns, trends, and risks in the Dr. Kenneth Kaunda DM is given in the Southern District Growth and Development Strategy (GDS) which was developed in 2005 and reviewed in February 2007.

During the 2008/09 Financial Year, the DTI collaborated with the Dr. Kenneth Kaunda DM to develop the latter's Local Economic Development (LED) Strategy. The analyses that follow are mainly derived from statistical information provided by Statistics SA, 2016 Community Survey and IHS Market Regional explorer:

Access to Basic Services

The following table indicates the access to basic services for households within the DM, according to the Statistics SA, 2016 Community Survey.

Table B.4.1 (a): Access to Basic Services

	Percentage Access to Basic Services								
Municipality	Electricity: Cooking	Electricity: Lighting	Electricity: Space Heating	Electricity: Water Heating	Electricity: General	Formal Refuse Removal	Access to Safe Drinking Water	Sanitation (Connected to a public sewerage system)	Formal Dwelling
City of Matlosana	90.9	95.7	69.6	91.5	96.0	95	85.4	95.4	91.6
Maquassi Hills	90.4	96.6	53.1	87.9	94.5	76.8	92.2	87.9	87.3
JB Marks	82.9	91.4	52.1	85.2	92.9	79.6	89.9	77	85.5
Dr Kenneth Kaunda	88.2	83.3	62	89	94.8	87.9	87.6	88.6	89.1

Source: Statistics SA, Community Survey 2016

The majority of households in the DM (87.6%) have access to piped water either inside the dwelling, inside the yard or from an access point outside the yard. About 87.9% have access to refuse removal for at least once a week, while almost 88.6% have sanitation that is connected to a formal sewage system. Almost 89.1% of the population stay informal dwellings and about 95% have access to one or another form of access to electricity access.

Table B.4.1 (b): Main Type of Dwelling in the DM

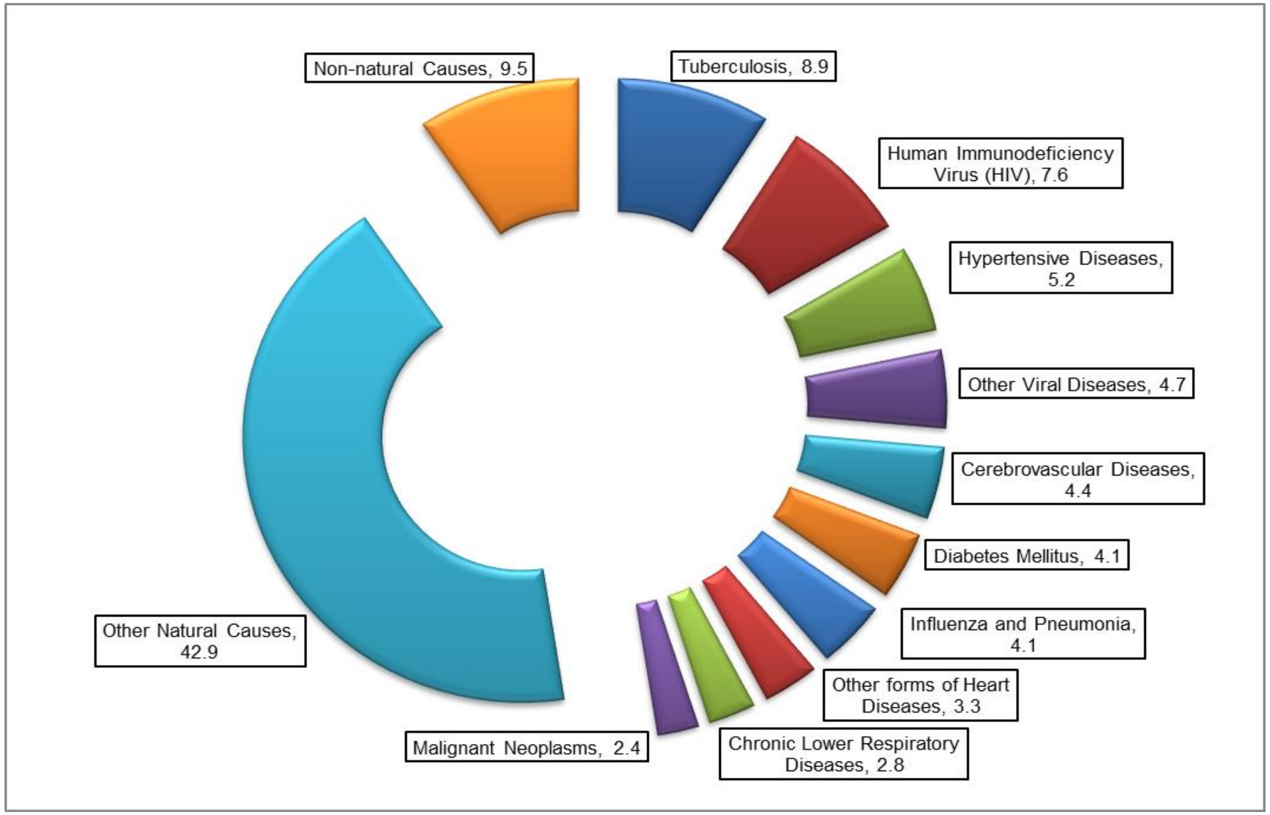
	Formal dwelling/house or brick/concrete block structure on a	Traditional dwelling/hut/structure made of traditional mater	Flat or apartment in a block of flats	Cluster house in complex	Townhouse (semi-detached house in a complex)	Semi-detached house	Formal dwelling/house/flat/room in backyard	Informal dwelling/shack in backyard	Informal dwelling/shack not in backyard (e.g. in an informal	Room/flat let on a property or larger dwelling/servants quart	Caravan/tent	Other	Unspecified	Total
City of Matlosana	345725	4024	8579	1483	5144	4244	11602	15220	16131	1313	-	3817	-	417282
Maquassi Hills	70783	169	199	20	54	64	239	2721	2486	94	-	5182	-	82012
Ventersdorp/Tlokwe	175410	765	8463	1984	854	2673	16603	12439	20502	1463	54	2319	0	243527
Dr Kenneth Kaunda DM	591918	4958	17241	3487	6052	6981	28444	30380	39119	2870	54	11318	0	742821

Source: Statistics SA, Community Survey 2016

Major Causes and Number of Deaths by Age Group

According to the Mortality and Causes of Death in SA, 2015, (a publication of Statistics SA), the major causes of death in the Dr. Kenneth Kaunda district measured in 2015 were led by non-natural causes at 9.5%, followed by tuberculosis at 8.9%. The HIV infection rate was measured at 7.6% in the same period and the number of AIDS-related deaths, as a percentage of the DM population is standing at 7.6% (Fig 4.2 (a).

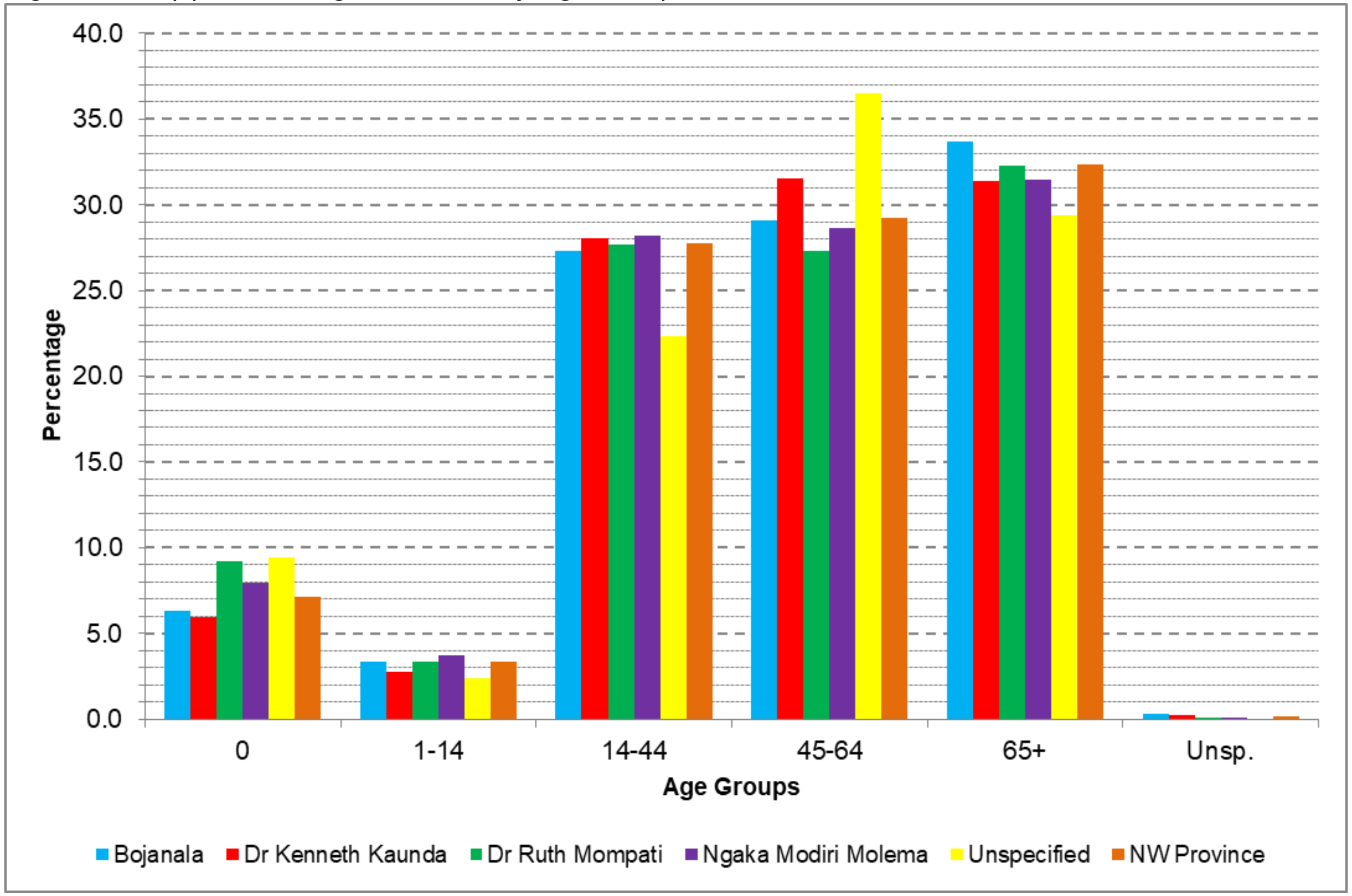
Figure B.4.2 (a): Percentage of Major Causes of Death



Source: Statistics SA, Mortality and Causes of Death in SA, 2015

In the same period, according to the same publication, the number of deaths per age group was almost similar across the district municipalities in the North West Province (consider Figure B.4.2 (b)). In the age group 45-64, the district municipality with more deaths as a percentage is Dr. Kenneth Kaunda DM (at 30%), while Bojanala Platinum DM has the highest percentage of deaths per population in the age group above 65 years (close to 34%). Across the province, the infant mortality rate is at 7%, while the lowest percentage of deaths per population in the province is in the age group of 1-14 years (about 3.3%)

Figure B.4.2 (b): Percentage of Deaths by Age Groups



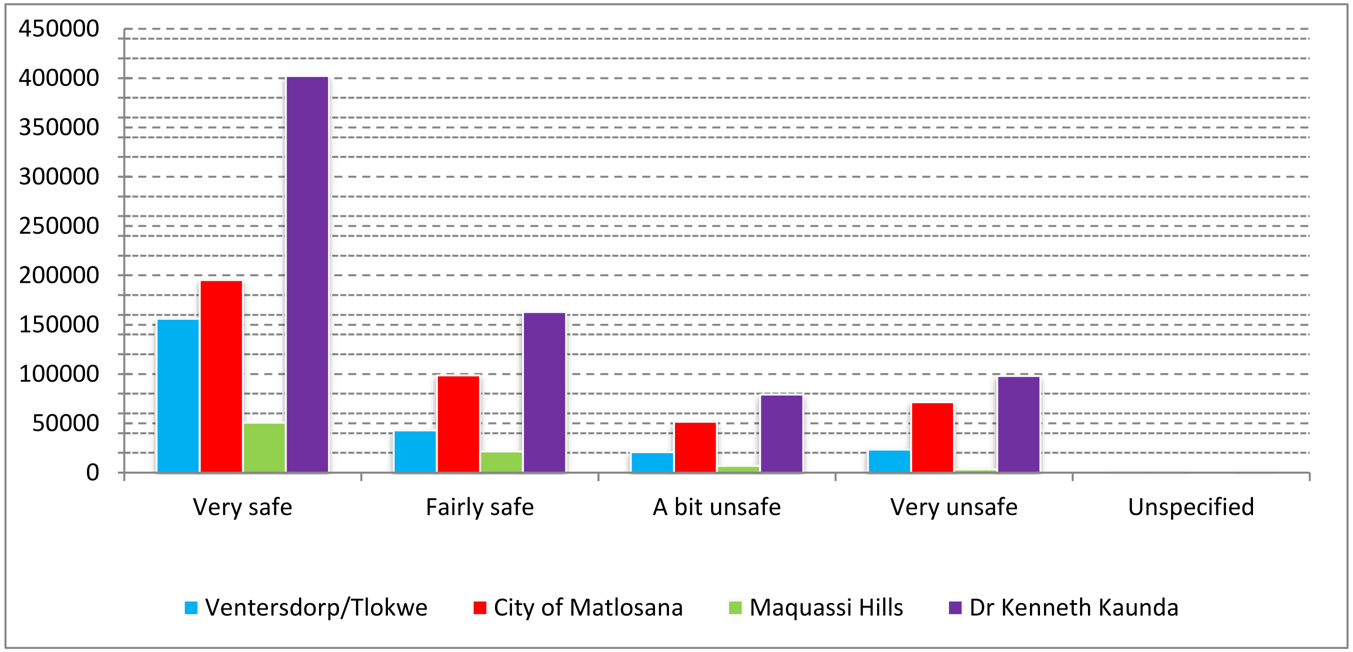
Source: Statistics SA, Mortality and Causes of Death in SA, 2015

Crime and Perception of Safety

The largest number of people who feel safe during the day the district (with 54%), is highest in Ventersdorp/Tlokwe at about 64%, with less than 50% of people who feel safe are located in Matlosana (lowest at 47%). (Consider Fig B.4.3 (a)). The converse is also replicated where the highest number of people (17%) in Matlosana feels very unsafe during the day, followed by Ventersdorp/Tlokwe at 10% and the least at Maquassi Hills (4%).

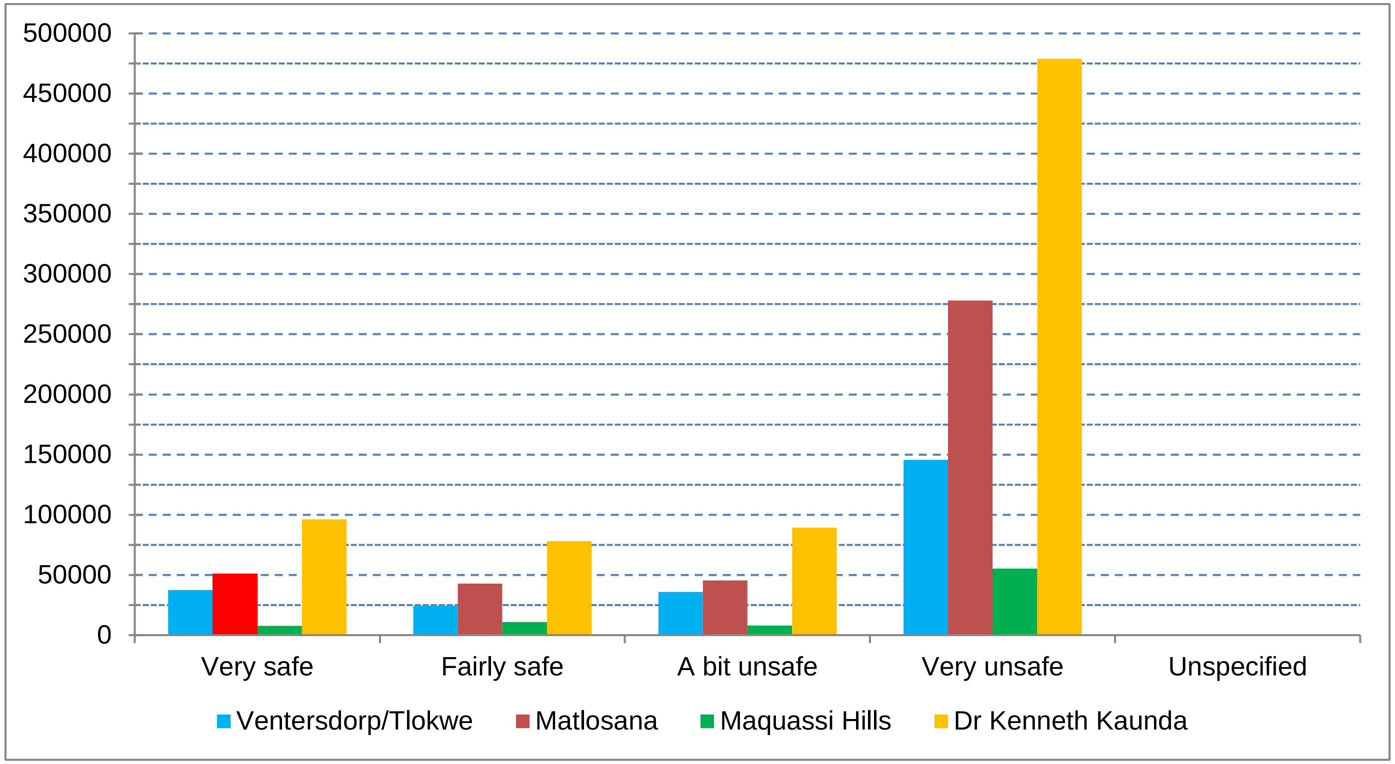
At least 60% of people feel very unsafe in the dark, with an average of 64% across the district. Maquassi Hills and Matlosana share the highest percentage, per population number of people who feel very unsafe in the dark at 67% and Ventersdorp/Tlokwe at 60%. An average of people who feel very safe in the dark is 13% across the district, with 15% in Ventersdorp/Tlokwe and the lowest number being found in Maquassi Hills at 9% per total municipality population. (Consider Fig B.4.3 (b)

Fig B.4.3(a): Perception of Safety during the Day



Source: Statistics SA, Community Survey, 2016

Fig A.3.5 Perception of Safety in the Dark



Source: Statistics SA, Community Survey, 2016

Economic Performance and Trends

Growth Domestic Product

Annual GDP growth in the DM broadly follows the national trend. DM GDP growth is generally lower than both the national and provincial averages. The next tables (B.4.4.1 (a)-(c)) and graphs (B.4.4.1) indicate annual GDP growth rates for the local municipalities within the DM over the period 2006-2016.

Table 3.4.1 (a): Average Growth Rate for Dr. Kenneth Kaunda Municipalities, 2006-2016

	Dr. Kenneth Kaunda	City of Matlosana	Maquassi Hills	JB Marks
Gross Domestic Product by Region (GDP-R)				
Average annual growth (Constant 2010 Prices)				
2006-2011	-0.8%	-2.5%	2.7%	2.1%
2011-2016	-1.2%	-2.4%	-0.1%	0.7%

Source: IHS Market Regional Explorer version 1181

The average growth rate of the entire DM declined by 0, 8% between 2006 and 2011. The decline continued to increase to 1.2% in the following five years. The main contributor to the decline in the economic growth was the City of Matlosana, going down by 2.5 and 2.4 percentage points in the respective periods. The JB Marks Municipality grew by 2.1 and 0.7 percent in the same timeframes, indicating a steady decline across the board (Table B.4.3.1 (a)). Between 1997 and 2016 (Fig B.4.3.1), the growth increased mostly in the years 1999-2001 and in 2006 at almost 6% to 8%. The DM economy declined mainly in 2009 (above 6%), followed by figures of between 2 and 3% in 2012 and 2014. The decline has been seemingly arrested because of smaller declines in 2015 and 2016, with the prospects of complete turnaround, albeit marginal, in 2017 and going forward.

Table B.3.4.1 (b): Gross Domestic Product (GDP) for Dr. KK Municipalities, Share and Change, 2006-16

	2016 (Current prices)	Share of the district municipality	2006 (Constant prices)	2016 (Constant prices)	Average Annual growth
City of Matlosana	35.40	58.88%	26.15	20.40	-2.45%
Maquassi Hills	3.25	5.40%	1.78	2.02	1.29%
JB Marks	21.48	35.72%	12.08	13.84	1.37%
Dr. Kenneth Kaunda	**60.13**	**100**	**40.01**	**36.26**	**0.21**

Source: IHS Market Regional Explorer version 1160

The JB Marks Municipality had the highest average annual economic growth, averaging 1.37% between 2006 and 2016 when compared to the rest of the regions within the Dr. Kenneth Kaunda District Municipality. The Maquassi Hills local municipality had the second-highest average annual growth rate of 1.29%. The city of Matlosana local municipality had the lowest average annual growth rate of -2.45% between 2006 and 2016.

The greatest contributor to the Dr. Kenneth Kaunda District Municipality economy is the City of Matlosana local municipality with a share of 58.88% or R 35.4 billion, increasing from R 17.1 billion in 2006. The economy with the lowest contribution is the Maquassi Hills local municipality with R 3.25 billion growing from R 1.3 billion in 2006.

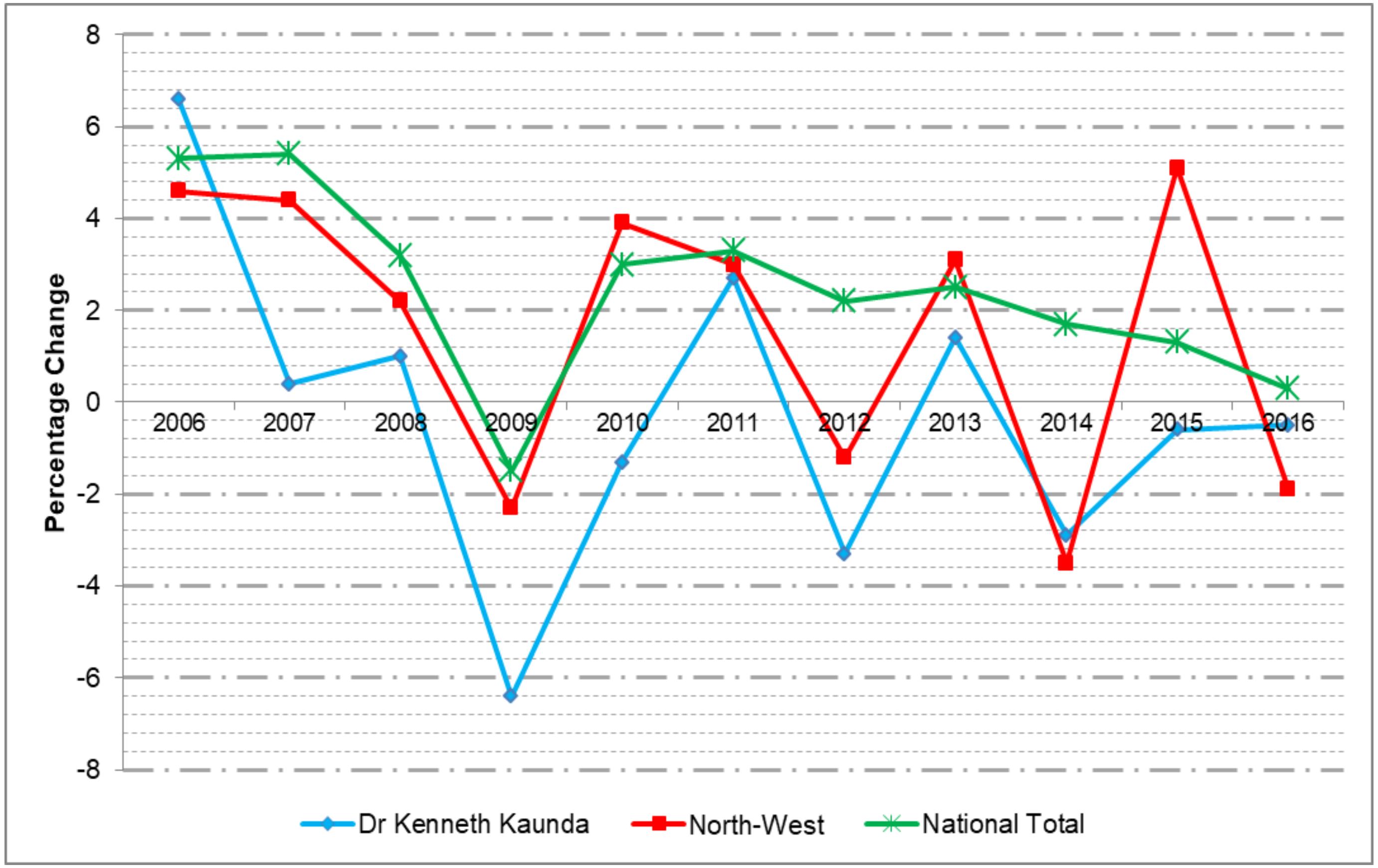
Table B.3.4.1 (c): Gross Domestic Product (GDP)-Dr KK DM, NW Province, RSA-2006-2016 (Billions)

	Dr. Kenneth Kaunda	North-West	National Total	Dr. Kenneth Kaunda as % of the province	Dr. Kenneth Kaunda as % of national
2006	27.1	105.0	1,839.4	25.8%	1.47%
2007	29.9	120.7	2,109.5	24.8%	1.42%
2008	33.0	138.9	2,369.1	23.8%	1.39%
2009	34.5	147.9	2,507.7	23.3%	1.38%
2010	37.5	164.5	2,748.0	22.8%	1.37%
2011	43.0	185.8	3,023.7	23.2%	1.42%
2012	45.5	191.0	3,253.9	23.8%	1.40%
2013	50.4	222.1	3,539.8	22.7%	1.42%
2014	51.3	227.2	3,807.7	22.6%	1.35%
2015	54.7	243.2	4,049.8	22.5%	1.35%
2016	60.1	263.8	4,338.9	22.8%	1.39%

Source: IHS Market Regional Explorer version 1160

With a GDP of R 60.1 billion in 2016 (up from R 27.1 billion in 2006), the Dr. Kenneth Kaunda District Municipality contributed 22.79% to the North-West Province GDP of R 264 billion in 2016: decreasing in the share of the North-West from 25.79% in 2006. Dr. Kenneth Kaunda DM contributes 1.39% to the GDP of South Africa which had a total GDP of R 4.34 trillion in 2016 (as measured in nominal or current prices). Its contribution to the national economy stayed similar in importance from 2006 when it contributed 1.47% to South Africa, but it is lower than the peak of 1.47% in 2016.

Figure B.3.4.1: Percentage Change in GDP-Dr Kenneth Kaunda DM, NW Province, RSA, 2006-2016



Source: IHS Markit Regional Explorer version 1181

Sectoral Comparative Advantage

The comparative advantage of an area indicates a relatively more competitive production function for a product or service in that specific economy, than in the aggregate economy. The economy, therefore, produces the product or renders the service more efficiently. The location quotient is an indication of the comparative advantage of an economy. A location quotient of larger than one (1) indicates a relative (favourable) comparative advantage in that sector.

Table B.4.4.2: Location Quotients for Dr. Kenneth Kaunda Municipalities, 2016

No	Economic Sector	Dr. Kenneth Kaunda	City of Matlosana	Maquassi Hills	JB Marks
1.	Agriculture	1.3	0.5	5.5	2.0
2.	Mining	2.6	3.4	1.5	1.2
3.	Manufacturing	0.4	0.3	0.4	0.5
4.	Electricity	1.0	0.8	0.5	1.3
5.	Construction	0.9	0.8	1.3	0.9
6.	Trade	1.0	1.0	1.0	1.0
7.	Transport	0.8	0.8	0.8	0.7
8.	Finance	0.8	0.8	0.7	0.8
9.	Community Services	1.1	1.0	1.1	1.4

Source: IHS Market Regional Explorer Version 1160

Household Income

The income profiles (in Rands) of the municipalities within the district is depicted in Table B.4.5 and illustrated in the accompanying graph (Figure B.4.5), showing the distribution of annual household income among the different income groups in the Dr. Kenneth Kaunda District Municipality, as measured in the 2016 StatsSA, Community Survey.

Table B.4.5: Income Profiles for Households in Dr. Kenneth Kaunda Municipalities, 2016

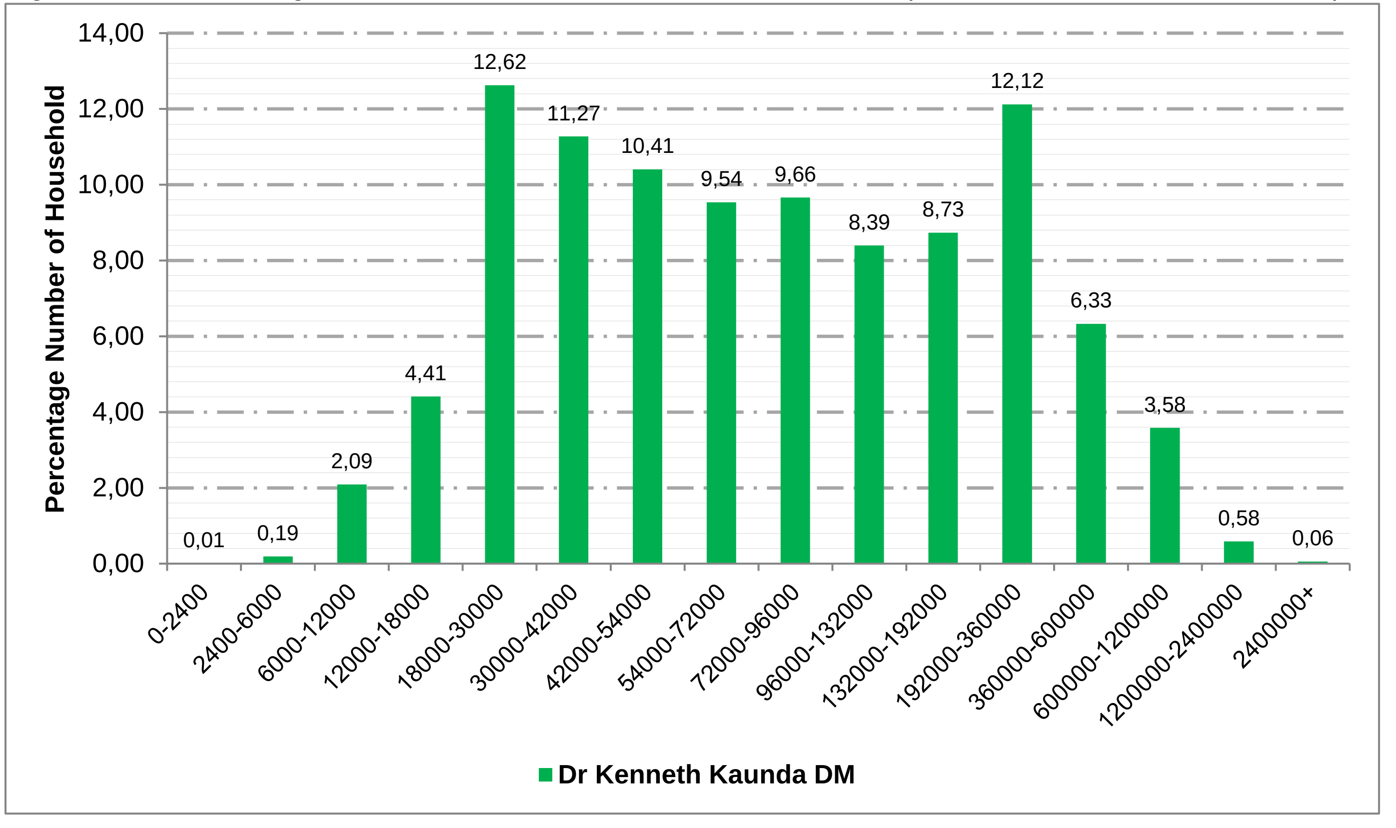
Total	Dr. Kenneth Kaunda	City of Matlosana	Maquassi Hills	JB Marks
2016				
0-2400	18	10	2	6
2400-6000	428	250	51	126
6000-12000	4627	2839	548	1240
12000-18000	9759	5920	1110	2729
18000-30000	27947	16892	3226	7828
30000-42000	24957	14160	3035	7762
42000-54000	23041	12944	2834	7263
54000-72000	21111	11246	2481	7384
72000-96000	21388	11760	2219	7409
96000-132000	18585	10149	1591	6844
132000-192000	19336	11223	1482	6631
192000-360000	26831	15682	1839	9310
360000-600000	14016	8052	851	5114
600000-1200000	7937	4157	422	3357
1200000-2400000	1293	524	52	717
2400000+	126	40	4	82
Total Households	**221400**	**125847**	**21750**	**73802**

According to the table and graph, the highest number of households in the DM (12.62%) earn between R 18 000 - R 30 000 per annum, followed by those between R 132 000 - R 360 000 at 12.12%. The data also show that above 68.59% of households earned a monthly income of between R 96

000 and R 132 000 per annum (R8 000 – R11 000 p.m) or less. Approximately 89.44% of the entire households across the district earn between R16 000 and R30 000 monthly or lower, indicating that only about 10.6% of the households earn above this income bracket.

The figures also indicate a proportionally higher income profile in JB Marks LM compared to the other two local municipalities. More than 56% of the highest income earners, above R1 200 000 per annum come from this particular municipality. The Matlosana City Council, due to its high population size, accounts for about 56.8% of the income of the households in the district.

Figure B.4.5 Percentage Annual Household Income in the Dr. KKDM (as a % of the No. of Households),2016

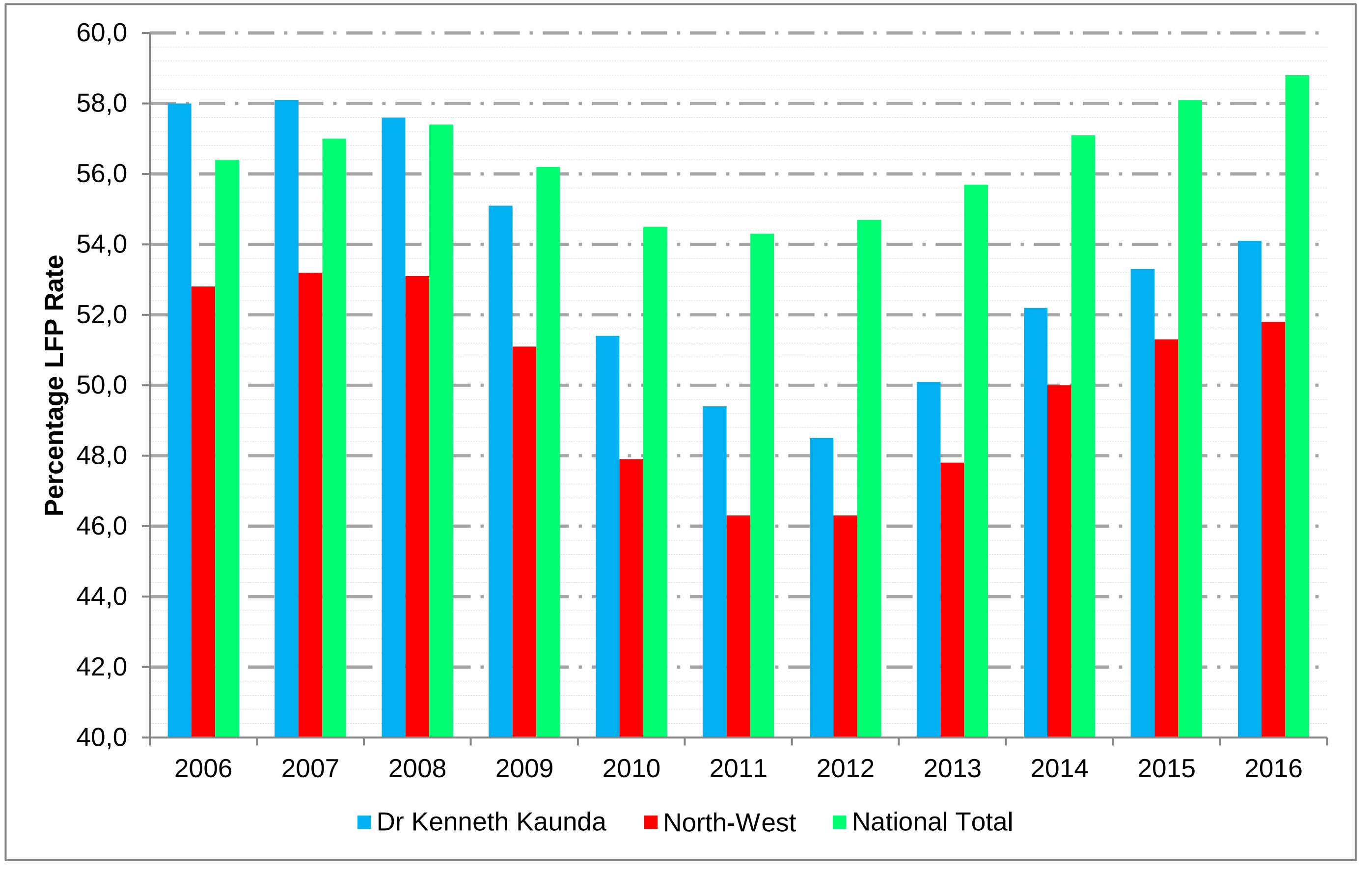


Source: IHS Market Regional Explorer Version 1160

Employment and Labour Profiles: Labour Force Participation Rate

The labour force participation rate (LFPR) is the Economically Active Population (EAP) expressed as a percentage of other total working-age population. Figure B.4.6.1 depicts the labour participation rate of Dr. Kenneth Kaunda DM, North West Province, and the National Total as a whole. The LFPR of Dr. Kenneth Kaunda DM has declined from 58% in 2006 to 54% in 2010.

Figure B.4.6.1: Percentage Labour Force participation Rate-Dr KKDM, NW Province, RSA, 2006-2016



Source: IHS Market Regional eXplorer Version 1160

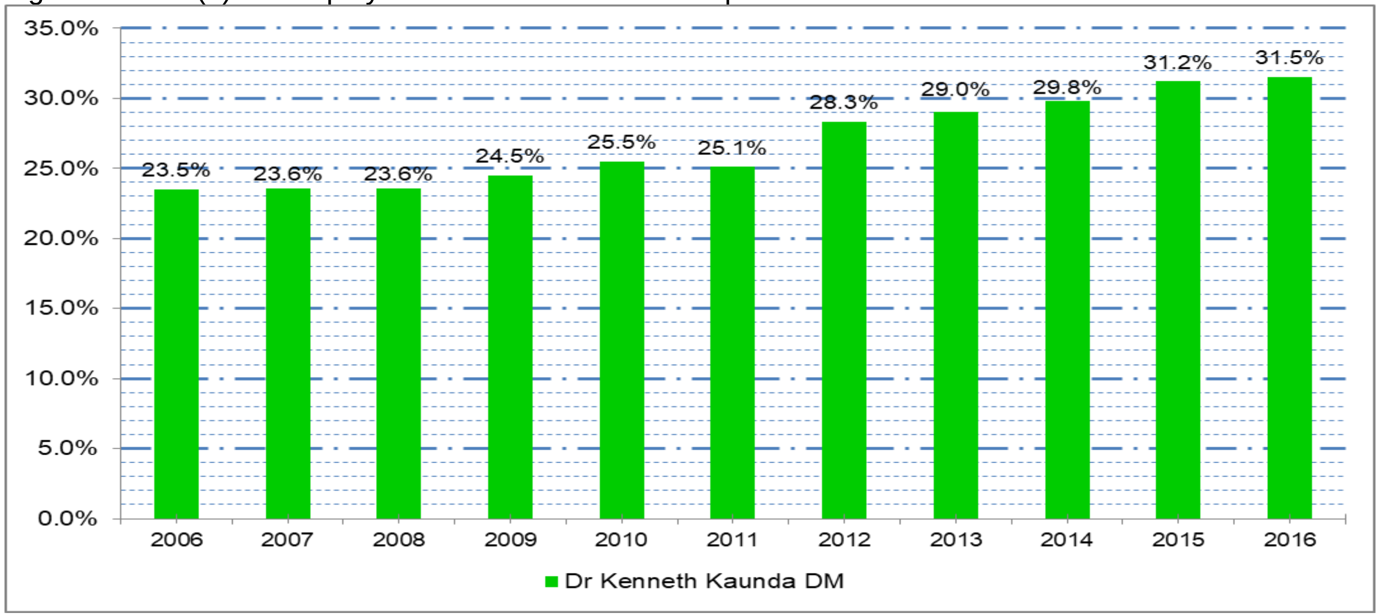
Unemployment Rate

In 2016, the unemployment rate in Dr. Kenneth Kaunda District Municipality (based on the official definition of unemployment) was 31.5%, which is an increase of 8.01 percentage points from 2006. The unemployment rate in Dr. Kenneth Kaunda District Municipality is higher than that of North-West and the national governments. The unemployment rate for South Africa was 26.43% in 2016, which is an increase of -0.668 percentage points from 25.8% in 2006.

As outlined in Figure B.3.6.3 (a) the largest in the sectoral contribution to total employment in 2016 was in the Community Services (28.7%) and Trade (23.2%) sectors. The largest proportional gains in employment were achieved in the Community Services (5.3%), Finance (3.1%) and Construction (2.6%), during the period 2011 to 2016 (Figure B.3.6.3 (b).

The biggest and only decline in total employment was experienced in mining between 2011 and 2016, with a decline of 15.9% (i.e. from 30 528 to 9174 employees), while the Electricity Services employee percentage stayed stagnant (and still contributing the lowest in 2016 at 0.5%).

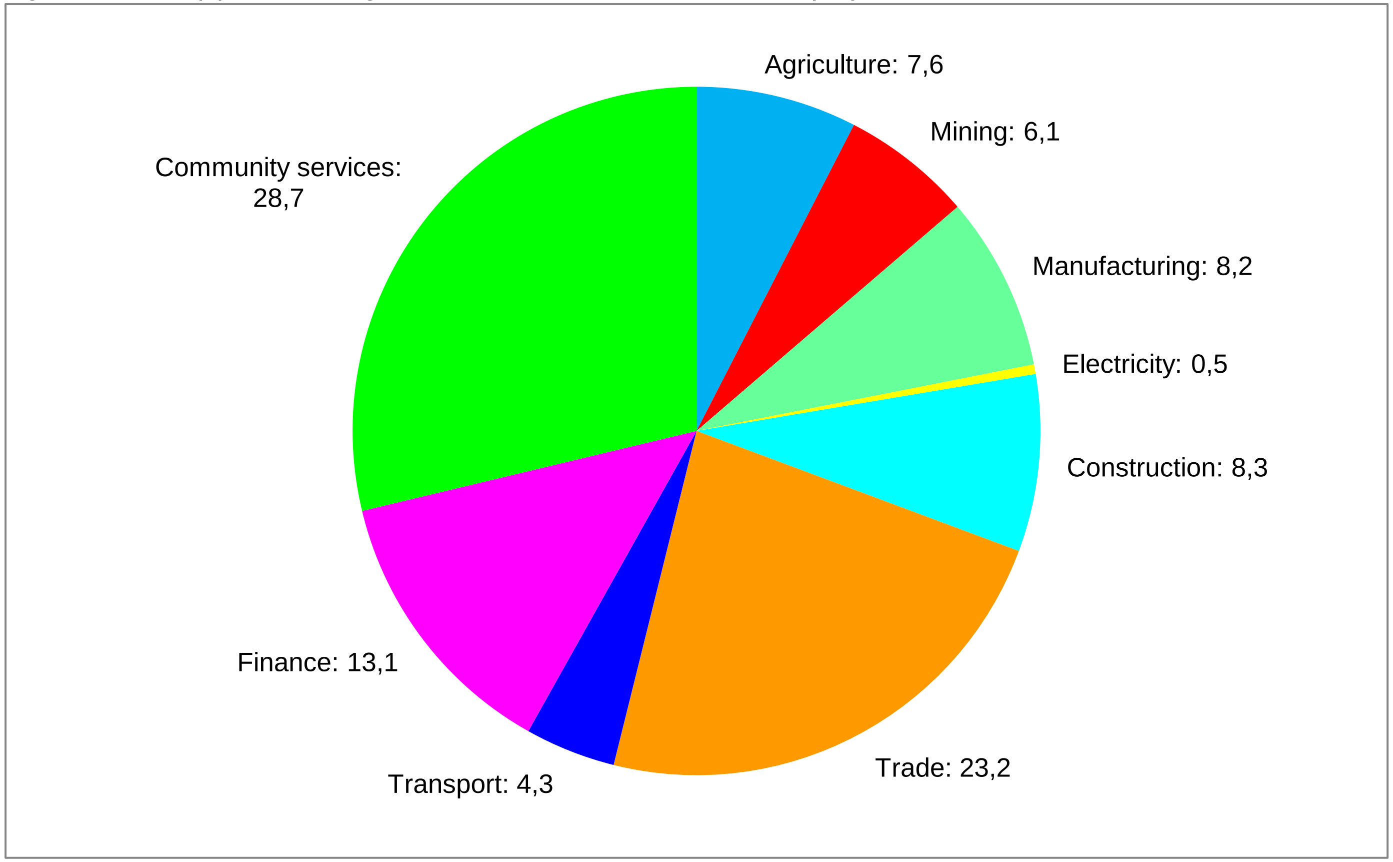
Figure B.4.6.2 (a): Unemployment Rate for the Total Population: Kenneth Kaunda DM



Source: IHS Market Regional explorer

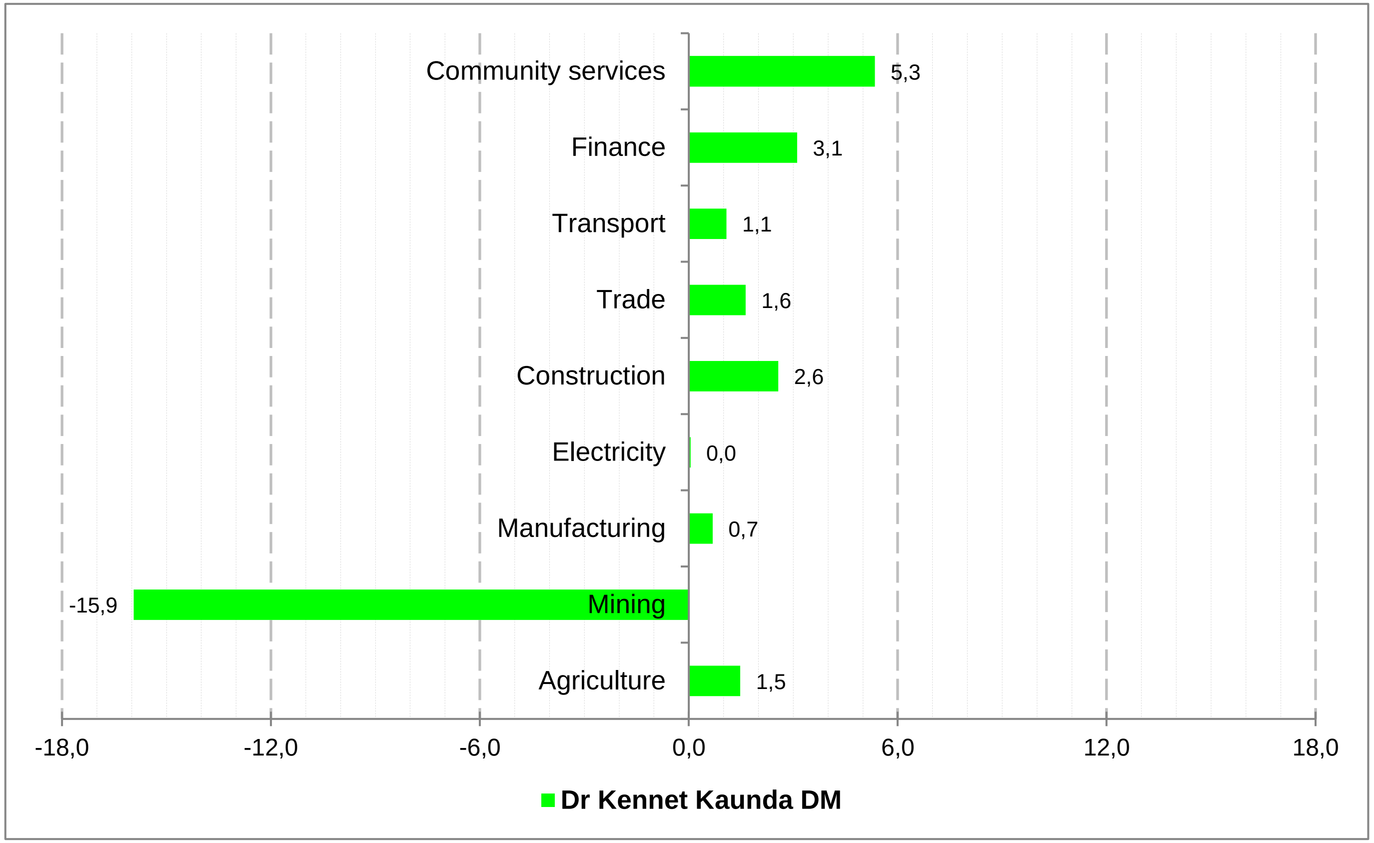
Sectoral Contribution to Employment

Figure B.3.6.3 (a): Percentage Sectoral Contribution to the Employment, DR KKDM, 2016



Source: IHS Market Regional eXplorer

Figure B.3.6.3 (b): Percentage Change in Sectoral Contribution to Employment, DR KKDM: 2011 to 2016



Source: IHS Market Regional eXplorer

CHAPTER 2: GOVERNANCE

2.1. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the system of rules, practices, and processes by which an organization is directed and controlled. **Corporate governance** essentially involves balancing the interests of a **company's** many stakeholders, such as shareholders, management, government, and the community. The Agency's Board of Directors is charged with ensuring and promoting the highest standard of good corporate governance guided by all prescripts governing local government, companies Act, King's reports on corporate governance, and policies adopted to govern the entity.

The board and management understand that in the interest of building a credible Agency they need to abide by the highest standards of good governance and ensure the highest ethical standards.

2.2. BOARD OF DIRECTORS

Unlike in the previous years, in this current year there was no participation by the board.

The following were Board Members of the Agency: -

- Prof Thabo Thekiso: Chairperson of the Board
- Mrs.Phindile Spies: Board Member
- Mr.MzwandileFeliti: Board Member

CHAPTER 3: SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART1)

3.1. PERFORMANCE MANAGEMENT, DELIVERABLES FOR 2020/2021 FINANCIAL YEAR

There was no performance recorded in the current year. Council took a resolution to disband the agency by end of October 2020. There was no SDBIP developed in the current year.

SERVICE PROVIDER ASSESSMENT FOR THE 2020/21 FINANCIAL YEAR

ANNUAL PERFORMANCE ASSESMENT OF SERVICE PROVIDERS 2021/22FINANCIAL YEAR												
Project name	**Name of Service provider**	**Source of funding**	**start date**	**Completion date**	**Progress to date**	**Challenges and interventions**	**Assessment of service provider (Scale 1-5) 1 - Poor 2 - Fair 3 -Average 4 - Good 5 - Excellent**					**Assessment comments**
							2021/22	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	
Printing & Support	Panasonic Business Systems	BUDGETED	Jul 21	June 22	IN PROGRESS	None	Good	Good	Good	Good	Good	Great timely service throughout the year
Telephone & Fax	Telkom	BUDGETED	Jul 21	Feb 22	SERVICE ENDED IN FEBRUARY 22	None	Good	Good	Good	Good	-	Good service
Insurance	Santam	BUDGETED	Jul 21	June 22	IN PROGRESS	None	Good	Good	Good	Good	Good	Good service
Internet	Vox Telecom	BUDGETED	Jul 20	June 22	SERVICE ENDED IN FEBRUARY 22	None	Good	Good	Good	Good	Good	Good service
Pastel Payroll update	LWI Technologies	BUDGETED	Oct 21	May 22	COMPLETED	None	Good	Good	Good	Good	Good	Good service
Payroll Software renewal	Sage South Africa	BUDGETED	Feb 22	Feb 22	COMPLETED	None	Good	N/A	N/A	Good	N/A	Great service

3.4. CHALLENGES

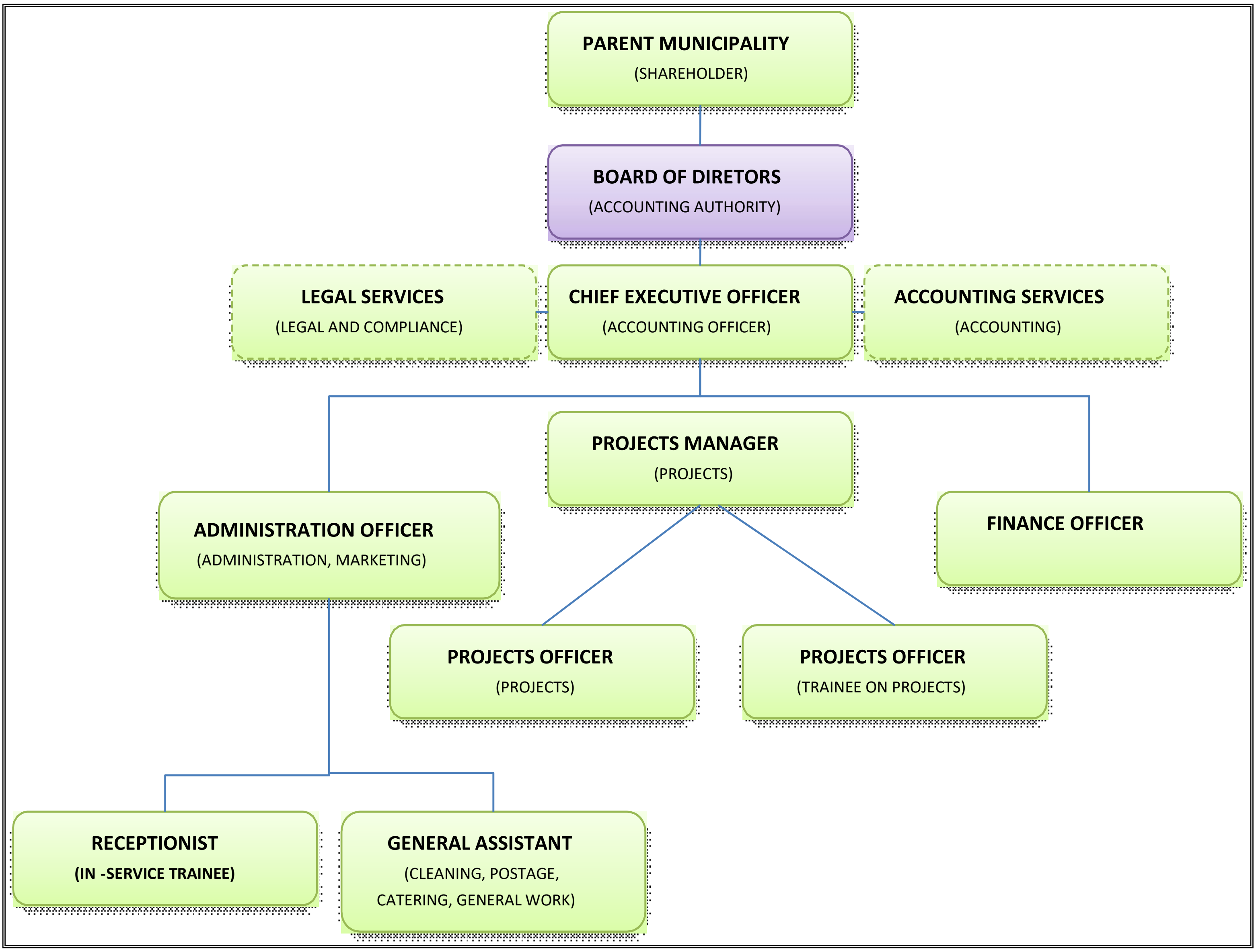
3.4.1. FUNDING

Following the Council resolution to disestablish the Agency by the end of October 2020, there was no budget for the agency by DRKKDM. This resulted in the agency not being able to be operational because there were no programs for the current year. All in all 2021 2022 was a very difficult year for the agency.

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

4.1. ORGANIZATIONAL STRUCTURE

Since establishment, the Agency has been operating on a linear structure that developed to cater to the limited financial resources that the Agency is operating with. Not all positions are filled nor budgeted for in the organisational structure. The only positions that have been filled to date are 1. Finance Officer,2. Administration Officer,3. Projects Officer, 4. General Assistant (General Cleaner) and 5.CEO which was only filled from the 5th December 2017 and ended 30th November 2022.Attached is a table of the staff complement, their qualification and years of experience



NAME	POSITION	QUALIFICATIONS	EXPERIENCE	GENDER
Sephaka Motswiane	CEO	MBA Maastricht School of management, BTech Management TUT, ND Business Administration TUT, CPMD Wits Business School, Certificate in Urbanization in Africa Erasmus University, Certificate Municipal Financial management LGSETA, Certificate Project Management	16 Years	Male
ThandiChofu	Finance Officer	Certificate Pastel, Certificate Bookkeeping, CPMD Wits Business School	15 Years	Female
MasegoItumeleng	Project Officer	National Diploma ManagementAssistantVuselela TVET, Project Management (NQFL6) North WestUniversityCertificate in Economic Development (NQFL5) UWC Advanced Certificate in Agriculture (NOSA)	13 Years	Female
TselaneTsunke	Office Administrator	National Diploma Management Assistant Vuselela TVET Certificate in Office Management (NQFL6): UNISA	14 Years	Female
Grace Shongwe	General Assistant	Grade 10	15 Years	Female

4.2. EQUITY PROFILE

		MALE	%	FEMALE	%
1	Blacks	1	0%	4	100%
2	Coloured	0	0%	0	0%
3	Asian	0	0%	0	0%
4	Whites	0	0%	0	0%
5	Disabled	0	0%	0	0%
	Total	**1**		**4**	**100%**

Equity profile of the economic agency

Auditing to build public confidence

AUDITOR-GENERAL
SOUTH AFRICA

Report of the auditor-general to the North West Provincial Legislature and the council on the Dr Kenneth Kaunda District Municipality Economic Agency SOC Limited

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Dr Kenneth Kaunda District Municipality Economic Agency SOC Limited set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. I do not express an opinion on the financial statements of the municipal entity. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Non-current assets held for sale

3. I was unable to obtain sufficient appropriate audit evidence for non-current assets held for sale due to the status of the accounting records. I was unable to confirm these assets by alternative means. Consequently, I was unable to determine whether any adjustment relating to non-current assets held for sale, stated at R87 897 (2021: R91 352) in note 3 to the financial statements and the impairment of non-current assets held for sale, stated at R23 455 (2021: R57 875) in note 3 to the financial statements, was necessary.

Payables from exchange transactions

4. During 2021, I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions due to the status of the accounting records. As described in note 21 to the financial statements, the restatement was made to rectify a previous year misstatement, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the corresponding figure of payables from exchange transactions, stated at R646 174 in note 7 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2021 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the trade payables for the current period.

Vat Payable

5. The municipal entity did not account for value-added tax (VAT) payable as required by GRAP 104, *Financial instruments*, in the prior year. The VAT output on income received from the controlling entity was recognised as a zero-rated supply instead of a standard rate. Consequently, the corresponding figure of VAT payable disclosed in note 8 to the financial statements was understated by R1 025 943, and the prior year surplus and accumulated surplus were overstated by the same amount. My opinion on the current year financial statements was modified because of the effect of this matter on the comparability of the VAT payable for the current period.

Revenue from non-exchange transactions

6. The municipal entity did not recognise all revenue from the controlling entity that was received as a service in kind, as required by GRAP 23, *Revenue from non exchange transactions*, due to the status of the accounting records. Consequently, revenue from non-exchange transactions and expenditure for the year was understated by R139 410.

Net cash flow from operating activities

7. The municipal entity did not correctly prepare and disclose the net cash flow from operating activities as required by *GRAP 2*, Cash flow statements. This was due to mulliple errors in determining cash flow from operating activities. I was unable to determine the full extent of the errors in the cash flow from operating activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustment was necessary relating to net cash flow from operating activities, stated at R52 029 (2021: R1 831 530) in the cash flow statement and in note 19 to the financial statements.

Statement of comparison of budget and actual amounts

8. I was unable to obtain sufficient appropriate audit evidence for the budgeted amounts used in the statement of comparison of budget and actual amounts due to the municipal entity not having the approved budget in place.I was unable to confirm these budgeted amounts by alternative means. Consequently, I was unable to determine whether any adjustment was necessary relating to the statement of comparison of budget and actual amounts as disclosed in the financial statements.

Irregular expenditure

Section 125(2)(d)(i) of the Municipal Finance Management Act 56 of 2003 (MFMA) requires the disclosure of irregular expenditure incurred. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figures for irregular expenditure. As described in note 25 to the financial statements, the restatement was made to rectify a previous year misstatement, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the corresponding figures relating to irregular expenditure of R1 372 689 as disclosed in note 25 to the financial statements. My opinion on the current year financial statements was modified because of the effect of this matter on the comparability of the irregular expenditure for the current period.

Emphasis of matter

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

Liquidation basis of accounting

10. As disclosed in note 23 to the financial statements, the council of Dr Kenneth Kaunda District Municipality resolved in terms of council resolution no. A26/07/2020 to implement section 109 of

the Companies Act of South Africa, 2008 (Act No. 71 of 2008) process to de-establish the entity. The resolution passed has a material and/or fundamental adjusting effect on the ability of the entity to continue operations. In light of the resolution, the presentation of annual financial statements has therefore changed from going concern basis to liquidation basis. The decision of the parent entity to de-establish the entity means that the entity is not in a position to continue as a going concern. The resolution and winding down process was still in progress as at 30 June 2022.

Fruitless and Wasteful Expenditure

11. As disclosed in note 24 to the financial statements, fruitless and wasteful expenditure of R15 755 was incurred in the current year and fruitless and wasteful of R574 922 from prior year has not been dealt with in accordance with section 32 of the MFMA.

Restatement of corresponding figures

12. As disclosed in note 21 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of an error in the financial statement of the municipal entity at, and for the year ended, 30 June 2022.

Other matter

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

Unaudited disclosure notes

14. In terms of section 125(2)(e) of the Municipal Finance Management Act 56 of 2003 (MFMA), the municipal entity is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

15. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the MFMA and the Companies Act, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

16. In preparing the financial statements, the accounting officer is responsible for assessing the Dr Kenneth Kaunda District Municipality Economic Agency SOC Limited's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipal entity or to cease operations, or there is no realistic alternative but to do so.

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

17. My responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (ISAs) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

18. I am independent of the municipal entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code), as well as the other ethical requirements

that relevant to my audit of the financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Report on the audit of the annual performance report

19. I am unable to audit and report on the usefulness and reliability of the performance information as the annual performance report of the municipal entity was not prepared as required by section 121(4)(d) of the MFMA.

Report on audit of compliance with legislation

Introduction and scope

20. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipal entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

21. The material findings on compliance with specific matters in key legislation are as follows:

Financial Statements

22. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.

Expenditure management

23. Expenditure was incurred without an approved budget, in contravention of section 87(8) of the MFMA.

24. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R15 755 as disclosed in note 24 to the financial statements, as required by section 95(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties charged on overdue accounts.

25. Reasonable steps were not taken to prevent irregular expenditure amounting to R66 692 as disclosed in note 25 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the irregular expenditure was caused by procurement made on expired contracts.

26. An adequate management, accounting and information system that recognised expenditure when it was incurred was not in place, as required by section 99(2)(c) of the MFMA.

27. Reasonable steps were not taken to ensure that the municipal entity implements and maintains an effective system of expenditure control, including procedures for the approval, authorisation and payment of funds, as required by section 99(2)(a) of the MFMA.

28. Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2)(b) of the MFMA.

Strategic planning and performance management

29. The annual performance objectives and indicators were not established by agreement with the parent municipality, as required by section 93B(a) of the MSA.

30. A multi-year business plan was not developed for inclusion in the budget, as required by section 87(5)(d) of MFMA.

Consequence management

31. Irregular, fruitless and wasteful expenditure incurred by the municipal entity were not investigated to determine if any person is liable for the expenditure, as required by municipal budget and reporting regulations 75(1).

Internal control deficiencies

32. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for disclaimer of opinion, and the findings on compliance with legislation included in this report.

- The accounting officer did not implement adequate control disciplines over financial and performance reporting and compliance with key legislation by ensuring that action plans developed were adequately and timeously implemented to address all prior year findings
- The inadequate staffing of the entity has created an environment where most of the responsibilities are entrusted to one person, consultants were appointed to fill the gap caused by the vacancies, however the use of consultants did not yield the desired results as the audit outcome remained the same

Auditor General

Rustenburg

30 November 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

5.2. SUMMARY OF DETAILED FINDINGS AND STATUS OF IMPLEMENTATION OF PREVIOUS YEAR'S RECOMMENDATONS

Following the council resolution to liquidate the agency, there was no activity in the current year trying to address previous year issues because the council resolution stated that the liquidation be completed by 30 0ctober 2020.

CHAPTER 6: FINANCIAL PERFORMANCE

Dr Kenneth Kaunda District Municipality Economic Agency SOC Limited
(Registration number 2007/000978/07)
Annual Financial Statements for the year ended 30 June 2022

Dr Kenneth Kaunda District Municipality Economic Agency SOC Limited
(Registration number 2007/000978/07)
Annual Financial Statements
for the year ended 30 June 2022

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipal economic agency
Nature of business and principal activities	Promote and aid in local economic development
Board Members	BS Motswiane (Chief Executive Officer) Prof T Thekiso (Chairperson) TG Molefe P Spies M Feliti PN Bhoola The Council of Dr Kenneth Kaunda District Municipality resolved in terms of Council Resolution no. A.26/07/2020 to implement section 109 of the Companies Act process to de-establish the entity. As such, the entity's board was dissolved during the year under review
Business address	2 Chris Hani Road Irene Park Klerksdorp 2570
Postal address	PO Box 568 Klerksdorp 2570
Bankers	Standard Bank of South Africa Limited
Auditors	Auditor General of South Africa
Published	31 August 2022

Index

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

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
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)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The entity is wholly dependent on the Dr Kenneth Kaunda District Municipality for continued funding of operations. The Council of Dr Kenneth Kaunda District Municipality resolved in terms of Council Resolution no. A.26/07/2020 to implement section 109 of the Companies Act process to de-establish the entity. The resolution passed had a material and/or fundamental effect on the ability of the entity to continue operations. In light of the resolution, the presentation of annual financial statements has been prepared on a liquidation basis.

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

The annual financial statements set out on pages 7 to 43, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

BS Motswiane (Chief Executive Officer)

Accounting Officer's Report

The accounting officer submits their report for the year ended 30 June 2022.

1. Review of activities

Main business and operations

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

Net surplus of the entity was R 18,200 (2021: deficit R 1,946,876).

2. Going concern

We draw attention to the fact that at 30 June 2022, the entity had an accumulated surplus (deficit) of R (2,016,531) and that the entity's total liabilities exceed its assets by R (2,016,411).

The annual financial statements have been prepared on the basis of accounting policies applicable to liquidation basis. This is in line with the decision of the District Municipality's resolution to de-establish the entity and has subsequently appointed a committee to wind-up the operations of the entity. The resolution was taken on16 July 2020 as per resolution A26/07/2020. This will affect the ability of the entity to continue operations. The financial statements are therefore prepared on a liquidation basis.

3. Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The accounting policies are consistent with the previous period.

5. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the entity during the year under review.

The shareholder is Dr Kenneth Kaunda District Municipality, and it is the registered proprietor of 120 ordinary shares.

6. Accounting Officer

The directors of the entity during the year and to the date of this report are as follows:

Name	Nationality
BS Motswiane (Chief Executive Officer)	South African
Prof T Thekiso (Chairperson)	South African
TG Molefe	South African
P Spies	South African
M Feliti	South African
PN Bhoola	South African

The Council of Dr Kenneth Kaunda District Municipality resolved in terms of Council Resolution no. A.26/07/2020 to implement section 109 of the Companies Act process to de-establish the entity. As such, the entity's board was dissolved during the year under review

Accounting Officer's Report

7. Auditors

Auditor General of South Africa will continue in office for the next financial period.

The annual financial statements set out on pages 7 to 43, which have been prepared on the liquidation basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

BS Motswiane (Chief Executive Officer)

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Non Current Assets Held For Sale	3	67,897	91,352
Receivables from exchange transactions	4	301,122	239,128
Receivables from non-exchange transactions	5	-	550,000
Cash and cash equivalents	6	25	44,722
		369,044	**925,202**
Total Assets		**369,044**	**925,202**
Liabilities			
Current Liabilities			
Payables from exchange transactions	7	559,939	1,135,531
VAT payable	8	1,818,183	1,824,281
Bank overdraft	6	7,334	-
		2,385,456	**2,959,812**
Total Liabilities		**2,385,456**	**2,959,812**
Net Assets		**(2,016,412)**	**(2,034,610)**
Share capital / contributed capital	9	120	120
Accumulated surplus		(2,016,531)	(2,034,731)
Total Net Assets		**(2,016,411)**	**(2,034,611)**

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Interest received - investment	12	-	15,229
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	13	43,812	1,636,957
Other transfer revenue - services in kind	11	3,306,734	-
Other income from non-exchange transactions		29,057	38,680
Total revenue from non-exchange transactions		**3,379,603**	**1,675,637**
Total revenue	10	**3,379,603**	**1,690,866**
Expenditure			
Employee related costs	14	(2,029,038)	(1,981,558)
Board allowances	15	-	(162,863)
Auditors remuneration	16	-	(928,993)
Impairment of Non-current assets held for sale	3	(23,455)	(57,857)
Operational fees	18	(1,308,910)	(506,471)
Total expenditure		**(3,361,403)**	**(3,637,742)**
Surplus (deficit) for the year		**18,200**	**(1,946,876)**

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
Opening balance as previously reported	120	(1,066,343)	(1,066,223)
Adjustments			
Prior year adjustments	-	978,488	978,488
Balance at 01 July 2020 as restated*	**120**	**(87,855)**	**(87,735)**
Changes in net assets			
Surplus for the year	-	(1,946,876)	(1,946,876)
Total changes	-	(1,946,876)	(1,946,876)
Restated* Balance at 01 July 2021	**120**	**(2,034,731)**	**(2,034,611)**
Changes in net assets			
Surplus for the year	-	18,200	18,200
Total changes	-	18,200	18,200
Balance at 30 June 2022	**120**	**(2,016,531)**	**(2,016,411)**
Note(s)	9		

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		3,856,734	-
Grants received		43,812	1,536,957
Interest income		-	15,229
Other income		29,057	38,680
		3,929,603	1,590,866
Payments			
Employee costs		(2,037,686)	(2,237,996)
Suppliers		(1,943,946)	(1,184,400)
		(3,981,632)	(3,422,396)
Net cash flows from operating activities	19	**(52,029)**	**(1,831,530)**
Cash flows from investing activities			
Net increase/(decrease) in cash and cash equivalents		**(52,029)**	**(1,831,530)**
Cash and cash equivalents at the beginning of the year		44,722	1,876,252
Cash and cash equivalents at the end of the year	6	**(7,307)**	**44,722**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	3,000,000	-	**3,000,000**	43,812	**(2,956,188)**	27
Other transfer revene - service in kind	-	-	**-**	3,306,734	**3,306,734**	27
Other income from non exchange transactions	-	-	**-**	29,057	**29,057**	27
Total revenue from non-exchange transactions	**3,000,000**	**-**	**3,000,000**	**3,379,603**	**379,603**	
Expenditure						
Personnel	(1,623,078)	-	**(1,623,078)**	(2,029,038)	**(405,960)**	27
Impairment of non-current assets held for sale	-	-	**-**	(23,455)	**(23,455)**	27
General Expenses	(386,118)	2,009,196	**1,623,078**	(1,308,910)	**(2,931,988)**	27
Total expenditure	**(2,009,196)**	**2,009,196**	**-**	**(3,361,403)**	**(3,361,403)**	
Surplus before taxation	**990,804**	**2,009,196**	**3,000,000**	**18,200**	**(2,981,800)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**990,804**	**2,009,196**	**3,000,000**	**18,200**	**(2,981,800)**	
Reconciliation						

Accounting Policies

Figures in Rand	Note(s)	2022	2021

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements were not prepared based on the expectation that the entity will not be able to continue to operate as a going concern for at least the next 12 months. Accordingly assets are measured at their liquidation values (representing the impaired values thereof) and liabilities are measured at their exit values. The going concern difficulties faced by the entity are further explained in note 23.

1.2 Significant judgements and sources of estimation uncertainty

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

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Impairment testing

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

Provisions

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

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

1.3 Non-current assets held for sale

Non-current assets held for sale 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 non-current assets held for sale is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Non-current assets held for sale is initially measured at cost.

Accounting Policies

1.3 Non-current assets held for sale (continued)

The cost of an item of non-current assets held for sale 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 non-current assets held for sale 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 non-current assets held for sale have different useful lives, they are accounted for as separate items (major components) of non-current assets held for sale.

Costs include costs incurred initially to acquire or construct an item of non-current assets held for sale 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 non-current assets held for sale, 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 non-current assets held for sale, 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 non-current assets held for sale 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 non-current assets held for sale.

Major inspection costs which are a condition of continuing use of an item of non-current assets held for sale and which meet the recognition criteria above are included as a replacement in the cost of the item of non-current assets held for sale. Any remaining inspection costs from the previous inspection are derecognised.

Non-current assets held for sale is carried at cost less accumulated depreciation and any impairment losses.

When an item of non-current assets held for sale is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

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

The revaluation surplus in equity related to a specific item of non-current assets held for sale is transferred directly to retained earnings when the asset is derecognised.

Non-current assets held for sale are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of non-current assets held for sale have been assessed as follows:

Item	Depreciation method	Average useful life
Computer equipment	Straight-line	5 years
Furniture and fixtures	Straight-line	5 - 7 years
Machinery and equipment	Straight-line	5 years

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

Accounting Policies

1.3 Non-current assets held for sale (continued)

Each part of an item of non-current assets held for sale 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 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 entity assesses at each reporting date whether there is any indication that the 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 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.

Items of non-current assets held for sale 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 non-current assets held for sale is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of non-current assets held for sale is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

1.4 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.

Accounting Policies

1.4 Financial instruments (continued)

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Accounting Policies

1.4 Financial instruments (continued)

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;
- 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.

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.4 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Accounting Policies

1.4 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.4 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.5 Discontinued Operations

Discontinued operation is a component of an entity that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

A component of an entity is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.

1.6 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.

Accounting Policies

1.6 Impairment of 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 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 entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

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

1.7 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

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

Reversal of an impairment loss

The 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 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.

1.8 Share capital / contributed capital

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

1.9 Employee benefits

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

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Accounting Policies

1.10 Provisions and contingencies

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

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

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

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

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

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding 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 28.

Accounting Policies

1.10 Provisions and contingencies (continued)

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 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;
- 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 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 entity considers that an outflow of economic resources is probable, an 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.

1.11 Revenue from exchange transactions

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

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

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

Measurement

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

Accounting Policies

1.11 Revenue from exchange transactions (continued)

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 entity, 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 entity'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.

1.12 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

1.12 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

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

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

Transfers

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

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

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

Services in-kind

Except for financial guarantee contracts, the entity recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity disclose the nature and type of services in-kind received during the reporting period.

1.13 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.

1.14 Accounting by principals and agents

Identification

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

Accounting Policies

1.14 Accounting by principals and agents (continued)

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

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

Recognition

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

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

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

1.15 Fruitless and wasteful expenditure

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

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

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.

1.16 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA 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 MFMA 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.

Accounting Policies

1.16 Irregular expenditure (continued)

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.

1.17 Budget information

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 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 accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2021 to 30/06/2022.

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

1.18 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 entity, including those charged with the governance of the 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 entity.

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

1.19 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:

Accounting Policies

1.19 Events after reporting date (continued)

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

The 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.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 14: The application of Standards of GRAP by Public Entities that apply IFRS® Standards	01 April 2021	

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised 2021): Employee Benefits	01 April 2099	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

3. Non Current Assets Held for Sale

All non-current assets of the entity were classified as held for sale due to the intention of the shareholder to discontinue the operations of the entity. The assets have been disclosed at carrying value.

	2022	2021
Current assets		
Opening balance	91,352	149,208
Impairment of non-current assets held for sale	(23,455)	(57,856)
Closing balance	**67,897**	**91,352**

Disposal of: a significant asset(s) /or a group of assets and liabilities /or a component of the entity

The District Municipality Council took a decision on 16 July 2020 as per resolution A26/07/2020 to disestablish the entity and has subsequently appointed a committee to wind-up the operations of the entity.

Description of the asset(s), group of assets and liabilities or, component

	2022	2021
Carrying values		
Carrying values of the assets	369,044	925,202
Carrying value of liabilities	(2,385,456)	(2,959,812)

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

3. Non Current Assets Held for Sale (continued)

Facts and circumstances of the disestablishment

The disestablishment of the entity is in line with the Municipal Systems Act No 32 of 2000 section 86K.

(1) A Municipality may pass a by-law disestablishing a service utility which it has established.

(2) If a service utility is disestablished-
(a) all assets, liabilities and obligations of the servcie utility vest in the municipality; and
(b) staff of the service utility must be dealt with in accordance with the applicable labour legislation.

Further approvals required

Pursuant to the Council's resolution referred to above, the Board members passed a special resolution to transfer of the entity's employees, assets, liabilities and obligations to the District Municipality on 02 December 2020.

The Winding down and disestablishment process was still in progress as at 30 June 2022.

4. Receivables from exchange transactions

Staff advances	299,722	237,728
Deposits	1,400	1,400
	301,122	**239,128**

Trade and other receivables pledged as security

No trade and other receivables were pledged as security during the year under review.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

5. Receivables from non-exchange transactions

Other receivables from non-exchange revenue	-	550,000

Other receivables relate to grant income receivable from the Dr Kenneth Kaunda District Municipality from the 2018/2019 financial year.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	25	25
Bank balances	-	44,697
Bank overdraft	(7,334)	-
	(7,309)	**44,722**

Current assets	25	44,722
Current liabilities	(7,334)	-
	(7,309)	**44,722**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

6. Cash and cash equivalents (continued)

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:

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
Standard Bank - Current account - 030713005	(8,217)	43,814	96,103	(7,334)	44,697	96,986
Standard Bank - Money Market account - 038671867001	-	-	1,779,241	-	-	1,779,241
Total	**(8,217)**	**43,814**	**1,875,344**	**(7,334)**	**44,697**	**1,876,227**

7. Payables from exchange transactions

	2022	2021
Trade payables	17,236	646,174
Salary control account	157,464	111,653
Leave accrual provision	385,239	377,704
	559,939	**1,135,531**

8. VAT payable

	2022	2021
VAT payables	1,818,183	1,824,281

9. Share capital / contributed capital

	2022	2021
Authorised		
1000 ordinary shares @ R1.00 each	1,000	1,000
Issued		
120 Ordinary share @ R1 each	120	120

10. Revenue

	2022	2021
Interest received - investment	-	15,229
Government grants & subsidies	43,812	1,636,957
Transfer revenue - services in kind	3,306,734	-
Other income from non-exchange transactions	29,057	38,680
	3,379,603	**1,690,866**

	2022	2021
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received - investment	-	15,229

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

10. Revenue (continued)

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

Taxation revenue		
Transfer revenue		
Government grants & subsidies	43,812	1,636,957
Transfer revenue - services in kind	3,306,734	-
Other income from non-exchange transactions	29,057	38,680
	3,379,603	**1,675,637**

11. Other transfer revenue - services in kind

Transfer revenue - services in kind	3,306,734	-

12. Investment revenue

Interest revenue		
Other financial assets	-	15,229

13. Government grants and subsidies

Operating grants		
Government grants and subsidies	43,812	1,636,957

14. Employee related costs

Salaries and Wages	2,011,925	1,950,937
UIF	9,578	8,099
Leave pay provision charge	7,535	22,522
	2,029,038	**1,981,558**

Remuneration of chief executive officer

Annual Remuneration	845,900	845,900
Contributions to UIF, Medical and Pension Funds	70,438	70,097
	916,338	**915,997**

15. Board allowances

Board Members /Accounting Authority	-	162,863

16. Auditors remuneration

Audit fees	-	928,993

17. Impairment of non-current assets held for sale

Non-current assets held for sale	23,455	57,857

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

18. Operational fees

Service fees	1,200,758	154,030
Refreshments	-	6,200
Operational fees	108,152	346,241
	1,308,910	**506,471**

19. Cash used in operations

Surplus (deficit)	18,200	(1,946,876)
Adjustments for:		
Impairment of non-current assets held for sale	23,455	57,857
Changes in working capital:		
Receivables from exchange transactions	488,006	(159,410)
Payables from exchange transactions	(575,592)	(144,828)
VAT payable	(6,098)	361,727
	(52,029)	**(1,831,530)**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

20. Related parties

Relationships	
Accounting Authority	Refer to Accounting Authority's Responsibilities and Approval
Shareholder	Dr Kenneth Kaunda District Municipality

The entity is 100% controlled by the government as represented by the Dr Kenneth Kaunda District Municipality. During the financial year, the entity received grant income of R43,812 (2021: R1,636,957), and recognised services in kind of R3,306,734 (2021: R - [Nil]). No amounts were due from the Municipality as at 30 June 2022.

The entity did not pay any rent during the course of this year as the entity's offices are located at the Disaster Management Centre which form part of the parent municipality's property. The rental of similar property would have been approximately R15,970.33 (2021: R15,066.35) per month.

Related party transactions with board of directors and executive management are disclosed below, in note 14&20.

Notes to the Annual Financial Statements

Figures in Rand

20. Related parties (continued)

Remuneration of management

Non-executive directors: Board members

2021

Name	Fees for board sittings	Travel	Total
BS Motswiane (Chief Executive Officer)	-	-	-
Prof T Thekiso (Chairperson)	58,838	4,949	63,787
TG Molefe	-	-	-
P Spies	23,328	2,222	25,550
M Feliti	26,244	1,213	27,457
PN Bhoola	46,069	-	46,069
	154,479	**8,384**	**162,863**

Figures in Rand	2022	2021

20. Related parties (continued)

Management class: Executive management

2022

Name	Basic salary	Company contributions and other benefits received	Total
BS Motswiane (Chief Executive Officer)	845,900	70,438	916,338

2021

Name	Basic salary	Company contributions and other benefits received	Total
BS Motswiane (Chief Executive Officer)	845,900	70,097	915,997

21. Prior period errors

Prior period errors were identified during the current year and corrected in line with GRAP 3 - Accounting Policies, Changes in Accounting Policies and Errors.

The correction of the error(s) relating to line items disclosed in the statements of financial position, performance and cash flow statement results in adjustments as follows:

Statement of financial position	**As previously reported**	**Correction of errors**	**Restated balance**
Receivables from exchange transactions - Staff advances	260,769	(23,041)	237,728
Payables from exchange transactions - Trade payables	(518,905)	(127,269)	(646,174)
Payables from exchange transactions - Salary control account	658,305	(769,957)	(111,652)
Payables from exchange transactions - Leave accrual provision	(378,748)	1,044	(377,704)
VAT Payable	(2,850,224)	1,025,943	(1,824,281)
Accumulated surplus	1,066,344	(978,488)	87,856
	(1,762,459)	**(871,768)**	**(2,634,227)**

Statement of financial performance	**As previously reported**	**Correction of errors**	**Restated balance**
Government grants and subsidies	(2,068,772)	431,815	(1,636,957)
Employee related costs	1,541,604	439,954	1,981,558
	(527,168)	**871,769**	**344,601**

21.01 Clearing of salary control account

During the current year, it was noted that employee cost for prior year has been disclosed on a net basis exclusive of other deductions (PAYE and UIF) paid directly over to SARS. Consequently, the Salary control account was incorrectly disclosed. This error has been corrected and the opening balance was adjusted with the effect thereof as follows:

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

21. Prior period errors (continued)

Statement of financial position		
Increase in Payables from exchange transactions - Salary Control account	-	(332,577)
Decrease in Accumulated surplus	-	332,577
	-	-

21.02 Payable incorrectly recognised as Other transfer revenue - services in kind

During the current year, it was noted that creditors listing for 2020/21 was understated as a result of audit fees in arrears not being recognised in the prior year. This error has been corrected and the opening balance was adjusted with the effect thereof as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(633,989)
Statement of financial performance		
Decrease in Government grants and subsidies	-	633,989
	-	-

21.03 Correction of creditors listing

During the current year, it was noted that creditors listing for 2020/21 included suppliers which were not owed by the entity, consequently, payables were overstated. This error has been corrected and the opening balance was adjusted with the effect thereof as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	506,720
Increase in Accumulated surplus	-	(506,720)
	-	-

21.04 Zero rated VAT output incorrectly claimed on grant

During the current year, it was noted that opening balance of the VAT payable was incorrectly overstated by the zero rated VAT output from the grant received from the district municipality:

This error has been corrected and the opening balance was adjusted with the effect thereof as follows:

Statement of financial position		
Decrease in VAT Payable	-	1,025,943
Increase in Accumulated surplus	-	(823,769)
Statement of financial performance		
Increase in Government grants and subsidies	-	(202,174)
	-	-

21.05 Correction of leave accrual

During the current year it was noted that the accrued leave provision for the 2020/2021 year was overstated, management corrected the accrued leave provision taking into consideration the capped leave requirement. This error has been corrected and the opening balance was adjusted with the effect thereof as follows:

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

21. Prior period errors (continued)

Statement of financial position		
Decrease in Payables from exchange transactions - Leave accrual provision	-	1,044
Statement of financial performance		
Decrease in Employee related costs - Salaries and wages	-	(1,044)
	-	-

21.06 Adjustment staff debts on overpayment of basic salaries

During the current year it was noted that the receivable raised for the overpayment of salaries in the 2018/2019 to 2021 financial years year was overstated due to incorrect calculations.

During the current year it was noted that a repayment was made in the 2019/2020 and 2020/2021 in respect of the overpayment of salaries which was not considered when calculating the receivable for the overpayment of basic salaries.

These errors have been corrected and the opening balances were adjusted with the effect thereof as follows:

Statement of financial position		
Decrease in Receivables from exchange transactions - Staff advances	-	(23,041)
Decrease in Payables from exchange transactions - Salary control account	-	5,790
Decrease in Accumulated surplus	-	19,424
Statement of financial performance		
Decrease in Employee related costs - Salaries and Wages	-	(2,173)
	-	-

21.07 Provision for PAYE for 2020/2021 payable to SARS

During the current year it was noted that no provision was made for PAYE for 2020/2021 due to management oversight. This error has been corrected and the opening balance was adjusted with the effect thereof as follows:

Statement of financial position		
Decrease in Payables from exchange transactions - Salary control account	-	(443,171)
Statement of financial performance		
Increase in Employee related costs - Salaries and wages	-	443,171
	-	-

22. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. However, the exposure is limited and manageable.

Due to largely, "non-trading nature" of activities and the way in which they are financed, agencies are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which GRAP mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipal entity in undertaking its activities.

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. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The agency does not enter into or trade financial instruments for speculative purposes.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

22. Risk management (continued)

Liquidity risk

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, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	559,939	-	-	-
VAT Payable	1,818,183	-	-	-
Bank overdraft	7,334	-	-	-

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	1,135,531	-	-	-
VAT Payable	1,824,281	-	-	-

Credit risk

Credit risk consists mainly of cash deposits and cash equivalents. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The agency's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipal entity has no significant concentration of credit risk, and is not concentrated in any particular sector or geographical area.

The agency establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables from exchange and non-exchange transactions.

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

Financial instrument	2022	2021
Staff Advances	299,722	237,728
Deposits	1,400	1,400
Other receivables from non-exchange revenue	-	550,000
Cash and cash equivalents	25	44,722

23. Going concern

We draw attention to the fact that at 30 June 2022, the entity had an accumulated surplus (deficit) of (2,016,531) and that the entity's total liabilities exceed its assets by (2,016,411).

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

24. Fruitless and wasteful expenditure

Opening balance as previously reported	574,922	433,055
Correction of prior period error	-	(55,341)
Opening balance as restated	**574,922**	**377,714**
Add: Expenditure identified - current	15,755	197,208
Closing balance	**590,677**	**574,922**

Details of current year's fruitless and wasteful expenditure

Interest and penalty charges: SARS	13,592	52,641
Interest charges: Telkom	149	195
Interest charges: Vox Telecom	140	-
Interest charges: Panasonic	44	-
Fraudulent deductions	1,830	144,373
	15,755	**197,209**

The correction of the prior period error is as a result of the alignment of the balances in the financial statements to the amounts as disclosed as per the registers submitted in support of the 2020/2021 financial statements.

25. Irregular expenditure

Opening balance as previously reported	4,240,396	5,529,169
Correction of prior period error	-	(1,372,687)
Opening balance as restated	**4,240,396**	**4,156,482**
Add: Irregular Expenditure - current	66,692	72,304
Add: Irregular expenditure - Identified in the current year relating to the prior year	-	11,610
Closing balance	**4,307,088**	**4,240,396**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

25. Irregular expenditure (continued)

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

Procurement made on expired contract	66,692	72,304
Irregular expenditure - Identified in the current year relating to the prior year	-	11,610
	66,692	**83,914**

The correction of the prior period error is as a result of the alignment of the balances in the financial statements to the amounts as disclosed as per the registers submitted in support of the 2020/2021 financial statements.

Figures in Rand	2022	2021

26. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	744,899	-
Current year subscription / fee	-	1,011,687
Amount paid - current year	-	(266,788)
Amount paid - previous years (Services in kind)	(633,989)	-
	110,910	**744,899**

PAYE and UIF

Opening balance	189,304	63,721
Current year subscription / fee	456,031	451,311
Amount paid - current year	(410,279)	(325,728)
	235,056	**189,304**

VAT

VAT payable	(1,818,183)	(1,824,281)

27. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget and shortage of actual revenue over the final budget was because of an inaccurate expectation of what the actual expenditure would have been for the 2022 financial year, due to the assumption that the entity would have been deregistered in as per the council resolution.

28. Contingencies

Dr Kenneth Kaunda District Economic Development Agency has charged its finance officer, Ms TP Chofu with financial misconduct. The employee is currently on suspension while the disciplinary process is ongoing. While uncertainty remains about the outcome of the disciplinary process due to that complexity and nature of the case, the entity is unlikely to incur any liability because the employee in question is suspended with full pay and benefits.