



Winnie Madikizela-Mandela Local Municipality
Audited Annual Financial Statements
for the year ended 30 June 2021

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

General Information

Nature of business and principal activities

Winnie Madikizela-Mandela Local Municipality provides the following services:
Electricity
Solid Waste

Mayoral committee

Mayor

T.D Mafumbatha

Speaker

S. Magini

Chief Whip

M.C Mpetshwa

Executive committee

L Makholosa

Z Mhlwazi

N. Dlamini

R.T Nkomo-Khwela

M.S. Maphetshana

N.N. Mhlembana

L.T Somadlangathi

I.M Sabuka

A.M Spelman

Winnie Madikizela-Mandela Local Municipality

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General Information

Councillors

E. Voko
N.E. Cengimbo
F.N. Sobazile
N. Sikiti
N. Mgozozana
N. Sikibi
N. Giyama-Bongwana
N. Mavundla
R.N. Madikizela
P.N Mfingwana
F. Mbuyelwa-Bewu
J.M. Valiko
V. Mbhekwa
B. Luwele
N.C. Cengimbo
M. Mbele
L.B. Mbuzi
C.N. Matyeni
Z. Mashiya
M.S. Msindo
S.M. Faku
Y.N. Mfana
V. Sotubhu
L.G Mcambalala
M.Mapholoba
M. Mpofana
M. Qumba
M.J. Dekede
M.M. Manyathela
N. Bengu
S.A. Maphasa
N. Dayimani
M. Ndovela
M. Tobo
A.I Guqaza
M.R. Dlamini
B.A. Jalubane
N. Madikizela
T. Faku
S. Ngoninni
M.J. Ndesi
C.N Mfingwana
S. P. Sobhoyi
N. Langasiki
N. Madikizela
N. Sipatala
N.O. Yalo
N. Cwele
L. Silangwe

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

General Information

Grading of local authority	Grade 04
Accounting Officer	L. Mahlaka
Chief Finance Officer (CFO)	ZA Zukulu
Registered office	51 Winnie Madikizela-Mandela Street Bizana 4800
Business address	51 Winnie Madikizela-Mandela Street Bizana 4800
Postal address	P.O. Box 12 Bizana 4800
Bankers	First National Bank
Attorneys	NZ Mtshabe Incorporated Attorneys Dr Sugudhav-Sewpersadh Attorneys Vuyani Gwebindlala & Associates Maigigaba Incorporated Konyana Attorneys Incorporated Jolwana Mgidlana Incorporated
Auditors	Auditor General of South Africa Registered Auditors

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

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The reports and statements set out below comprise the audited annual financial statements presented to the municipal council::

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Responsibilities and Approval

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

I am responsible for the preparation of these annual financial statements, which are set out on the pages to follow in terms of s126(1) of the MFMA and which I have signed on behalf of the municipality.

I certify that the salaries, benefits and allowances as disclosed in notes 31 and 32 of these financial statements are within the upper limits of the framework envisioned in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The audited 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.

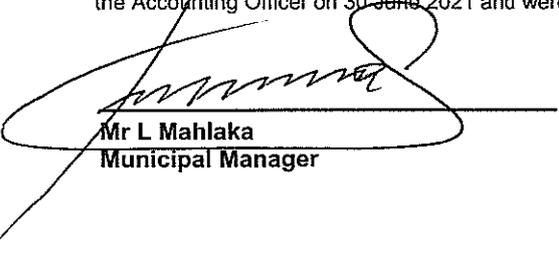
The audited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

I have reviewed the municipality's cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The audited annual financial statements set out on pages 7 to 97, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 June 2021 and were signed on its behalf by:



Mr L Mahlaka
Municipal Manager

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020 Restated*
Assets			
Current Assets			
Inventories	7	2 046 473	2 042 491
Operating lease asset	8	7 613 477	4 437 945
Other Receivables from exchange transactions	9	9 421 134	5 980 728
Receivables from non-exchange transactions	10	645 093	873 088
Statutory receivables	11	35 387 402	29 866 903
VAT receivable	12	15 896 271	7 957 566
Prepayments	13	14 974 173	13 482 903
Receivables from exchange transactions	14	20 514 019	16 875 084
Cash and cash equivalents	15	258 160 700	173 644 306
		364 658 742	255 161 014
Non-Current Assets			
Investment property	3	36 654 783	32 436 272
Property, plant and equipment	4	701 498 020	646 245 205
Intangible assets	5	69 315	198 490
Heritage assets	6	1 230 799	1 230 799
		739 452 917	680 110 766
Total Assets		1 104 111 659	935 271 780
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	44 353 846	30 230 514
Consumer deposits	17	504 619	502 891
Unspent conditional grants and receipts	18	5 058 414	7 574 501
Provisions	19	19 990 321	19 953 467
		69 907 200	58 261 373
Non-Current Liabilities			
Provisions	19	5 246 062	5 495 061
Total Liabilities		75 153 262	63 756 434
Net Assets		1 028 958 397	871 515 346
Accumulated surplus		1 028 958 397	871 515 346
Total Net Assets		1 028 958 397	871 515 346



WINNIE MADIKIZELA-MANDELA
LOCAL MUNICIPALITY
PO BOX 12 BIZANA 4333
2021-12-01
OFFICE OF THE MUNICIPAL MANAGER
TEL: 039 251 0230
FAX: 039 251 0917

* See Note 58 & 57

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	40 257 499	38 374 181
Rental of facilities and equipment	23	5 876 088	5 096 656
Agency services	24	1 290 875	1 020 949
Commissions received	25	131 650	130 093
Recoveries	25	275 513	8 152
Other income	25	373 672	599 258
Interest received	26	11 879 203	14 253 075
Total revenue from exchange transactions		60 084 500	59 482 364
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	20 144 667	16 284 235
Licences and Permits (Non-exchange)	28	2 343 083	2 236 951
Transfer revenue			
Government grants & subsidies	29	415 425 820	348 488 293
Fines, Penalties and Forfeits	30	688 199	2 065 515
Total revenue from non-exchange transactions		438 601 769	369 074 994
Total revenue	21	498 686 269	428 557 358
Expenditure			
Employee related costs	31	(110 026 158)	(110 343 925)
Remuneration of councillors	32	(23 964 375)	(23 970 005)
Depreciation and amortisation	33	(40 179 661)	(39 437 176)
Finance costs	34	(1 473)	(11 283)
Lease rentals on operating lease	35	(5 145 360)	(5 464 801)
Debt Impairment	36	(5 208 182)	(7 652 110)
Bulk purchases	37	(35 021 699)	(33 254 837)
Contracted services	38	(33 367 359)	(42 657 944)
Transfers and Subsidies	39	(4 498 717)	(1 418 323)
General Expenses	40	(41 474 662)	(50 020 684)
Total expenditure		(298 887 646)	(314 231 088)
Operating Surplus (deficit)		199 798 623	114 326 270
Loss on disposal of assets and liabilities	41	(43 424 855)	(55 224 722)
Fair value adjustments	42	1 069 294	7 339 272
		(42 355 561)	(47 885 450)
Surplus for the year		157 443 062	66 440 820



WINNIE MADIKIZELA-MANDELA
LOCAL MUNICIPALITY
PO BOX 12 BIZANA 4330
2021-12-01
OFFICE OF THE MUNICIPAL MANAGER
TEL: 039 251 0230
FAX: 039 251 0317

* See Note 58 & 57

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	824 407 181	824 407 181
Adjustments		
Prior year adjustments	(19 332 655)	(19 332 655)
Balance at 01 July 2019 as restated*	805 074 526	805 074 526
Surplus/(Deficit) for the year	66 440 820	66 440 820
Total changes	66 440 820	66 440 820
Opening balance as previously reported	894 757 545	894 757 545
Prior year adjustments	(23 242 210)	(23 242 210)
Restated* Balance at 01 July 2020 as restated*	871 515 335	871 515 335
Surplus/(Deficit) for the year	157 443 062	157 443 062
Total changes	157 443 062	157 443 062
Balance at 30 June 2021	1 028 958 397	1 028 958 397

Note(s)



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 LOCAL MUNICIPALITY
 PO BOX 12 BIZANA 4030
 2021-12-01
 OFFICE OF THE MUNICIPAL MANAGER
 TEL: 034 251 0230
 FAX: 034 251 0917

* See Note 58 & 57

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		47 471 065	34 251 388
Grants		412 909 733	349 376 181
Interest income		11 879 203	14 253 075
		<u>472 260 001</u>	<u>397 880 644</u>
Payments			
Employee costs		(133 990 533)	(134 313 929)
Suppliers		(128 662 242)	(126 765 605)
Finance costs		(1 473)	(11 283)
		<u>(262 654 248)</u>	<u>(261 090 817)</u>
Net cash flows from operating activities	44	<u>209 605 753</u>	<u>136 789 827</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(125 364 871)	(86 803 765)
Proceeds from sale of property, plant and equipment	4	275 512	195 601
Net cash flows from investing activities		<u>(125 089 359)</u>	<u>(86 608 164)</u>
Net increase/(decrease) in cash and cash equivalents		84 516 394	50 181 663
Cash and cash equivalents at the beginning of the year		173 644 306	123 462 642
Cash and cash equivalents at the end of the year	15	<u>258 160 700</u>	<u>173 644 305</u>



WINNIE MADIKIZELA-MANDELA
LOCAL MUNICIPALITY
P.O. BOX 12 BIZASIA 4303
2021-12-01
OFFICE OF THE MUNICIPAL MANAGER
TEL: 039 251 0230
FAX: 039 251 0817

* See Note 58 & 57

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	37 015 031	128 784	37 143 815	40 257 499	3 113 684	
Rental of facilities and equipment	2 850 612	-	2 850 612	5 876 088	3 025 476	
Agency services	1 217 952	-	1 217 952	1 290 875	72 923	
Commissions received	261 192	(52 236)	208 956	131 650	(77 306)	
Recoveries	-	-	-	275 513	275 513	
Other income - (rollup)	1 208 760	(20 158)	1 188 602	373 672	(814 930)	
Interest received	14 767 152	-	14 767 152	11 879 203	(2 887 949)	
Total revenue from exchange transactions	57 320 699	56 390	57 377 089	60 084 500	2 707 411	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	25 188 972	-	25 188 972	20 144 667	(5 044 305)	
Licences and Permits (Non-exchange)	2 755 860	-	2 755 860	2 343 083	(412 777)	
Transfer revenue						
Government grants & subsidies	282 528 012	72 911 754	355 439 766	338 000 944	(17 438 822)	
Fines, Penalties and Forfeits	948 096	(97 768)	850 328	688 199	(162 129)	
Total revenue from non-exchange transactions	311 420 940	72 813 986	384 234 926	361 176 893	(23 058 033)	
Total revenue	368 741 639	72 870 376	441 612 015	421 261 393	(20 350 622)	
Expenditure						
Personnel	(119 132 604)	(61 534)	(119 194 138)	(110 026 158)	9 167 980	
Remuneration of councillors	(25 035 684)	-	(25 035 684)	(23 964 375)	1 071 309	
Depreciation and amortisation	(52 581 072)	(100 000)	(52 681 072)	(40 179 661)	12 501 411	
Finance costs	(150 012)	-	(150 012)	(1 473)	148 539	
Lease rentals on operating lease	(4 783 248)	-	(4 783 248)	(5 145 360)	(362 112)	
Debt Impairment	(4 500 000)	(4 100 000)	(8 600 000)	(5 208 182)	3 391 818	
Bulk purchases	(31 896 012)	(2 719 551)	(34 615 563)	(35 021 699)	(406 136)	
Contracted Services	(110 403 504)	17 015 964	(93 387 540)	(33 367 359)	60 020 181	
Transfers and Subsidies	(1 834 548)	(5 183 104)	(7 017 652)	(4 498 717)	2 518 935	
Loss on disposal of assets	-	(36 276 515)	(36 276 515)	(43 424 855)	(7 148 340)	
General Expenses	(72 873 612)	5 812 195	(67 061 417)	(41 474 662)	25 586 755	
Total expenditure	(423 190 296)	(25 612 545)	(448 802 841)	(342 312 501)	106 490 340	
Operating surplus	(54 448 657)	47 257 831	(7 190 826)	78 948 892	86 139 718	
Transfers recognised-capital contributions	77 334 996	631 593	77 966 589	77 424 876	(541 713)	
Fair value adjustments	-	-	-	1 069 294	1 069 294	
	77 334 996	631 593	77 966 589	78 494 170	527 581	
Surplus before taxation	22 886 339	47 889 424	70 775 763	157 443 062	86 667 299	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	22 886 339	47 889 424	70 775 763	157 443 062	86 667 299	
Reconciliation						

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1 178 590	202 412	1 381 002	2 046 473	665 471	
Operating lease asset	-	-	-	7 613 477	7 613 477	
Other Receivables from exchange transactions	43 763 238	24 122 330	67 885 568	9 421 134	(58 464 434)	
Receivables from non-exchange transactions	32 970 260	547 061	33 517 321	645 093	(32 872 228)	
Statutory receivables	-	-	-	35 387 402	35 387 402	
VAT receivable	-	-	-	15 896 271	15 896 271	
Prepayments	-	-	-	14 974 173	14 974 173	
Receivables from exchange transactions	-	-	-	20 514 019	20 514 019	
Cash and cash equivalents	210 466 508	(11 576 879)	198 889 629	258 160 700	59 271 071	
	288 378 596	13 294 924	301 673 520	364 658 742	62 985 222	
Non-Current Assets						
Investment property	25 097 000	7 339 329	32 436 329	36 654 783	4 218 454	
Property, plant and equipment	682 177 737	33 878 068	716 055 805	701 498 020	(14 557 785)	
Intangible assets	-	98 490	98 490	69 315	(29 175)	
Heritage assets	1 280 798	60 005	1 340 803	1 230 799	(110 004)	
	708 555 535	41 375 892	749 931 427	739 452 917	(10 478 510)	
Total Assets	996 934 131	54 670 816	1 051 604 947	1 104 111 659	52 506 712	
Liabilities						
Current Liabilities						
Payables from exchange transactions	17 705 128	42 415 046	60 120 174	44 353 846	(15 766 328)	
Consumer deposits	460 015	42 915	502 930	504 619	1 689	
Unspent conditional grants and receipts	-	-	-	5 058 414	5 058 414	
Provisions	18 471 228	1 482 241	19 953 469	19 990 321	36 852	
	36 636 371	43 940 202	80 576 573	69 907 200	(10 669 373)	
Non-Current Liabilities						
Provisions	3 919 566	1 575 495	5 495 061	5 246 062	(248 999)	
Total Liabilities	40 555 937	45 515 697	86 071 634	75 153 262	(10 918 372)	
Net Assets	956 378 194	9 155 119	965 533 313	1 028 958 397	63 425 084	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	956 378 194	9 155 119	965 533 313	1 028 958 397	63 425 084	

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Ratepayers and other	74 434 548	(5 300 428)	69 134 120	47 471 065	(21 663 055)	
Grants	359 862 996	73 141 450	433 004 446	412 909 733	(20 094 713)	
Interest income	10 363 560	-	10 363 560	11 879 203	1 515 643	
	444 661 104	67 841 022	512 502 126	472 260 001	(40 242 125)	
Payments						
Employee costs	(144 168 288)	(61 534)	(144 229 822)	(133 990 533)	10 239 289	
Suppliers	(235 003 151)	12 826 535	(222 176 616)	(128 662 242)	93 514 374	
Finance costs	(50 004)	-	(50 004)	(1 473)	48 531	
	(379 221 443)	12 765 001	(366 456 442)	(262 654 248)	103 802 194	
Net cash flows from operating activities	65 439 661	80 606 023	146 045 684	209 605 753	63 560 069	
Cash flows from investing activities						
Purchase of property, plant and equipment	(70 113 528)	(50 729 708)	(120 843 236)	(125 364 871)	(4 521 635)	
Proceeds from sale of property, plant and equipment	-	-	-	275 512	275 512	
Net cash flows from investing activities	(70 113 528)	(50 729 708)	(120 843 236)	(125 089 359)	(4 246 123)	
Cash flows from financing activities						
increase in consumer deposit	-	42 876	42 876	-	(42 876)	
Net increase/(decrease) in cash and cash equivalents	(4 673 867)	29 919 191	25 245 324	84 516 394	59 271 070	
Cash and cash equivalents at the beginning of the year	215 140 376	(41 496 070)	173 644 306	173 644 306	-	
Cash and cash equivalents at the end of the year	210 466 509	(11 576 879)	198 889 630	258 160 700	59 271 070	
Reconciliation						

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1. Presentation of Audited Annual Financial Statements

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

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors such as exchange rates and inflation 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 19 - Provisions.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the value of estimated future cash flows discounted at the rate determined by the Council policy.

Provision for Rehabilitation of landfill site

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, site water balance, the rehabilitation cost, the monitoring and the rehabilitation period.

Provisions, contingent liabilities and contingent assets

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities and contingent assets as set out in note 15 of the financial statements. Provisions are discounted where the effect is material.

Depreciation and Amortization

Depreciation and amortization recognised on property plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the municipality's expectations about the availability of finance to replace the asset at the end of its useful life.

1.4 Investment property

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

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

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

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

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

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

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

Fair value

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

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

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

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

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

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Accounting Policies

1.4 Investment property (continued)

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

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

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

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Accounting Policies

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Undefined
Buildings	Straight line	5 - 100 years
Furniture and fixtures	Straight line	2 - 26 years
Motor vehicles	Straight line	3 - 14 years
Office equipment	Straight line	3 - 26 years
IT equipment	Straight line	3 - 17 years
Infrastructure	Straight line	
• Roads, bridges and pavements		5 - 100 years
• Electricity, reticulation and supply		9 - 60 years
• Waste disposal facilities		7 - 30 years
• Storm water		40 - 100 years
• Traffic lights		10 years
• Landfill sites		15 - 30 years
• Metering Infrastructure credit		25 years
Community	Straight line	
• Cemeteries		10 - 30 years
• Community halls		25 - 50 years
• Housing scheme houses		15 years
• Recreational facilities		10 - 50 years
Plant and Machinery	Straight line	2 - 15 years
Other property, plant and equipment	Straight line	5 - 21 years
Park Facilities	Straight line	10 - 50 years

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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Accounting Policies

1.6 Intangible assets (continued)

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 - 5 years

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

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Accounting Policies

1.7 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 municipality statement of financial position.

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

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

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

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

A financial asset is:

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

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

- derivatives;
- 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.

Classification

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

Class	Category
Call accounts	Financial asset measured at amortised cost
Trade and other receivables	Financial asset measured at amortised cost
Cash and Cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Trade and other payables	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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Accounting Policies

1.7 Financial instruments (continued)

The municipality 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 municipality measures a financial asset and financial liability initially at its fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality 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.

Subsequent measurement of financial assets and financial liabilities

The municipality 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.

Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

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 municipality assess 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:

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1.7 Financial instruments (continued)

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.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, 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 municipality :
 - 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 municipality 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 recognise 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 municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality 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 municipality 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.

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 municipality 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).

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Accounting Policies

1.7 Financial instruments (continued)

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.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality 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 municipality does not offset the transferred asset and the associated liability.

1.8 Leases

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.9 Inventories

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.9 Inventories (continued)

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

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Accounting Policies

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.11 Employee benefits

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

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

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

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognise 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 municipality recognise 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 municipality measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality 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 municipality has no realistic alternative but to make the payments.

Leave pay

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 municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as result of the unused entitlement that has accumulated at the reporting date.

The liability is based on the total amount of leave days due to employees at reporting date and on basic salary of the employees.

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Accounting Policies

1.11 Employee benefits (continued)

Long service awards

The municipality provides long service awards to eligible employees, payable on completion of a certain number of years of employment. A provision is raised to account for the expected long service awards due to be paid in the preceding year.

Annual Bonuses

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

The municipality pays out an annual bonus to its employees during the month of their birthday or annually from date of employment. A liability relating to the anticipated bonuses payable is raised and is based on the monthly basic salary of the individual.

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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Accounting Policies

1.12 Provisions and contingencies (continued)

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

After their initial recognition contingent liabilities recognised in municipality 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 46.

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

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

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

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

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

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

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

Provision for rehabilitation of Landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill site used for waste disposal. It is calculated as the Present Value of the future obligation, discounted over an average period as determined by valuers.

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Accounting Policies

1.13 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Service Charges-Electricity

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on average consumption. Revenue arising from consumption of electricity in the month of June is fully accounted for whether invoiced or not.

Prepaid electricity

Revenue from the sale of electricity prepaid meter cards and other services provided on pre-payment basis are recognised at the point of sale.

Refuse removal

Revenue relating to refuse removal is recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Rental income

Revenue from the rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement.

Tariff charges

Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income from agency fees

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Accounting Policies

1.13 Revenue from exchange transactions (continued)

Revenue arising out of situations where the municipality acts as an agent on behalf of another municipality (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Investment income

Revenue arising from the use by others of municipality assets yielding interest, is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and the amount of the revenue can be measured reliably. Interest received is recognised, in surplus or deficit using the effective interest rate method.

Interest, royalties and dividends

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

1.14 Revenue from non-exchange transactions

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

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

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

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

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

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

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

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

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Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

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

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

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

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

Other grants and donations

Other grants and donations are recognised as revenue when:

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

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Concessionary loans received

A concessionary loan is a loan granted to or received by a property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

Recovery of unauthorised, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain

Taxes

The Municipality accounts for Value Added Tax (VAT) on the invoice basis. Revenue, expenses and assets are recognised net of the VAT amount. The net amount of VAT recoverable from or payable to the South African Revenue Services is disclosed on the face of the statement of financial position.

1.15 Investment income

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

1.16 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.

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Accounting Policies

1.17 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended prior period comparative amounts are also reclassified and restated unless such comparative reclassification and/or restatement is not required by a standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors which relate to prior periods have been identified in the current year, the correction is made retrospectively as far as practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with the prior periods. Where there has been a reclassification or restatement the nature and reasons for the reclassification and restatement are disclosed in **note 47** 'Prior Period Errors' to the financial statements.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.19 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is 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.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure -

- (a) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of this Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998, (Act 20 of 1998);
Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of Winnie Madikizela-Mandela LM or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law; or
excludes expenditure by a municipality which falls within the definition of unauthorised expenditure.

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned/written-off by the National Treasury or council 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 municipal council 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/written-off and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

1.21 Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.22 Segment information

A segment is an activity of an entity:

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

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.23 Change in accounting policy, estimate and errors

Changes in accounting policy that are affected by management have been applied retrospectively in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the accumulative effect of the change in policy. In such cases the municipality restates the opening balances of assets and liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of the changes in accounting policy are disclosed in the notes to the annual financial statements where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.23 Change in accounting policy, estimate and errors (continued)

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative effects of the error. In such cases the municipality restates the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of prior period errors are disclosed in note 40 of the financial statements where applicable.

1.24 Budget information

Municipality 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 municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

The Statement of comparative and actual information has been included in the audited annual financial statements as the recommended disclosure when the audited annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.25 Related parties

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

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

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

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

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

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

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

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

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

1.26 Equity Instruments

Gains and losses arising from fair value adjustments on investments, loans and disposal of assets are presented separately from other revenue in the Statement of Financial Performance. Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a standard of GRAP.

1.27 Events after reporting date

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

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

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.27 Events after reporting date (continued)

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

1.28 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in an outflow of resources embodying economic benefits or service potential. Commitments are not recorded in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- Approved and contracted commitments
- where the expenditure has been approved and the contract has been awarded at the reporting date
- where disclosure is required by a specific standard of GRAP

1.29 Heritage assets

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

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

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

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

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

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

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 6).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 6).

Recognition

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.29 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Impairment

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

Transfers

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

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

Derecognition

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

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

1.30 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

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

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.30 Statutory receivables (continued)

- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using prime+1.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, a municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.30 Statutory receivables (continued)

- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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 receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.31 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

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

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

1.32 Contingent assets and contingent liabilities

The municipality does not recognise contingent liabilities or contingent assets but discloses them.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.32 Contingent assets and contingent liabilities (continued)

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is a possible inflow of resources embodying economic benefits or service potential that is subject to one or more uncertain future events beyond the control of the municipality.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	The impact of the is not material.
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	The impact of the is not material.
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	The impact of the is not material.
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	The impact of the is not material.
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods:

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2021 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2009	Not expected to impact results but may result in additional disclosure
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2009	Not expected to impact results but may result in additional disclosure
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Not expected to impact results but may result in additional disclosure

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand

3. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	36 654 783	-	36 654 783	32 436 272	-	32 436 272

Reconciliation of investment property - 2021

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	32 436 272	3 149 217	1 069 294	36 654 783

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	25 097 000	7 339 272	32 436 272

Pledged as security

There are no Investment Properties pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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3. New standards and interpretations (continued)

Details of valuation

The effective date of the revaluations was Wednesday, 30 June 2021. Revaluations were performed by an independent valuer, PJ Lindstrom a Professional Valuer - Reg. No 935/7, of Penny Lindstrom Valuations. PJ Lindstrom is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on discounted cash flows.

For investment property, totalling R 36 654 783 (2020: R 32 436 272), where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptions were used:

Discount rate 10.5%

In 2020/21 the lease agreement of ERF 162 was renewed on the 8th December 2020, upon renewal the municipality leased out the entire ERF 162 property. Initially only the portion of ERF162 was rented out and the other portion was classified as Property, plant and Equipment. Therefore, the portion of ERF 162 that was previously classified as PPE was transferred from Property, plant and equipment to Investment Property.

Amounts recognised in surplus and deficit for the year.

Maintenance of investment property

There were no maintenance cost incurred by the municipality on investment property.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	5 854 605	4 983 849
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Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3 152 990	-	3 152 990	3 552 990	-	3 552 990
Buildings	30 283 296	(6 507 259)	23 776 037	33 014 552	(6 160 220)	26 854 332
Plant and machinery	25 270 153	(12 740 607)	12 529 546	23 283 565	(9 884 482)	13 399 083
Furniture and fixtures	24 754 092	(15 796 626)	8 957 466	19 969 966	(13 046 024)	6 923 942
Motor vehicles	16 444 499	(6 311 162)	10 133 337	14 502 490	(4 885 766)	9 616 724
Infrastructure	637 832 276	(247 855 358)	389 976 918	610 299 662	(225 128 392)	385 171 270
Community	100 530 878	(17 172 512)	83 358 366	94 306 434	(14 801 066)	79 505 368
Other property, plant and equipment	3 242 860	(1 129 194)	2 113 666	3 242 860	(961 933)	2 280 927
Work in progress	167 499 694	-	167 499 694	118 940 569	-	118 940 569
Total	1 009 010 738	(307 512 718)	701 498 020	921 113 088	(274 867 883)	646 245 205

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment reversal	Total
Land	3 552 990	-	-	(400 000)	-	-	3 152 990
Buildings	26 854 332	735 627	(491 055)	(2 749 217)	(722 237)	148 587	23 776 037
Plant and machinery	13 399 083	1 986 587	-	-	(2 856 124)	-	12 529 546
Furniture and fixtures	6 923 942	5 030 215	(13 809)	-	(2 982 882)	-	8 957 466
Motor vehicles	9 616 724	1 974 009	(5 620)	-	(1 451 776)	-	10 133 337
Infrastructure	385 171 270	39 319 684	(6 149 551)	1 134 273	(29 498 758)	-	389 976 918
Community	79 505 368	2 221 012	-	4 003 433	(2 371 447)	-	83 358 366
Landfill sites	2 280 927	-	-	-	(167 261)	-	2 113 666
Work in progress	118 940 569	90 164 744	(36 467 913)	(5 137 706)	-	-	167 499 694
	646 245 205	141 431 878	(43 127 948)	(3 149 217)	(40 050 485)	148 587	701 498 020

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	3 552 990	-	-	-	-	3 552 990
Buildings	26 291 957	1 289 439	-	-	(727 064)	26 854 332
Plant and machinery	13 402 723	2 625 273	-	(132 295)	(2 496 618)	13 399 083
Furniture and fixtures	7 673 028	2 265 767	(63 919)	-	(2 950 934)	6 923 942
Motor vehicles	10 384 786	1 684 179	(1 086 778)	-	(1 365 463)	9 616 724
Infrastructure	373 154 431	14 633 053	(1 528 096)	28 277 924	(29 366 042)	385 171 270
Community	81 738 625	-	-	-	(2 233 257)	79 505 368
Landfill sites	2 448 187	-	-	-	(167 260)	2 280 927
Work in progress	129 786 299	65 704 552	(48 404 653)	(28 145 629)	-	118 940 569
	648 433 026	88 202 263	(51 083 446)	-	(39 306 638)	646 245 205

Pledged as security

There are no Property, Plant and Equipment pledged as security:

Depreciation rates

Land	Straight-line	Undefined
Buildings	Straight-line	5 - 100 years
Plant and machinery	Straight-line	2 - 15 years
Furniture and fixtures	Straight-line	2 - 26 years
Motor vehicles	Straight-line	3 - 14 years
Office equipment	Straight-line	3 - 26 years
IT equipment	Straight-line	3 - 17 years
Infrastructure	Straight-line	5 - 100 years
Community	Straight-line	10 - 50 years
Other property, plant and equipment	Straight-line	5 - 21 years
Park facilities	Straight-line	10 - 50 years

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

4. Property, plant and equipment (continued)

Capitalised expenditure (excluding borrowing costs)

Buildings	735 627	1 289 439
Plant and machinery	1 986 587	2 625 274
Furniture and fixtures	5 030 215	2 265 767
Motor vehicles	1 974 009	1 684 178
Infrastructure	39 319 684	14 633 053
Community	2 221 012	-
Work in progress	90 164 744	65 704 552
	141 431 878	88 202 263

Compensation received for losses on property, plant and equipment

Furniture and fixtures	-	13 275
Motor vehicles	267 112	172 950
IT equipment	8 400	9 375
	275 512	195 600

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Other PPE	4 275 789	2 367 148
Infrastructure	60 885 921	52 978 512
Community	102 337 984	63 594 909
	167 499 694	118 940 569

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Community Assets	38 893 905	28 961 079
Bizana Sport field was previously delayed due to lack of funding, however the municipality have agreed to fund the construction as multi year project that is scheduled to be completed in 2022		
Road Infrastructure	6 343 328	6 343 328
Sidanga Access Road delayed due to the fine municipality received from DEDEA for working without.		
Electricity Projects	8 945 333	26 673 384
8 MVA Backbone line that has been delayed by approvals required from Eskom that took longer than expected. The project has been subsequently completed in the current year and but still not energised.		
	54 182 566	61 977 791

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	52 978 513	63 594 909	2 367 148	118 940 570
Additions/capital expenditure	45 509 594	42 746 508	1 908 641	90 164 743
Disposal (Transfer to ESKOM)	(36 467 913)	-	-	(36 467 913)
Transferred to completed items	(1 134 273)	(4 003 433)	-	(5 137 706)
	60 885 921	102 337 984	4 275 789	167 499 694

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	92 073 118	37 650 181	63 000	129 786 299
Additions/capital expenditure	37 455 677	25 944 728	2 304 148	65 704 553
Disposals(Transfer to ESKOM)	(48 404 653)	-	-	(48 404 653)
Transferred to completed items	(28 145 629)	-	-	(28 145 629)
	52 978 513	63 594 909	2 367 148	118 940 570

Winnie Madikizela-Mandela Local Municipality

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4. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

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

Employee related costs	4 851 796	3 620 077
Contracted services	5 848 962	15 430 831
General expenses	808 945	503 909
	11 509 703	19 554 817

Funding of property, plant and equipment acquisitions

	Funding type		
Additions to property, plant and equipment was funded from the following sources:			
Plant and Machinery			
Internally generated funds	Own revenue	1 986 587	2 625 274
Infrastructure Assets			
Municipal Infrastructure Grant	Government Grant	10 146 630	8 192 536
Internally generated funds	Own revenue	29 173 054	6 440 517
Community Assets			
Internally generated funds	Own revenue	2 221 012	-
Furniture and fixtures			
Internally generated funds	own revenue	4 643 115	2 182 515
Disaster Grant	Government Grants	-	83 252
Library Grant	Government Grant	200 000	-
Financial Management Grant	Government Grant	187 100	-
Transport Assets			
Internally generated funds	own revenue	1 974 009	1 684 178
Work in progress			
Municipal Infrastructure Grant	Government grant	26 256 641	36 682 149
Integrated National Electrification Grant	Government Grant	30 936 626	20 266 258
Internally generated funds	own revenue	32 971 477	8 756 146
Buildings			
Internally generated funds	Own revenue	735 627	1 289 439
		141 431 878	88 202 263

Change in the opening balance of the PPE

Aggregate adjustment to the carrying amounts previously reported	611 913	-
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Winnie Madikizela-Mandela Local Municipality

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5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 230 573	(2 161 258)	69 315	2 230 573	(2 032 083)	198 490

Reconciliation of intangible assets - 2021

Computer software, other	Opening balance	Amortisation	Total
	198 490	(129 175)	69 315

Reconciliation of intangible assets - 2020

Computer software, other	Opening balance	Amortisation	Total
	329 028	(130 538)	198 490

Pledged as security

There are no intangible assets pledged as security and no restrictions on the title:

Winnie Madikizela-Mandela Local Municipality

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6. Heritage assets

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	1 230 799	-	1 230 799	1 230 799	-	1 230 799

Reconciliation of heritage assets 2021

Historical monuments	Opening balance	Total
	1 230 799	1 230 799

Reconciliation of heritage assets 2020

Historical monuments	Opening balance	Total
	1 230 799	1 230 799

Restrictions on heritage assets

There are no restrictions on heritage assets:

Pledged as security

There are no heritage assets pledged as security:

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7. Inventories		
Inventories	2 339 682	2 042 491
Inventories (write-downs)	2 339 682 (293 209)	2 042 491 -
	2 046 473	2 042 491

Upon the normal stock count processes the municipality identified stock that has not been moving for the past three years. These stock items were referred to the Executive Committee, which the Executive Committee recommended to council for these stock items to be written-off. The council took a resolution for these stock items to be written-off.

Inventory pledged as security

There is no Inventory pledged as security.

8. Operating lease asset

Current assets	7 613 477	4 437 945
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Certain of the municipality's property is held to generate rental income. Lease agreement are renewable and have varying terms of between 6-26 years. There are no contingent rentals receivables. The operating lease asset arose as result of straight lining the lease rentals per requirement of GRAP 13.

9. Other receivables from exchange transactions

Trade debtors	9 072 815	5 615 215
Consumer debtors - Electricity	348 319	365 513
	9 421 134	5 980 728

Other receivables from exchange transactions

Trade Debtors	9 072 815	5 615 215
Consumer debtors - Land Sales	210 030	210 030
Provision for bad debts consumer debtors - Land sales	(210 030)	(210 030)
Consumer debtors - Electricity	956 457	956 457
Provision for bad debts consumer debtors - Electricity	(608 138)	(590 944)
	9 421 134	5 980 728

Total receivables from exchange transactions	9 421 134	5 980 728
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Trade and other receivables pledged as security

The municipality has no debtors that are pledged as security.

Fair value of trade and other receivables

Trade and other receivables	9 421 134	5 980 728
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Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. There were no trade and other receivables less than 3 months past due and not considered to be impaired at 30 June 2021 and 30 June 2020.

Winnie Madikizela-Mandela Local Municipality

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Figures in Rand	2021	2020
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9. Other receivables from exchange transactions (continued)

Trade and other receivables impaired

As of 30 June 2021, trade and other receivables of R 1 166 487 (2020: R 1 166 487) were impaired and provided for.

The amount of the provision was R 818 169 as of 30 June 2021 (2020: R (800 974)).

The ageing of these amounts is as follows:

Over 6 months	1 166 487	1 166 487
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10. Receivables from non-exchange transactions

Payroll debtors	280 558	423 952
Overpayment - Councillors remuneration	364 535	449 136
	645 093	873 088

Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security.

Fair value of receivables from non-exchange transactions

Other receivables from non-exchange transactions	645 093	873 088
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The net balance of receivables from non-exchange transactions approximate the fair value of these receivables.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
11. Statutory receivables		
The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:		
Fines	7 638 307	7 145 207
These are receivables as a result of transgressions of laws and by-laws		
Fines impairment	(6 840 300)	(4 845 114)
This is impairment based on past experience and assessment of the category of debtors terms of the policy on debt impairment		
Property Rates	39 932 266	31 846 271
These are receivables arising from the Municipal Property Rates Act		
Property Rates Impairment	(5 342 871)	(4 279 461)
This is impairment based on past experience and assessment of the individual debtors performance in terms of the policy on debt impairment.		
	35 387 402	29 866 903
Current assets	35 387 402	29 866 903

Statutory receivables general information

Transaction(s) arising from statute

The Local Government: Municipal Property Rates Amendment Act, No. 19 of 2009 gives powers to a metropolitan or local municipality to levy a rate on property in its area. This also requires councils of municipalities to adopt a policy consistent with the Act on levying of rates on rateable property in the municipality.

Traffic fines are administered based on the National Road Traffic Act 93 of 1996 which intends to promote road traffic quality by providing for a scheme to discourage road traffic contraventions, to facilitate the adjudication of road traffic infringements, to support the prosecution of offences in terms of the national and provincial laws relating to road traffic, and implement a points demerit system; to provide for the establishment of an agency to administer the scheme; to provide for the establishment of a board to represent the agency; and to provide for matters connected therewith

Traffic fines are issued by law enforcement officials to motorists or other road users indicating that they violated traffic laws. These come in two forms, citing a moving violation, such as exceeding the speed limit or a non-moving violation, such as a parking violation.

Electricity fines are administered in terms of Electricity Act 41 of 1987 section 27(2) which states that any person who without legal right {the proof of which shall be upon him) abstracts, branches off or diverts or causes to be abstracted, branched off or diverted any electric current, or consumes or uses any such current which has been wrongfully or unlawfully abstracted, branched off or diverted, knowing it to have been wrongfully or unlawfully abstracted, branched off or diverted, shall be guilty of an offence and liable on conviction to 55 the penalties which may be imposed for theft.

Determination of transaction amount

The Local Government: Municipal Property Rates Amendment Act, No. 19 of 2009 requires municipalities intending to levy a rate on property in accordance with the Act to cause:

- a general valuation to be made of all properties in the municipality
- a valuation roll to be prepared of all properties determined

A tariff structure is then setup in terms of the council approved tariff policy. The tariffs are then applied to different categories of rateable properties to determine the amount payable for each qualifying property. A statement of account is then sent to the owner of each property to notify them of the amount payable and payment timeframes.

Both the Tariff and rates policy of the municipality are reviewed annually in compliance with the Act. During this review tariffs are also revised to ensure accuracy and correctness.

The general valuation in terms of the Act is valid for five years but is also reviewed annually through a supplementary valuation.

Calculations of Traffic fines

The penalties on the Traffic fine list book are prescribed under section 29(b) for each infringement and are must be imposed administratively in terms of Chapter III, subject to the discount contemplated in section 17(1)(d).

Calculations of Electricity fines

The penalties on the Electricity fine are prescribed on the municipal tariffs policy as adopted by municipal council.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand	2021	2020
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11. Statutory receivables (continued)

Interest or other charges levied/charged

Interest accrues after due date as indicated in the account statement which is 30 days, if the account remains unpaid at a rate of prime +1

Basis used to assess and test whether a statutory receivable is impaired

The impairment is based on the impairment type risk scoring and payment risk scoring determined as follows:

Allocating a SCORE based on the account's ageing, account status, account type and whether it's an owner or occupier – 2 being the max score on each

If the account is inactive the status score gets a 2 and if the account is active (which means the possibility of retrieving the debt is better than the inactive account) it gets a zero score0.

If the account is an occupier it gets a high score of 2 and if it's an owner its gets a zero because when the owner wants to sell he needs a clearance certificate and you will be able to retrieve the debt.

The last score is based on your Active Account Type Category – Government and Provincial accounts get a zero score because the municipality should be able settle the government accounts debt. Business score is 0.4 and household score is 1.25. In-Active account type the score is 2.

Allocate a score depending on whether the account has outstanding balances in 30days, 60days, 90days, 120days etc. and the older the debt the higher the score. Refer to the payment risk table below

The Total Type Risk = Status Risk Score + Account Type Risk Score + Owner/Occupier Type Risk Score

Total Payment Risk = the payment risk scoring added together

The Provision factor is then the two risks multiplied together to get the numeric factor, the factor is then converted into a percentage which is applied to the outstanding balance. Any converted percentage from 100% and above is impaired fully (100%).

Statutory receivables past due but not impaired

Statutory receivables which are less than 1 month (Property rates and electricity fines) and Traffic fines which are less than 12 months past due are not considered to be impaired. At 30 June 2021, R1 377 996 (2020: R18 426 442) were past due but not impaired.

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

1 month past due	854 396	64 800
2 months past due	62 000	36 200
3 months past due	461 600	18 325 442

Factors the entity considered in assessing statutory receivables past due but not impaired

Property rates that bare past due but not impaired are Governments and Provincial accounts that the municipality should be able to settle.

Fines that are past due but not impaired are fines that were raised within 12 months of the financial year, and are outside the bracket of the traffic fines Impairment policy.

Statutory receivables impaired

As of 30 June 2021, Statutory receivables of R46 367 816 (2020: R39 028 324) were impaired and provided for.

The amount of the provision was R12 183 171 as of 30 June 2021 (2020: R9 124 575).

The ageing of these loans is as follows:

1 to 6 months	2 592 215	2 380 152
Over 6 months	43 775 601	36 648 172

Factors the entity considered in assessing statutory receivables impaired

Provision for impairment is determined according to the past payment patterns of the different consumers within the various categories.

An impairment calculation is forward-looking and one must therefore use the number of days that the particular financial asset is still expected to be outstanding based on the best information available at year-end. For this estimation it will be best to use a combination of key indicators that will provide a list of debtors that are most likely to be impairment.

Debtors are evaluated at each reporting date and impaired as per the impairment of debtors and write-off policy in line with National Treasury guidelines.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
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11. Statutory receivables (continued)

Reconciliation of provision for impairment for statutory receivables

Opening balance	9 124 575	7 656 152
Provision for impairment	3 058 596	1 468 423
	12 183 171	9 124 575

During the month of March 2020, a national state of disaster was declared due to the outbreak of the Covid-19 global pandemic which was then followed by the enforcement of the national lockdown. The lockdown had a negative impact on the people's affordability levels to service their municipal debt as they were unable to earn an income.

There is limited data to determine the full and actual impact of these limitations to both movement and generation of income, however, the assessment of the municipality's debt collectibility indicated a significant growth of our receivables at year end. This was assessed to still be the case because of the affordability levels affected and limitation of movement of consumers who could then not visit the municipality to reconcile their debts and or make arrangements.

During this time the municipality was also unable for fully implement its credit control and debt collection measures which included limiting access to municipal services due to national directives pleading to government institutions not to implement these measures during this difficult period. This resulted to an increase in provision for debt impairment.

12. VAT receivable

VAT	15 896 271	7 957 566
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13. Prepayments

Prepayments

Prepayments	14 974 173	13 482 903
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Prepaid expenses are those expense that are paid for in one accounting period, but for which the underlying services or goods will be received in a future period.

During the year under review the municipality paid for services and goods that will be received or rendered in the following accounting period.

These were the supplier's requirements as they require payment before services or goods can be rendered or delivered. The suppliers are:

Suppliers

Belgotex Floor Covering	10 423 983	10 423 983
ESKOM Holdings for electricity projects	4 542 054	3 058 920
Membership Fees	8 136	-
	14 974 173	13 482 903

ESKOM Holdings prepayments is for Electricity Project that will be constructed. The municipality pays 5% to ESKOM after appointing the service provider for a particular project. This 5% is paid for the meter and documentation that ESKOM provide to the municipality.

Belgotex Floor Covering prepayment is for the material that is needed for the Mputhumi Mafumbatha Stadium, that is currently being constructed.

Membership fees are paid to Institute of Internal Auditors for the 2021.22 subscription.

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14. Receivables from exchange transactions		
Gross balances		
Receivables-service charges	37 831 733	32 023 561
Less: Allowance for impairment		
Provision for debt impairment	(17 317 714)	(15 148 477)
Net balance		
Receivables-service charges	20 514 019	16 875 084
Gross Services Charges		
Current (0- 30 days)	3 414 233	2 873 940
31 - 60 days	2 216 513	2 281 837
61 -90 days	2 006 496	1 804 230
91 -120 days	1 968 185	1 741 965
121 - 365 days	11 003 464	1 556 624
> 365 days	17 222 842	21 764 965
	37 831 733	32 023 561
Gross balance	37 831 733	32 023 561
Service charges		
Current (0 -30 days)	3 414 233	2 873 940
31 - 60 days	618 239	1 753 435
61 - 90 days	1 243 267	1 293 613
91 - 120 days	1 007 613	1 187 696
121 - 365 days	7 765 439	1 056 071
> 365 days	6 465 228	8 710 329
	20 514 019	16 875 084
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	196 144	190 289
31 - 60 days	196 289	175 885
61 - 90 days	143 068	179 817
91 - 120 days	121 966	188 775
121 - 365 days	1 104 177	169 095
> 365 days	6 171 682	6 206 193
	7 933 326	7 110 054
Less: Allowance for impairment	(6 105 947)	(4 361 395)
	1 827 379	2 748 659
Industrial/ commercial		
Current (0 -30 days)	2 505 884	2 318 513
31 - 60 days	1 401 883	1 635 862
61 - 90 days	1 323 646	1 167 135
91 - 120 days	1 283 889	1 073 088
121 - 365 days	6 962 745	940 818
> 365 days	9 020 031	12 000 125
	22 498 078	19 135 541
Less: Allowance for impairment	(11 962 233)	(10 787 083)
	10 535 845	8 348 458
National and provincial government		
Current (0 -30 days)	712 205	365 138
31 - 60 days	618 340	470 090
61 - 90 days	539 782	457 279
91 - 120 days	562 330	480 102

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Figures in Rand	2021	2020
14. Receivables from exchange transactions (continued)		
121 - 365 days	2 936 542	446 711
> 365 days	2 031 129	3 558 666
	7 400 328	5 777 986
Total		
Current (0 -30 days)	3 414 233	2 873 940
31 - 60 days	2 216 513	2 281 837
61 - 90 days	2 006 496	1 804 230
91 - 120 days	1 968 185	1 741 965
121 - 365 days	11 003 464	1 556 624
> 365 days	17 222 842	21 764 965
	37 831 733	32 023 561
Less: Allowance for impairment	(17 317 714)	(15 148 477)
	20 514 019	16 875 084
Less: Allowance for impairment		
Current (0 -30 days)	-	-
31 - 60 days	(1 598 274)	(528 402)
61 - 90 days	(763 229)	(510 617)
91 - 120 days	(960 572)	(554 269)
121 - 365 days	(3 238 025)	(500 553)
> 365 days	(10 757 614)	(13 054 636)
	(17 317 714)	(15 148 477)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(15 148 477)	(9 925 832)
Contributions to allowance	(2 169 237)	(5 222 645)
	(17 317 714)	(15 148 477)
Consumer debtors pledged as security		
There were no consumer debtors were pledged as security in the 2020/21 financial year.		
Credit quality of consumer debtors		
In determining the recoverability of consumer debt the municipality considers any changes in the credit quality of the consumer debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the consumer base being large and unrelated. Accordingly, the provision for impairment is determined according to the past payment patterns of each consumers within the various categories. The calculation of the provision for bad debts is automated in the system which is configured according to the national treasury scoring method.		
Fair value of receivables- service charges		
Consumer debtors	20 514 019	16 875 084

The value of receivables from service charges is determined by taking the gross amount less the allowance for impairment.

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

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14. Receivables from exchange transactions (continued)

Consumer debtors past due but not impaired

Consumer debtors that are which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R 9 714 655 (2020: R 11 124 614) were past due but not impaired.

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

1 month past due	2 886 875	633 959
2 months past due	586 317	660 374
3 months past due	6 241 463	9 830 281

Consumer debtors impaired

As of 30 June 2021, consumer debtors of R 28 117 078 (2020: R 32 023 561) were impaired and provided for.

The amount of the provision was R 17 317 714 as of 30 June 2021 (2020: R 15 148 477).

The ageing of these debtors is as follows:

3 to 6 months	3 679 522	3 298 589
Over 6 months	24 437 556	10 258 596

During the month of March 2020, a national state of disaster was declared due to the outbreak of the Covid-19 global pandemic which was then followed by the enforcement of the national lockdown. The lockdown had a negative impact on the people's affordability levels to service their municipal debt as they were unable to earn an income.

There is limited data to determine the full and actual impact of these limitations to both movement and generation of income, however, the assessment of the municipality's debt collectibility indicated a significant growth of our receivables at year end. This was assessed to be because of the affordability levels affected and limitation of movement of consumers who could then not visit the municipality to reconcile their debts and or make arrangements.

During this time the municipality was also unable to fully implement its credit control and debt collection measures which included limiting access to municipal services due to national directives pleading to government institutions not to implement these measures during this difficult period.

Reconciliation of allowance for impairment of consumer debtors

Opening balance	(15 148 477)	(9 925 832)
Allowance for impairment	(2 169 237)	(5 222 645)
	<u>(17 317 714)</u>	<u>(15 148 477)</u>

Winnie Madikizela-Mandela Local Municipality

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15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4	730
Bank balances	9 353 191	3 610 199
Short-term deposits	248 807 505	170 033 377
	258 160 700	173 644 306

The Covid-19 global pandemic has forced the South African Reserve Bank to cut interest rates resulting in a decrease to amounts generated in the form of interests from cash reserves. The municipality was also affected by the interest rate cuts, the impact of these interest rate cuts is material in the municipality's cash and cash equivalents. The municipality's cash and cash equivalents are only made of cash reserves and cash on hand.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
FNB BANK - Public Sector-Cheque account -51704922107	9 323 582	3 165 219	3 872 541	9 353 192	3 610 199	3 959 864
FNB BANK - Business Call Account-62550717767	-	1 824 680	5 045 623	-	1 824 680	5 045 623
FNB BANK - Business Call Account - 6250715828	-	47 506	-	-	47 506	-
FNB BANK - Business Call Account - 62459758078	1 163	4 574 859	3 060	1 164	4 574 860	3 061
FNB BANK - Business Call Account - 62852108531	67 458	8 035	-	65 946	6 526	-
FNB BANK - Business Call Account - 62816773073	2 387	615 270	-	2 387	21 807	-
FNB BANK - Business Call Account - 62816769220	393 618	776 294	-	393 618	776 295	-
FNB BANK - Business Call Account - 62028477992	244 068 379	162 781 702	114 452 088	244 068 379	162 781 703	114 452 088
FNB BANK - Business Call Account - 62896110170	4 276 010	-	-	4 276 010	-	-
Total	258 132 597	173 793 565	123 373 312	258 160 696	173 643 576	123 460 636

16. Payables from exchange transactions

Trade payables	4 047 093	5 901 804
Payments received in advanced	1 720 437	1 274 118
Retention	18 308 721	12 771 075
Accrued expense	18 458 831	7 347 975
Provision for workmen's compensation	411 783	1 969 992
Unallocated receipts	1 220 429	784 253
Payroll creditors	186 552	181 297
	44 353 846	30 230 514

The average payment period for services is 30 days from the receipt of the invoice as required by the MFMA

Interest charged and penalties charged for late payments have been disclosed separately

The municipality has considered the effect of discounting trade creditors to fair value and the difference was considered immaterial. Accordingly trade and other payables approximate fair value.

Workmen's compensation provision: In terms of COID Act every employer must pay workmen's compensation to the Department of Labour. The compensation fund sends employers notices of assessment every year in April indicating the amount that must be paid. The municipality thus raises a provision for the amount payable in the following year. This is based on the budgeted total personnel expenditure for the year and a percentage as determined by the Department of Labour.

Fair value of payables from exchange transactions

Trade payables	44 353 846	30 230 514
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Winnie Madikizela-Mandela Local Municipality

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17. Consumer deposits

Electricity	132 596	132 596
Hall Hire	372 023	370 295
	504 619	502 891

Consumer deposits for electricity are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts council can utilise the deposits as payment for the outstanding amount.

Hall hire deposits are paid by consumers on hiring any of the municipal community halls. The deposit is a damage deposit and is paid back to the consumer after the event and if no damages occurred.

Consumer deposits collected do not accrue any interest

The carrying value of consumer deposits approximates their fair value.

18. Unspent conditional grants and receipts

The conditions relating to full expenditure were not met for the grants disclosed as unspent conditional grants and receipts. These amounts are accounted for as a current liability until a roll-over is granted by National Treasury and the spending condition is met.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

DSRAC: Library Grant	692 017	702 533
Integrated National Electrification Grant	-	5 763 876
Financial Management Grant	-	47 505
GIS Grant - Alfred Nzo	100 000	100 000
Municipal Infrastructure Grant	-	541 598
General Budget Support Grant	4 254 711	-
Disaster Grant	-	5 474
Waste Management Grant	11 686	413 515
	5 058 414	7 574 501

Movement during the year

Balance at the beginning of the year	7 574 501	6 686 613
Additions during the year	81 077 734	88 770 000
Income recognition and surrendered to National Revenue fund during the year	(83 593 821)	(87 882 112)
	5 058 414	7 574 501

Winnie Madikizela-Mandela Local Municipality

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Figures in Rand 2021 2020

19. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation	7 767 397	7 627 683	(1 053 422)	(6 713 975)	7 627 683
Provision for long service bonuses	799 960	461 614	(357 323)	(442 637)	461 614
Bonus provision	2 095 540	2 058 138	(2 095 540)	-	2 058 138
Staff leave provision	14 785 631	15 088 948	(1 643 167)	(13 142 464)	15 088 948
	25 448 528	25 236 383	(5 149 452)	(20 299 076)	25 236 383

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation	6 416 740	7 767 397	(752 276)	(5 664 464)	7 767 397
Provision for long service bonuses	1 000 022	799 960	-	(1 000 022)	799 960
Bonus provision	1 898 611	2 095 540	-	(1 898 611)	2 095 540
Staff leave provision	13 075 421	14 785 631	(178 289)	(12 897 132)	14 785 631
	22 390 794	25 448 528	(930 565)	(21 460 229)	25 448 528

Non-current liabilities	5 246 062	5 495 061
Current liabilities	19 990 321	19 953 467
	25 236 383	25 448 528

Environmental rehabilitation provision

The municipality operates a refuse disposal site. In accordance with legislation and to comply with the Department of Water Affairs (DWA) and Department of Economic Development and Environmental Affairs (DEDEAT) on the landfill waste sites, the municipality raises a provision every year for the estimated cost of rehabilitating the land over which the site is situated.

The provision has been made for this cost based on the construction budget to rehabilitate the landfill site at 30 June 2021 taking into account price escalation of 10.89% relating to inflation.

A valuation of the rehabilitation was conducted by an independent valuer (Cycle civils and Project (PTY) LTD and a liability has been raised. Movements in the provision are recognised in the Statement of Financial Performance. The Provision has been determined on the basis of a recent independent financial requirement and viability.

Bonus provision

All permanent employees are entitled to receive a bonus to one month basic salary on their birth month therefore an accrual of the proportionate bonus is accrued from year end till the next birth date for each employee.

Staff leave provision

The municipality offers employees 2 days for every month completed and is therefore liable to pay employee the amount equivalent to the leave days not taken at year end upon resignation or retirement. This is calculated based on the cost to the company rate per day.

Winnie Madikizela-Mandela Local Municipality

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20. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	29 935 153	29 935 153
Other receivables from non-exchange transactions	645 093	645 093
Cash and cash equivalents	258 160 700	258 160 700
	288 740 946	288 740 946

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	44 353 846	44 353 846
Taxes and transfers payable (non-exchange)	5 058 414	5 058 414
Consumer deposits	504 619	504 619
	49 916 879	49 916 879

2020

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	22 855 812	22 855 812
Other receivables from non-exchange transactions	873 088	873 088
Cash and cash equivalents	173 644 306	173 644 306
	197 373 206	197 373 206

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	30 230 514	30 230 514
Taxes and transfers payable (non-exchange)	7 574 501	7 574 501
Consumer deposit	502 891	502 891
	38 307 906	38 307 906

Financial instruments in Statement of financial performance

2021

	At amortised cost	Total
Interest income for financial instruments at amortised cost	8 508 367	8 508 367

2020

	At amortised cost	Total
Interest income for financial instruments at amortised cost	11 333 963	11 333 963

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
21. Revenue		
Service charges	40 257 499	38 374 181
Rental of facilities and equipment	5 876 088	5 096 656
Agency services	1 290 875	1 020 949
Licences and Permits (Non-exchange)	2 343 083	2 236 951
Commissions received	131 650	130 093
Recoveries	275 513	8 152
Other income - (rollup)	373 672	599 258
Interest received	11 879 203	14 253 075
Property rates	20 144 667	16 284 235
Government grants & subsidies	415 425 820	348 488 293
Fines, Penalties and Forfeits	688 199	2 065 515
	498 686 269	428 557 358
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	40 257 499	38 374 181
Rental of facilities and equipment	5 876 088	5 096 656
Agency services	1 290 875	1 020 949
Commissions received	131 650	130 093
Recoveries	275 513	8 152
Other income - (rollup)	373 672	599 258
Interest received	11 879 203	14 253 075
	60 084 500	59 482 364
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	20 144 667	16 284 235
Licences or permits	2 343 083	2 236 951
Transfer revenue		
Government grants & subsidies	415 425 820	348 488 293
Fines, Penalties and Forfeits	688 199	2 065 515
	438 601 769	369 074 994
22. Service charges		
Sale of electricity	35 679 150	33 884 362
Solid waste	4 578 349	4 489 819
	40 257 499	38 374 181
23. Rental of facilities and equipment		
Facilities and equipment		
Leasehold fees	5 854 605	5 020 091
Hall hire	21 483	76 565
	5 876 088	5 096 656

Included in the above rentals are operating lease rentals at straight-lined amounts of R 5 854 605 (2020: R 5 020 091)

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

23. Rental of facilities and equipment (continued)

Minimum lease payments receivables

-within one year	836 491	170 470
-in second to fifth year inclusive	2 710 350	-
-over five years	6 046 170	-
	9 593 011	170 470

The municipality is leasing out certain property to Collins Property Investment (Brwns Cash and Carry). The lease agreement has a term of 10 years and rentals escalate by CPI every anniversary. No contingent rents are receivable.

Minimum lease payments receivable

-within one year	637 806	30 429
-in second to fifth year inclusive	2 236 221	-
-over five years	25 348 056	-
	28 222 083	30 429

The municipality is leasing out certain property to Blue Raindrops Trading CC. The lease agreement has a term of 20 years and rentals escalates by 8% every anniversary. No contingent rents are receivable.

Minimum lease payment receivable

-within one year	165 379	153 128
-in second to fifth year inclusive	208 749	374 128
	374 128	527 256

The municipality is leasing out certain property to Africa Best 350. The lease agreement has a term of 06 years and rentals escalates by 8% every anniversary. No contingent rents are receivable.

Minimum lease payment receivable

-within one year	2 108 906	1 970 940
-second to fifth year inclusive	7 254 516	12 127 778
-over five year	97 451 395	-
	106 814 817	14 098 718

The municipality is leasing out certain property to Slip Knot Investment 11 (Proprietary) Limited (Enyuka Prop Holding Limited). The lease agreement has a term of 26 years and rentals escalates by 7% each anniversary date. No contingent rents are receivable.

24. Agency services

Driver's Licenses	1 290 875	1 020 949
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During the month of March 2020, a national state of disaster was declared due to the global outbreak of Covid-19 which resulted in the law enforcement resources allocated to enforcing lockdown regulations. The lockdown enforced by government resulted in registration of motor vehicles cancelled as movement of people was restricted and the services not regarded as essential.

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

25. Other income

Commissions received	131 650	130 093
Losses recovered	275 513	8 152
Other income - (rollup)	373 672	599 258
	780 835	737 503

The amount included in other revenue arising from exchanges of goods or services are as follows:

Tender fees	13 391	196 435
Sundry income	43 501	221 278
Building plans	77 399	95 301
Advertising	79 153	81 208
Funeral fees	11 641	5 030
Photocopy	-	6
Impairment Reversal	148 587	-
	373 672	599 258

26. Investment revenue

Interest revenue

Bank	7 603 705	9 660 185
Interest charged on trade and other receivables	4 275 498	4 592 890
	11 879 203	14 253 075

During the month of March 2020, a national state of disaster was declared due to the outbreak of the Covid-19 pandemic which was then followed by a national lockdown. The lockdown placed the economies of the world on hold which resulted in people being unable to earn a living. This resulted in more and more people being unable to service their debts.

The Covid-19 global pandemic led to interest rate cuts which affected the level of return on invested funds. The impact of these interest cuts is material in the municipality, the municipality will continue to assess the impact as more data becomes available.

27. Property rates

Rates income

Rates levied	20 144 667	16 284 235
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Valuations

Residential	211 456 500	213 633 000
Commercial	830 740 500	830 740 500
State	1 182 448 500	1 182 448 500
Municipal	91 341 000	91 302 000
	2 315 986 500	2 318 124 000

The general valuations on properties is performed every 5 years by an independent valuer (currently being Sizanane Consulting). The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.0133 (business), R0.0067 (Residential), R0.0120 (State) is applied to property valuations to determine assessment rates. Rebates of R55 000 are granted to residential and state property owners.

Rates are levied on an annual basis with the final date for payment being 30 September 2020 for annual payment. Interest at prime plus 1% per annum (2020: 1%) is levied on rates outstanding 30 days after due.

The municipality revaluated municipal properties that have lease agreement, for the purpose of renewing lease agreement.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

28. Licences and permits (non-exchange)

Trading	1 820	1 331
Road and Transport	2 341 263	2 235 620
	2 343 083	2 236 951

During the month of March 2020, a national state of disaster was declared due to the global outbreak of Covid-19 which resulted in the law enforcement resources allocated to enforcing lockdown regulations. The lockdown enforced by government resulted in registration of motor vehicles cancelled as movement of people was restricted and the services not regarded as essential.

29. Government grants and subsidies

Operating grants

Equitable share	332 421 102	260 384 000
MIG Operational	2 272 950	2 418 100
Financial Management Grant	2 000 000	2 167 495
Expanded Public Works Programme Grant	2 388 996	2 452 000
LGSET / Skills Development Grant	273 023	222 181
Dept Sport & Culture - Library	510 520	245 890
DEDEAT- Alien Plant Vegetation	401 829	2 884 095
Disaster Relief Grant	5 474	709 526
	340 273 894	271 483 287

Capital grants

Municipal Infrastructure Grant	43 186 050	51 528 882
Integrated National Electrification Programme	31 965 876	25 476 124
	75 151 926	77 005 006
	415 425 820	348 488 293

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	81 077 734	88 770 000
Unconditional grants received	332 422 000	260 384 000
	413 499 734	349 154 000

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 4 583 674 (2020: R 3 873 420), which is funded from the grant.

Equitable Share

Current-year receipts	332 422 000	260 384 000
Conditions met - transferred to revenue	(332 422 000)	(260 384 000)
	-	-

DSRAC Library Grant

Balance unspent at beginning of year	702 533	448 423
Current-year receipts	500 004	500 000
Conditions met - transferred to revenue	(510 520)	(245 890)
	692 017	702 533

The spending conditions in relation to the grant received was not met fully, therefore the grant remains a liability as disclosed on the statement of financial position in unspent condition grant (see note 18).

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

29. Government grants and subsidies (continued)

LGSETA / Skills Development Grant

Current-year receipts	273 023	222 181
Conditions met - transferred to revenue	(273 023)	(222 181)
	<u>-</u>	<u>-</u>

The municipality fully met the spending conditions and the whole allocation was transferred to revenue.

EPWP Grant

Current-year receipts	2 389 000	2 452 000
Conditions met - transferred to revenue	(2 389 000)	(2 452 000)
	<u>-</u>	<u>-</u>

The municipality fully met the spending conditions and the whole allocation was transferred to revenue.

Integrated National Electrification Grant

Balance unspent at beginning of year	5 763 876	-
Current-year receipts	26 202 000	31 240 000
Conditions met - transferred to revenue	(31 965 876)	(25 476 124)
	<u>-</u>	<u>5 763 876</u>

The municipality fully met the spending conditions and the whole allocation was transferred to revenue, including the unspent balance of 2019/20 that was approved as a rollover.

Financial Management Grant

Balance unspent at beginning of year	47 505	-
Current-year receipts	2 000 000	2 215 000
Conditions met - transferred to revenue	(2 000 000)	(2 167 495)
Surrendered to the National Revenue Fund	(47 505)	-
	<u>-</u>	<u>47 505</u>

The municipality fully met the spending conditions of the current year allocation and the whole allocation was transferred to revenue. The municipality surrendered the unspent amount of R47 505 that was not approved as a rollover by the funder.

GIS Grant - Alfred Nzo

Balance unspent at beginning of year	<u>100 000</u>	<u>100 000</u>
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The spending conditions in relation to the grant received was not met fully, therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 18).

Municipal Infrastructure Grant

Balance unspent at beginning of year	541 598	6 126 580
Current-year receipts	45 459 000	48 362 000
Conditions met - transferred to revenue	(45 459 000)	(53 946 982)
Surrendered to the National Revenue Fund	(541 598)	-
	<u>-</u>	<u>541 598</u>

The municipality fully met the spending conditions of the current year allocation and the whole allocation was transferred to revenue. The municipality surrendered the unspent amount of R541 598 that was not approved as a rollover by the funder.

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand 2021 2020

29. Government grants and subsidies (continued)

General Budget Support Grant

Current-year receipts	4 254 711	-
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The spending conditions in relation to the grant received was not met fully, therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 18).

Disaster Relief Grant

Balance unspent at beginning of year	5 474	-
Current-year receipts	-	715 000
Conditions met - transferred to revenue	(5 474)	(709 526)
	<u>-</u>	<u>5 474</u>

The municipality fully met the spending conditions and the whole allocation was transferred to revenue.

Waste Management Grant

Balance unspent at beginning of year	413 515	11 610
Current-year receipts	-	3 286 000
Conditions met - transferred to revenue	(401 829)	(2 884 095)
	<u>11 686</u>	<u>413 515</u>

The spending conditions in relation to the grant received was not met fully, therefore the grant remains a liability as disclosed in the statement of financial position in unspent conditional grants (see note 18).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 04 of 2020), an average increase of about 7.5% in the level of government grant funding are expected over the forthcoming 3 financial years.

30. Fines, Penalties and Forfeits

Illegal Connections Fines	35 491	47 391
Pound Fees Fines	14 408	16 711
Municipal Traffic Fines	638 300	2 001 413
	<u>688 199</u>	<u>2 065 515</u>

During the month of March 2020, a national state of disaster was declared due to the global outbreak of Covid-19 which resulted in the law enforcement resources allocated to enforcing lockdown regulations. The lockdown enforced by government resulted in registration of motor vehicles cancelled as movement of people was restricted and the services not regarded as essential.

Winnie Madikizela-Mandela Local Municipality

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Figures in Rand	2021	2020
31. Employee related costs		
Basic	71 686 201	72 179 659
Bonus	5 275 074	4 647 789
Medical aid - company contributions	4 929 059	4 783 848
UIF	476 430	496 142
SDL	899 230	851 329
Provision for leave	1 946 481	2 229 060
Cellphone allowance	728 636	736 311
Pension fund contribution	8 492 847	8 210 992
Bargaining council contribution	27 513	26 872
Travel motor allowances	8 050 251	7 477 685
Long-service awards	18 978	251 144
Housing benefits and allowances	3 761 423	3 661 893
Other allowances	1 431 113	1 351 317
Overtime	1 299 704	2 487 753
Standby and Uniform Allowance	1 003 218	952 131
	110 026 158	110 343 925
Remuneration of Municipal Manager		
Annual Remuneration	977 653	973 100
Car Allowance	370 338	370 338
Other	135 135	135 106
	1 483 126	1 478 544
Remuneration of Chief Finance Officer		
Annual Remuneration	724 745	724 745
Car Allowance	286 979	286 979
Other	199 187	199 158
	1 210 911	1 210 882
Remuneration of Senior Manager: Corporate Services		
Annual Remuneration	827 515	821 313
Car Allowance	205 971	205 971
Other	179 328	179 300
	1 212 814	1 206 584
Remuneration of Senior Manager: Community Services		
Annual Remuneration	826 087	820 280
Car Allowance	205 971	205 971
Other	179 328	178 408
	1 211 386	1 204 659
Remuneration of Senior Manager: Engineering Services		
Annual Remuneration	786 146	743 784
Car Allowance	242 177	242 177
Other	181 633	183 417
	1 209 956	1 169 378
Remuneration of Senior Manager: Planning and Development		
Annual Remuneration	825 612	825 136
Car Allowance	205 971	205 971
Other	179 327	179 300
	1 210 910	1 210 407

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
32. Remuneration of councillors		
Cellphone Allowance	2 732 450	2 735 960
Public Office Allowance	1 063 624	1 061 702
Car Allowance	5 318 106	5 308 512
Annual remuneration	14 850 195	14 863 831
	23 964 375	23 970 005
33. Depreciation and amortisation		
Property, plant and equipment	40 050 485	39 306 638
Intangible assets	129 176	130 538
	40 179 661	39 437 176
34. Finance costs		
Other interest paid	1 473	11 283
35. Lease rentals on operating lease		
Equipment		
Contractual amounts	5 145 360	5 464 801
Operating lease payments represents rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.		
36. Debt impairment		
Movement-provision for bad debts	5 208 182	7 103 173
Bad debts written off	-	548 937
	5 208 182	7 652 110

The bad debt written off in the prior year relates to an amount relating to a electrification grant amount that was paid by the municipality on behalf of the Office of the Premier that was never refunded and prospects of recoverability are nil considering the change of administration from that office.

During the month of March 2020 a state of national disaster was declared due to the outbreak of the Covid-19 global pandemic which was then followed by the enforcement of the national lockdown. The lockdown had a negative impact on the people's affordability to pay for municipal levies and services as they were unable to earn an income.

This has resulted in the municipality's assessment indicating that more debt may not be collectible resulting in a increase in the impairment provision for the period as indicated above.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020		
37. Bulk purchases				
Electricity - Eskom	35 021 699	33 254 837		
Electricity losses				
	Number 2021	Number 2020		
Units purchased	22 910 690	22 885 366	35 021 699	33 174 759
Units sold	(20 774 379)	(21 665 180)	(34 221 010)	(33 385 608)
Total loss	2 136 311	1 220 186	800 689	(210 849)
Comprising of:				
Non-technical losses	2 136 311	1 220 186	2 994 413	2 022 417
Percentage Loss:				
Non-technical losses	9 %	5 %	9 %	6 %

According to the NERSA cost of supply framework the tolerable range for energy losses is 5% to 12%.

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
38. Contracted services		
Presented previously		
Other Contractors	371 729	1 183 237
Outsourced Services		
Business and Advisory	3 882 205	6 671 301
Catering Services	-	138 110
Clearing and Grass Cutting Services	-	5 850
Internal Auditors	773 728	195 500
Meter Management	286 579	531 406
Medical Services [Medical Health Services & Support]	251 500	-
Personnel and Labour	2 637 929	1 529 693
Refuse Removal	1 852 390	488 663
Transport Services	20 600	333 370
Consultants and Professional Services		
Business and Advisory	720 456	-
Legal Cost	6 679 078	5 537 716
Contractors		
Catering Services	2 334 848	2 506 753
Electrical	699 828	807 096
Employee Wellness	-	197 550
Event Promoters	494 370	741 769
Maintenance of Buildings and Facilities	4 301 436	3 983 318
Maintenance of Equipment	662 940	3 664 877
Maintenance of Unspecified Assets	884 586	7 782 635
Pest Control and Fumigation	196 139	86 900
Safeguard and Security	6 296 918	6 223 700
Stage and Sound Crew	20 100	48 500
	33 367 359	42 657 944
39. Transfers and subsidies		
Other subsidies		
SMME Support	4 498 717	1 418 323

The municipality through its LED section supports qualifying small businesses and farmers with necessary equipment and tools to make their operations sustainable. The projects are selected through council processes and supported as per the required assistance which is only in the forms of tools and equipment.

The municipality entered into an agreement with Bizana Pondo Chiefs, when the local team was promoted to GladAfrica Championship(National First Division). The municipality agreed to support the Bizana Pondo Chiefs financially with their administration costs.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
40. General expenses		
Advertising	645 460	505 585
Auditors remuneration	2 722 939	3 566 563
Bank charges	111 520	141 477
Commission paid	762 227	561 663
Consumables	4 245 408	5 934 312
Fines and penalties	-	9 156
Promotional material and Gifts	2 017 376	2 078 541
Hire	1 700 608	2 678 583
Insurance	855 822	701 998
IT expenses	2 246 294	2 914 731
Magazines, books and periodicals	1 150 950	625 549
Motor vehicle expenses	37 600	46 870
Fuel and oil	2 400 436	2 006 458
Placement fees	15 400	-
Postage and courier	554	734
Printing and stationery	503 054	221 200
Protective clothing	2 112 020	1 748 344
Subscriptions and membership fees	35 136	49 620
Telephone and fax	2 348 235	3 564 258
Training	846 554	1 324 777
Travel - local	2 585 671	7 594 718
Travel - overseas	5 793	25 038
Water and electricity	-	2 391
Free basic services	4 876 883	3 873 420
License fees	142 763	272 910
Ward committee fees	6 210 409	6 076 450
Other expenses	2 895 550	3 495 338
	41 474 662	50 020 684
41. Loss on disposal of assets		
Property Plant and Equipment	43 424 855	55 224 722
42. Fair value adjustments		
Investment property (Fair value model)	1 069 294	7 339 272
43. Auditors' remuneration		
Fees	2 722 939	3 566 563

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2021

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020
44. Cash generated from operations		
Surplus	157 443 062	66 440 820
Adjustments for:		
Depreciation and amortisation	40 179 661	39 437 176
Gain or loss on sale of assets and liabilities	43 424 855	55 224 722
Fair value adjustments	(1 069 294)	(7 339 272)
Debt impairment	5 208 182	7 652 110
Movements in operating lease assets and accruals	(3 175 532)	(2 801 190)
Movements in provisions	(212 145)	3 057 734
Transfers and non-cash disposals	-	(5 735 365)
Other non-cash movements	(721 018)	(19 332 656)
Movement in retention and accruals on PPE	(16 067 007)	-
Changes in working capital:		
Inventories	(3 982)	(771 264)
Other Receivables from exchange transactions	(3 440 406)	(4 149 303)
Consumer debtors	(8 847 117)	(13 862 920)
Receivables from non-exchange transactions	227 995	950 009
Statutory receivables	(5 520 499)	(6 447 470)
Prepayments	(1 491 270)	4 966 963
Payables from exchange transactions	14 123 332	4 551 234
VAT	(7 938 705)	14 086 954
Unspent conditional grants and receipts	(2 516 087)	887 888
Consumer deposits	1 728	(26 343)
	209 605 753	136 789 827

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45. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Infrastructure Assets	5 621 879	5 364 507
• Intergrated Electrification	7 102 143	3 309 205
• Community Assets	37 169 902	72 837 918
• Other Commitments	18 508 525	25 361 273
	68 402 449	106 872 903

Total capital commitments

Already contracted for but not provided for	68 402 449	106 872 903
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Total commitments

Total commitments

Authorised capital expenditure	68 402 449	106 872 903
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Aloe Office Minimum lease payments due

- within one year	-	710 311
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Genbiz Minimum Lease payments due

-within one year	260 704	260 704
-in second to fifth year inclusive	260 704	521 408
	521 408	782 112

Munsoft Minimum lease payments due

-within one year	3 012 000	2 739 091
-in second to fifth year inclusive	-	3 012 000
	3 012 000	5 751 091

Techseeds Minimum lease payments due

-within one year	1 352 221	-
-in second to fifth year inclusive	4 056 669	-
	5 408 890	-

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. No contingent rent is payable.

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46. Contingencies

At year end the municipality had the following contingent liabilities.

Cases against the municipality

Case 1 Vuyokazi Tobo vs Winnie Madikizela-Mandela Local Municipality		
Claim for payments of R 1500 000 iro damages for injuries allegedly caused as a result of being shot by an employee.	1 500 000	1 000 000
Case 2 Hlongwe vs Winnie Madikizela-Mandela Local Municipality		
Claim for payment of R19 637 500 iro damages for injuries allegedly caused as a result of being by a municipal employee.	19 637 500	5 000 000
Case 3 Thunzi & Modikeng JV vs Winnie Madikizela-Mandela Local Municipality		
Proceedings instituted to alleged non-payment of invoices issued by them to the municipality	-	3 659 708
Case 4 Notozana Dingezweni vs Winnie Madikizela-Mandela Local Municipality		
Interdict in respect of demolishing of shacks and removal of caravans by the municipality	-	150 000
Case 5 Mohamed Randreen vs Winnie Madikizela-Mandela Local Municipality		
Claim of electricity costs after meter tempering/incorrect billing by Municipal officials. The matter is ripe for hearing but due to Covid only urgent matters are considered at this stage.	-	100 000
	21 137 500	9 909 708

Contingent assets

At year end the municipality had the following contingent assets

Cases lodged by the municipality;

Case 1 Gift Fynn VS Winnie Madikizela-Mandela Local Municipality		
This is an unlawful extension building without the approval of the plan by the municipality	-	400 000
Case 2 Winnie Madikizela-Mandela Local Municipality vs Mr Charles Charalombos t/a Bizana Cash and Carry		
Unlawful extension of building without the approved of the plans	-	200 000
	-	600 000

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47. Related parties

Relationships	
Mayor	Ms TD Mafumbatha
Speaker	Mr S Magini
Chief Whip	Mr M Mpetshwa
Executive Council members	9 members
Ordinary Council members	49 members
Section 57 Managers	5 members

Related party balances

Loan accounts - Owning (to) by related parties

Councillor overpayment	364 535	449 136
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In 2012/13 and 2013/14 financial years, councillors were paid a remuneration that was above the gazetted limits.

The amounts were recorded as irregular expenditure and debtors were raised to account for the amounts owed.

Compensation to Accounting Officer and key management

Municipal Manager	1 483 126	1 478 544
Chief Financial Officer	1 210 911	1 210 882
Senior Manager: Corporate Services	1 212 814	1 206 584
Senior Manager: Community Services	1 211 386	1 204 659
Senior Manager: Engineering Services	1 209 956	1 169 378
Senior Manager: Development Planning	1 210 910	1 210 407
Mayor	939 396	938 250
Speaker	760 393	759 478
Councillors	22 264 586	22 272 277

The Mayor, Speaker and Chief Whip are full time. Each is provided with an office and secretarial support at the cost of the council.

The Mayor and Speaker have the use of council owned vehicles for official duties.

The Mayor has one full-time bodyguard and driver.

The Speaker has one full-time bodyguard and driver.

Key management information

Class	Description	Number
Mayor	Councillor	1
Speaker	Councillor	1
Chief Whip	Councillor	1
Executive committee	Councillors	9
Councillors	Councillors	49
Municipal Manager	Accounting Officer	1
Chief Financial Officer	Senior Manager	1
Senior Manager: Corporate Services	Senior Manager	1
Senior Manager: Community Services	Senior Manager	1
Senior Manager: Engineering Services	Senior Manager	1
Senior Manager: Development Planning	Senior Manager	1

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47. Related parties (continued)

Remuneration of management

Management class: Councillors

2021

	Basic salary	Travel/car Allowance	Cellphone Allowance	Public Office	Total
Councillors					
Mayor	625 981	224 179	44 400	44 836	939 396
Speaker	500 782	179 343	44 400	35 868	760 393
MPAC Chairperson	455 713	163 202	44 400	32 643	695 958
Executive Committee members	3 635 170	1 301 861	440 300	260 372	5 637 703
Councillors	9 632 546	3 449 522	2 158 950	689 907	15 930 925
	14 850 192	5 318 107	2 732 450	1 063 626	23 964 375

2020

	Basic salary	Travel/ Car allowance	Cellphone allowance	Public office allowance	Total
Councillors					
Mayor	625 695	223 463	44 400	44 692	938 250
Speaker	500 555	178 770	44 400	35 753	759 478
MPAC Chairperson	455 505	162 680	44 400	32 536	695 121
Executive committee members	3 186 041	1 137 872	399 600	227 575	4 951 088
Councillors	10 096 035	3 605 727	2 203 160	721 146	16 626 068
	14 863 831	5 308 512	2 735 960	1 061 702	23 970 005

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47. Related parties (continued)

Management class: Executive management

2021

	Basic salary	Travel/Car allowance	Other benefits received	Total
Senior Management				
Municipal Manager	977 653	370 338	135 135	1 483 126
Chief Financial Officer	724 745	286 979	199 187	1 210 911
Senior Manager: Engineering Services	786 146	242 177	181 633	1 209 956
Senior Manager: Corporate Services	827 515	205 971	179 328	1 212 814
Senior Manager: Community Services	826 087	205 971	179 328	1 211 386
Senior Manager: Development Planning	825 612	205 971	179 327	1 210 910
	4 967 758	1 517 407	1 053 938	7 539 103

2020

	Basic salary	Travel / Car allowance	Other benefits received	Total
Senior Management				
Municipal Manager	973 100	370 338	135 106	1 478 544
Chief Financial Officer	724 745	286 979	199 158	1 210 882
Senior Manager: Corporate Services	821 313	205 971	179 300	1 206 584
Senior Manager: Engineering Services	743 784	242 177	183 417	1 169 378
Senior Manager: Community Services	820 280	205 971	178 408	1 204 659
Senior Manager: Development planning	825 136	205 971	179 300	1 210 407
	4 908 358	1 517 407	1 054 689	7 480 454

Management class: Key advisors/Sub committees

2021

	Fees for services as a member of the audit committee	Travel claims	Total
Internal Audit Committee			
Chairperson of the audit committee	71 065	2 070	73 135
Audit committee members	78 180	-	78 180
	149 245	2 070	151 315

2020

	Fees for services as a member of the audit committee	Travel claims	Total
Internal Audit Committee			
Chairperson of the audit committee	73 841	3 678	77 519
Audit committee members	124 411	16 803	141 214
	198 252	20 481	218 733

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48. Change in estimate

Property, plant and equipment

The full useful lives of certain Property, Plant and Equipment was revised in the current year pertaining to movable assets with reductions and extensions to useful lives ranging between 2-13 years. The effect of this revision has decreased the depreciation charges for the current year by R654 921.73 (2020: R 857 421) and R655 199.25 for the future period(s)

This has resulted in an increase in current year's carrying amounts of certain property, plant and equipment by R654 921.73 and a future increase in carrying amounts of certain property, plant and equipment of R655 199.25.

49. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a budget and treasury department (municipality treasury) under policies approved by the accounting officer. Municipality treasury identifies and evaluates financial risks in close co-operation with the municipality's operating units. The accounting officer provide written principles for overall risk management, as well as written policies covering specific areas.

Liquidity risk

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

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

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

At 30 June 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade and other payables	44 353 846	-	-	-	44 353 846
Consumer Deposit	1 728	173 671	25 269	303 951	504 619
	44 355 574	173 671	25 269	303 951	44 858 465

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade and other payables	30 230 514	-	-	-	30 230 514
Consumer deposits	173 671	25 269	6 954	296 997	502 891
	30 404 185	25 269	6 954	296 997	30 733 405

Liquidity risk is mainly concentrated on the trade and other payables balance. The municipality does not have any collateral and /or credit enhancements that aid in the mitigation of the liquidity risk.

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49. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. .

The financial assets carried at amortized cost exposed the municipality to credit risk. The value of the maximum exposure to credit risk are as follows for each class of financial assets at amortized cost.

Financial instrument	2021	2020
Cash and Cash equivalents	258 160 700	173 644 306
Other receivables from exchange transactions	9 421 134	5 980 728
Receivables from non-exchange transactions	645 093	873 088
Receivables from exchange transactions	20 514 019	16 875 084

50. Going concern

We draw attention to the fact that at 30 June 2021, the municipality had an accumulated surplus (deficit) of R 1 028 958 397 and that the municipality's total assets exceed its liabilities by R 1 028 958 397.

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

The going concern assumption is assessed based on information available up to the date on which the annual financial statements are approved by the accounting officer. While there is widespread uncertainty regarding the extent of the financial impact on the Covid-19 global pandemic, the National government through the Division of revenue Act has committed to fund the municipality for at least the next three years to finance its operations and continue investing in capital projects

The ability of the municipality to continue as a going concern is dependent on a number of other factors. The most significant of these is that the accounting officer continue to source and explore more funding for the ongoing operations for the municipality

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Figures in Rand	2021	2020
51. Fruitless and wasteful expenditure		
Opening balance as previously reported	4 320 803	4 224 066
Opening balance as restated	4 320 803	4 224 066
Add: Expenditure identified - current	1 473	96 737
Less: Amount written off - current	(4 300 364)	-
Closing balance	21 912	4 320 803

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51. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest on Eskom FBE account	Amounts under investigation	1 196	4 197
Penalties for late submissions - SARS	Amounts under investigation	-	9 938
Interest on overdue account - Department of Transport	Amounts under investigation	277	6 304
Covid-19 JOC catering	Amounts under investigation	-	76 298
		1 473	96 737

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 4 224 066 relating to period prior 2019/20 and R76 298 that was incurred in 2019/20 from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

52. Irregular expenditure

Opening balance as previously reported	1 857 620	23 238 340
Correction of prior period error	-	(106 750)
Opening balance as restated	1 857 620	23 131 590
Add: Irregular Expenditure - current	1 590 000	5 722 982
Less: Amount written off - current	(3 447 620)	(26 996 952)
Closing balance	-	1 857 620

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52. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
No procurement system followed	Vodacom - investigation completed and amount written off	-	3 224 339
Company with no required CIDB level	ODG Technologies, Banana Boat, Thabo Ntlangula	-	1 068 465
NO CIDB required during procurement	Banana Boat - investigations completed and amount written off	-	427 000
Bid documents not fully completed	Thabo Ntlangula - investigations completed and amount written off	-	120 428
Split procurement	Sthwale Trading and Project, Timeless PTY, Magholo	-	85 750
Non compliance with cost containment regulations	Guyana Trading PTY(LTD)	-	797 000
Non compliance with tax matters	MAT Trading	1 590 000	-
		1 590 000	5 722 982

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 1 060 619 that was incurred in period prior 2019/20, an amount of R797 000 which was incurred in 2019/20 and R1 590 000 incurred in 2020/21 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

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53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	191	191
Current year subscription / fee	667 362	1 107 611
Amount paid - current year	(667 362)	(1 107 611)
	191	191

Audit fees

Current year subscription / fee	2 722 939	3 566 563
Amount paid - current year	(2 722 939)	(3 566 563)
	-	-

PAYE and UIF

Opening balance	2 994	2 994
Current year subscription / fee	17 970 479	19 459 460
Amount paid - current year	(17 970 479)	(19 459 460)
	2 994	2 994

Pension and Medical Aid Deductions

Opening balance	(43 308)	(43 308)
Current year subscription / fee	11 640 627	12 039 090
Amount paid - current year	(11 640 627)	(12 039 090)
	(43 308)	(43 308)

Skills Development Levy

Opening balance	(90)	(90)
Current year subscription/fee	884 848	957 612
Amount paid - current year	(884 848)	(957 612)
	(90)	(90)

VAT

VAT receivable	15 896 271	7 957 566
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All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

There were no Councillors that had arrear accounts outstanding for more than 90 days at 30 June 2021:

The following Councillors has arrear accounts outstanding for more that 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor NN Mhlembana	785	11 430	12 215

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54. Deviation from supply chain management regulations

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

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

Winnie Madikizela-Mandela LM have incurred expenditure by not following the Supply Chain Management policy during the year. There were no three quotes obtained as per the SCM policy for catering, hiring of tents for Traffic Awareness, hiring of toilets, hiring of crane truck and Reviewal of dumping site. Only one quote was obtained after a seven day advert was unsuccessful. These procurement resulted to Deviations totalling to R334 990.

Supply Chain Management Regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been approved.

Emergency Procurement

Tents hire for Covid-19 Roadblocks	-	56 900
Catering for Local JOC	-	54 600
Procurement of Covid-19 PPE	-	415 000
Disinfecting of municipal offices	-	329 900
Procurement of Covid-19 work readiness equipment	-	294 940
Procurement of rubber bullets for crowd control	-	30 000
Emergency hiring of Toilets for officials	-	100 000
National Radio Station was used as one of the platforms for Public Participation during Budget Roadshows	-	117 860
Reviewal of Dumping Site Financial Projections	199 850	-
Hiring of Crane Truck for emergency replacement of damaged transformer	2 990	-
Emergency Maintenance of Municipal Toilets	29 200	-
Emergency VIP Catering for Safety Awareness Campaign	12 000	-
Emergency VIP Catering for Safety Awareness Campaign	15 000	-
Catering of 150 people for community Safety Awareness Campaign	12 750	-
Hiring of Tent, Podium, Decor and Tables for Safety Awareness Campaign	29 950	-
Catering of 100 people for Community Safety Awareness Campaign	8 500	-
Catering of 150 people for Community Safety Awareness Campaign	12 750	-
Still Water for 500 people for Traffic Awareness	12 000	-
	334 990	1 399 200

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55. Accounting by principals and agents

The entity a party to a principal-agent arrangement(s).

Details of the arrangement(s) is/are as follows:

The Municipality has been registered as a registering authority in accordance with section 3(1) of the Road Traffic Act, 1996 (Act No. 93 of 1996), subject to the conditions imposed by the Member of the Executive Council (MEC) responsible for Transport. As such the Municipality performs the functions of a registering authority as contemplated by section 3(1) of the Road Traffic Act, read with the National Road Traffic Regulations.

The revenue that is derived from the registration and licensing of motor vehicles is paid into the Provincial Revenue Fund as required by section 41 of the Eastern Cape Road Traffic Act, 1998 (Act No.3 of 1999), while the Municipality, in order to perform its functions as a registering authority, and in the spirit of co-operative governance as enshrined in Chapter 3 of the Constitution, is entitled to receive a portion of the revenue generated, subject to the terms and conditions as set out in the Agreement, with particular reference to clause 6 of the Agreement.

Municipality is entitled to a fee equal to the collection fee of 19% (nineteen percent), including VAT for all fees collected in terms of clause 6.2 for motor vehicle registration and licensing fees.

Municipality shall, in terms of applicable national and provincial road traffic legislation and the Agreement, be responsible for the following motor vehicle registration and licensing functions: registration of vehicles, vehicle search, issue of duplicate registration certificate, deregistration of a motor vehicle, change of particulars of an owner or a titleholder with respect to registration and licensing, change of particulars of a motor vehicle, issue of a temporary or special permit; licensing of a vehicle in a private person's or legally recognised entity's name; licensing of a financed vehicle, in a private person's or legally recognised entity's name; licensing and allocating of a personalised licence number; retention of a vehicle licence number; notification of change of titleholder and or ownership of a vehicle; processing address changes as required; application for refund, if due, to be issued by the Department of Transport, Head office in King William's Town Eastern Cape Province; application for special classification of a vehicle; application for Traffic Register Number; application for Motor Trade Number; referral of all motor vehicle registration and licensing queries, complaints and disputes to the Departmental employee specified by the Transport Regulation contact person within 2 (two) working days of a query or lodging of a complaint or dispute; and any other transaction reasonably requested by the Department.

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The municipality has resources held on behalf of the principal(s) that are not recognised in municipality's financial statements, but are recognised in the principal financial statements.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is (2021)R1 290 875 (2020: R1 020 949).

Liabilities and corresponding rights of reimbursement recognised as assets

The municipality does not have liabilities incurred on behalf of the principal that have been recognised by the municipality.

The municipality does not have corresponding rights of reimbursement that have been recognised as assets.

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56. Segment information

General information

Identification of segments

The municipality is organised and reports to council on the basis of five functional areas: Electricity, Waste Management, Community and Public Safety, Infrastructure Services and Development Planning. The segments were organised around the type of service delivered. Council uses these same segments for determining strategic objectives. All administrative segments have been aggregated as unallocated segments.

Information reported about these segments is used by council as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The municipality operates throughout the Mbizana area with certain functions providing an administrative and support role. Segments were aggregated on the basis of the services delivered as management considered that the characteristics of the segments were sufficiently similar to warrant aggregation. These have been aggregated to form the unallocated segments.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment

Electricity
Waste Management
Community and Public Safety

Infrastructure Services

Development Planning

Unallocated Segments

Goods and/or services

Electricity distribution
Refuse removal services
Library Services, Police force, Cemeteries, Environmental Protection, Recreational facilities, Social Services
Provision of infrastructure and Maintenance, Provision of community facilities
Local Economic Development, Supporting SMMEs, Property Services and Spatial Planning
Administrative and Support Services

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56. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Electricity	Waste Management	Infrastructure Services	Community & Public Safety	Development Planning	Unallocated Segments	Total
Revenue							
Revenue from non-exchange transactions	32 001 367	2 790 825	45 459 000	3 504 491	19 155 579	336 154 868	439 066 130
Revenue from exchange transactions	35 707 426	4 578 349	13 391	1 324 000	111 338	6 595 230	48 329 734
Interest revenue	-	-	-	-	-	11 141 818	11 141 818
Other income	-	-	-	-	-	148 587	148 587
Total segment revenue	67 708 793	7 369 174	45 472 391	4 828 491	19 266 917	354 040 503	498 686 269
Fair value adjustment							1 069 294
Entity's revenue							499 755 563
Expenditure							
Employee cost	4 343 721	7 870 910	10 446 891	20 999 725	9 319 729	57 045 082	110 026 058
Remuneration of councillors	-	-	-	-	-	23 964 375	23 964 375
Other expenses	2 412 735	4 471 201	1 144 800	8 070 745	5 065 987	35 161 553	56 327 021
Bulk Purchases-Electricity	35 021 699	-	-	-	-	-	35 021 699
Depreciation and amortisation	-	-	31 870 205	-	-	8 309 456	40 179 661
Interest expense	-	-	-	-	-	1 473	1 473
Contracted services	1 133 507	10 913 878	2 313 069	10 486 256	1 582 954	6 937 695	33 367 359
Loss on disposal	36 764 822	-	6 149 551	1 913	-	508 569	43 424 855
Total segment expenditure	79 676 484	23 255 989	51 924 516	39 558 639	15 968 670	131 928 203	342 312 501
Total segmental surplus/(deficit)							156 373 768
Total revenue reconciling items							1 069 294
Assets							
Current Assets	242 901 551	1 271 178	151 765 204	30 598 933	16 786 926	(78 665 050)	364 658 742
Non current Assets	30 518 570	7 568 728	152 972 683	6 720 219	1 635 543	540 037 174	739 452 917
Total segment assets	273 420 121	8 839 906	304 737 887	37 319 152	18 422 469	461 372 124	1 104 111 659
Total assets as per Statement of financial Position							1 104 111 659

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	Electricity	Waste Management	Infrastructure Services	Community & Public Safety	Development Planning	Unallocated Segments	Total
56. Segment information (continued)							
Liabilities							
Current Liabilities	364 502 657	1 787 336	358 053 041	63 254 358	45 372 915	(763 063 107)	69 907 200
Non-current Liabilities	-	-	-	15 373 320	52 933 573	(63 060 831)	5 246 062
Total segment liabilities	364 502 657	1 787 336	358 053 041	78 627 678	98 306 488	(826 123 938)	75 153 262
Total liabilities as per Statement of financial Position							75 153 262

Assets that have a negative balance per segment have been reclassified to liabilities and liabilities with a positive balance have been reclassified to assets.

2020

	Electricity	Waste Management	Community & Public Safety	Infrastructure Services	Development Planning	Unallocated segments	Total
Revenue							
Revenue from non-exchange transactions	25 523 516	5 336 095	4 499 634	53 946 982	1 331	279 545 257	368 852 815
Revenue from exchange transactions	33 914 589	4 489 819	1 278 679	196 435	109 095	5 461 724	45 450 341
Interest revenue	-	-	-	-	-	14 254 202	14 254 202
Total segment revenue	59 438 105	9 825 914	5 778 313	54 143 417	110 426	299 261 183	428 557 358
Fair Value Adjustment							7 339 272
Entity's revenue							435 896 630
Expenditure							
Employee Costs	4 338 619	3 252 816	26 769 051	9 214 287	8 750 803	58 018 348	110 343 924
Remuneration of councillors	-	-	-	-	-	23 970 005	23 970 005
Bulk purchases	33 254 837	-	-	-	-	-	33 254 837
Depreciation and amortisation	546 820	-	2 603 036	29 343 094	1 521 091	5 423 135	39 437 176
Interest expense	4 197	-	-	-	-	7 086	11 283
Contracted services	2 753 401	11 099 203	9 444 450	9 740 672	2 014 965	7 605 253	42 657 944
Other expenses	3 218 150	3 919 478	6 512 130	860 592	3 772 903	46 272 666	64 555 919
Loss on disposal of asset and liabilities	52 732 150	-	62 668	1 341 871	12	1 088 021	55 224 722
Total segment expenditure	96 848 174	18 271 497	45 391 335	50 500 516	16 059 774	142 384 514	369 455 810
Total segmental surplus/(deficit)							59 101 548

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56. Segment information (continued)

Total revenue reconciling items							7 339 272
Assets							
Current assets	215 491 063	5 337 089	22 633 326	174 885 251	5 266 367	(168 452 082)	255 161 014
Non-current assets	32 801 229	6 514 636	4 815 717	97 076 930	2 786	538 899 468	680 110 766
Total segment assets	248 292 292	11 851 725	27 449 043	271 962 181	5 269 153	370 447 386	935 271 780
Total assets as per Statement of financial Position							935 271 780
Liabilities							
Current liabilities	261 690 302	2 307 012	43 072 306	254 520 439	22 480 688	(525 809 374)	58 261 373
Non-current liabilities	-	-	10 111 928	-	52 025 922	(56 642 789)	5 495 061
Total segment liabilities	261 690 302	2 307 012	53 184 234	254 520 439	74 506 610	(582 452 163)	63 756 434
Total liabilities as per Statement of financial Position							63 756 434

Assets that have a negative balance per segment have been reclassified to liabilities and liabilities with a positive balance have been reclassified to assets.

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

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57. Prior period errors

The following adjustments were made to the prior year financial statements due to errors which became apparent in the current year and which pertain to the prior period financial statements.

Statutory Receivables

During the year it was discovered that the Wildcoast Sun (ERFno34 Farm no269) in Winnie Madikizela-Mandela LM was transferred from Transkei Sun International to Land Reform beneficiary in May 2019. In terms of section 17(1)(g) of the Municipal Property Rates Act, 6 of 2004, the property held by Land Reform (Wildcoast Sun) is exempt from municipal rates for a period of 10 years. The Statutory receivables and impairment have been overstated. The impairment of Property rates was overstated by R1 335 340, the Revenue of Property Rates was overstated by R4 966 800 in 2019/20 and R827 800 in 2018/19 and interest charge on Statutory Receivables was overstated R326 958.66

The correction resulted to a net decrease of R4 786 217.60.

Interest received

During the year it was discovered that the Wildcoast Sun (ERFno34 Farm no269) in Winnie Madikizela-Mandela LM was transferred from Transkei Sun International to Land Reform beneficiary in May 2019. In terms of section 17(1)(g) of the Municipal Property Rates Act, 6 of 2004, the property held by Land Reform (Wildcoast Sun) is exempt from municipal rates for a period of 10 years. The Statutory receivables was overstated by R326 958.66 for 2019/20, Interest received was overstated by R319 272.39 in 2019/20 and Accumulated Surplus was also overstated by R7 686.27

The decrease on Interest received resulted to a net decrease of R 319 272.39

Vat Receivables

During the year it was discovered that the Vat Receivables continues to grow instead of reflecting the amount on SARS Statements. The municipality embarked on the investigation of this Vat Receivables balance, and it was discovered that from the SARS Statements there were returns with assessment and Journals that were disallowed. The returns that were disallowed relates to periods prior 2018/19 FY. During the investigation, attempts were made to SARS to obtain the disallowed transactions but with no success due to SARS archive policy and Tax Administration Act no.28 of 2011 section 104 para 5(b), these transactions backdate to periods more than 3 years and therefore no objection nor appeal can be submitted relating to these transactions. The correction of this resulted on a reduction of VAT receivables of R18 914 805.37 and decrease in Accumulated Surplus of R18 914 805.37.

During the year it was discovered that there was an Electricity Project that was transferred to Eskom in 2019/20 but the prepayment portion was never taken out. The Prepayment was overstated by R10 300 and the Loss on disposal of assets and liabilities was understated by R8 957 and VAT Receivables by R1 343

During the current year we have discovered that the two Motor Vehicles (as defined) by Value Added Tax Act, were purchased by the Municipality and Value Added Tax on these Motor Vehicles of R144 137,60 was incorrectly claimed from SARS. As per VAT Act, input VAT on Motor Vehicles is denied and therefore the amount should not have been claimed.

As per GRAP 17 par 21, the cost of these motor vehicles should include non-refundable purchase taxes. Therefore, the VAT portion of R144 137,60 should have been added to the cost of these vehicles at initial recognition date

The correction resulted to a net decrease of R19 057 603.97.

Prepayments

During the year it was discovered that there was an Electricity Project that was transferred to Eskom in 2019/20 but the prepayment portion was never taken out. The Prepayment was overstated by R10 300 and the Loss and disposal of assets and liabilities were understated by R8 957 and VAT Receivables by R1 343.

The correction of this error resulted to a net decrease of R10 300.

Payables from exchange transaction

During the year it was discovered that there was a retention that was not accounted for an Electricity Project. The project was funded by INEP Grant. The retention amount to R541 713 was not recognised which resulted on Payables from exchange transaction being understated and Property, plant and Equipment was understated by R541 713.

The correction of this error resulted to a net increase of R541 713.

Unspent conditional grants and receipts

During the year it was discovered that there was an Electricity Project that was transferred to ESKOM in 2019/20 which was funded by INEP Grant. The Unspent conditional grants and receipts were overstated by R541 713 due to the retention that was not recognised on the project and the revenue was understated by R541 713.

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57. Prior period errors (continued)

The correction of the error resulted to a net decrease of R541 713

Governement grants and subsidies

During the year it was discovered that there was an Electricity Project that was transferred to Eskom in 2019/20 which was funded by INEP Grant. The Unspent conditional grants and receipts were overstated by R541 713 due to the retention that was not recognised on the project and the revenue was understated by R541 713.

The correction of the error resulted to a net increase of R541 713.

Property Rates

During the year it was discovered that the Wildcoast Sun (ERFno34 Farm no269) in Winnie Madikizela-Mandela LM was transferred from Transkei Sun International to Land Reform beneficiary in May 2019. In terms of section 17(1)(g) of the Municipal Property Rates Act, 6 of 2004, the property held by Land Reform (Wildcoast Sun) is exempt from municipal rates for a period of 10 years. The Statutory receivables and impairment have been overstated. The impairment of Property rates was overstated by R1 335 340, the Revenue of Property Rates was overstated by R4 966 800 in 2019/20 and R827 800 of Accumulated Surplus in 2018/19.

The correction resulted to a net decrease of R4 966 800

Debt Impairment

During the year it was discovered that the Wildcoast Sun (ERFno34 Farm no269) in Winnie Madikizela-Mandela LM was transferred from Transkei Sun International to Land Reform beneficiary in May 2019. In terms of section 17(1)(g) of the Municipal Property Rates Act, 6 of 2004, the property held by Land Reform (Wildcoast Sun) is exempt from municipal rates for a period of 10 years. The Statutory receivables and impairment have been overstated. The impairment of Property rates was overstated by R917 704 in 2019/20 and R417 636 in 2018/19.

The correction resulted to a net decrease of R917 704

Loss on disposal of assets and liabilities

During the year it was discovered that there was an Electricity Project that was transferred to Eskom in 2019/20 but the prepayment portion was never taken out. The Prepayment was overstated by R10 300 and the Loss and disposal of asset and liabilities was understated by R8 957 and VAT Receivables by R1 343

The correction resulted to a net increase of R8 957

Property, plant and equipment

During the current year we have discovered that the two Motor Vehicles (as defined) by Value Added Tax Act, were purchased by the Municipality and Value Added Tax on these Motor Vehicles of R144 137,60 was incorrectly claimed from SARS. As per VAT Act, input VAT on Motor Vehicles is denied and therefore the amount should not have been claimed.

As per GRAP 17 par 21, the cost of these motor vehicles should include non-refundable purchase taxes. Therefore, the VAT portion of R144 137,60 should have been added to the cost of these vehicles at initial recognition date.

We also have discovered that the total amount of R73 912,50 for maintenance was added to the cost of the vehicles during the initial recognition date. As this amount does not meet the requirements to be capitalised to the cost of the asset as per GRAP 17, this amount must be expensed to Contracted Services.

It was also discovered that there was a retention that was not accounted for an Electricity Project. The project was funded by INEP Grant. The retention amount to R541 713 was not recognised which resulted on recognised on Payables from exchange transaction being understated and Property plant and equipment being understated.

The correction of this error resulted to a net increase on Property, plant and equipment of R611 938.10

Depreciation and amortisation

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57. Prior period errors (continued)

During the current year we have discovered that the two Motor Vehicles (as defined by Value Added Tax Act), were purchased by the Municipality and Value Added Tax on these Motor Vehicles of R144 137,60 was incorrectly claimed from SARS. As per VAT Act, input VAT on Motor Vehicles is denied and therefore the amount should not have been claimed.

As per GRAP 17 par 21, the cost of these motor vehicles should include non-refundable purchase taxes. Therefore, the VAT portion of R144 137,60 should have been added to the cost of these vehicles at initial recognition date.

We also have discovered that the total amount of R73 912,50 for maintenance was added to the cost of the vehicles during the initial recognition date. As this amount does not meet the requirements to be capitalised to the cost of the asset as per GRAP 17, this amount must be expensed to Contracted Services.

The correction of this error resulted to a net increase on Depreciation and amortisation of R23.86

Contracted Services

During the current year we have discovered that the two Motor Vehicles (as defined by Value Added Tax Act), were purchased by the Municipality and Value Added Tax on these Motor Vehicles of R144 137,60 was incorrectly claimed from SARS. As per VAT Act, input VAT on Motor Vehicles is denied and therefore the amount should not have been claimed.

As per GRAP 17 par 21, the cost of these motor vehicles should include non-refundable purchase taxes. Therefore, the VAT portion of R144 137,60 should have been added to the cost of these vehicles at initial recognition date.

We also have discovered that the total amount of R73 912,50 for maintenance was added to the cost of the vehicles during the initial recognition date. As this amount does not meet the requirements to be capitalised to the cost of the asset as per GRAP 17, this amount must be expensed to Contracted services.

The correction of this error resulted to a net increase on Contracted Services of R73 912.50.

Revenue

In 2019/20 Financial Statements the Revenue did not include the item Licences and Permit, which resulted on the note for Revenue not agreeing with the face of the financials. This note has been corrected and has increased the total of the Revenue note by R 2 236 951. This has no impact on any other item, no transaction was processed to correct this and the note was updated with line item for Licences and permit.

Accumulated Surplus/Loss

During the preparation of financial statements various journals were processed in order to correct prior year figures.

Statutory Receivables transaction amounting to R4 786 218 is the result of Property rates, Impairment and interest reversed in 2019/20, which the correction of these transaction resulted to a decrease on Accumulated Surplus

Prepayment of R10 300 was reversed in 2019/20 which resulted to a decrease on Accumulated surplus

Property, plant and equipment transaction amounting to R611 913, reversal of VAT disallowed on motor vehicles, reversal of maintenance expenditure capitalised, retention that was not raised in 2019/20 which resulted to a increase in Accumulated surplus.

VAT receivables transaction amounting to R19 057 603.57, is the result of VAT no longer claimable relating to period prior 2018/19, Vat portion on prepayment reversed, reversal of Vat on property, plant and equipment disallowed

The cumulative effect of all changes that have occurred resulted in a net decrease in accumulated surplus of R23 242 209

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58. Prior-year adjustments

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

Statement of financial position

2020

	Note	As previously reported	Correction of error	Restated
Statutory		34 653 121	(4 786 218)	29 866 903
VAT Receivables		27 015 164	(19 057 604)	7 957 560
Prepayments		13 493 203	(10 300)	13 482 903
Property, plant and equipment		645 633 292	611 913	646 245 205
Payables from exchange transactions		(29 688 801)	(541 713)	(30 230 514)
Unspent conditional grants and receipts		(8 116 214)	541 713	(7 574 501)
Accumulated Surplus		(894 757 549)	23 242 209	(871 515 340)
		(211 767 784)	-	(211 767 784)

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Restated
Property Rates		21 251 036	(4 966 801)	16 284 235
Government grants & subsidies		347 946 580	541 713	348 488 293
Interest Received		14 572 347	(319 272)	14 253 075
Depreciation		(39 437 152)	(24)	(39 437 176)
Debt Impairment		(8 569 814)	917 704	(7 652 110)
Contracted services		(42 584 032)	(73 912)	(42 657 944)
Loss on disposal of asset and liabilities		(55 215 766)	(8 957)	(55 224 723)
Surplus for the year		237 963 199	(3 909 549)	234 053 650

Cash flow statement

2020

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services		33 787 979	463 409	34 251 388
Interest income		14 572 347	(319 272)	14 253 075
Suppliers		(127 233 405)	467 801	(126 765 604)
		(78 873 079)	611 938	(78 261 141)
Cash flow from investing activities				
Purchase of property, plant and equipment		(86 191 827)	(611 938)	(86 803 765)

59. Budget differences

Material differences between budget and actual amounts

Service Charges

The excess actual revenue more than budget is due to a change from an individual metering system to a bulk metering system, which have reduced electricity losses and improve accuracy in billing.

Rental of facilities and equipment

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59. Budget differences (continued)

The excess actual revenue more than budget is due to increase lease rentals as a result of new lease agreements that were signed in the current financial year.

Commission received

This is a commission a municipality received from handling 3rd party payroll transactions. There has been a reduction on the number of transactions handled.

Recoveries

These are insurance recoveries which the municipality does not budget for. These recoveries were as a result of municipal assets that were written off/stolen during the year.

Other Income

The reduction on building plans and vending income due to slow economy. The tender fees are no longer for sale, they are uploaded on portals.

Interest received

The Covid-19 global pandemic led to interest rate cuts which affected the level of return on invested funds. The impact of these interest cuts is material in the municipality, the municipality will continue to assess the impact as more data becomes available.

Property Rates

During the year it was discovered that the Wildcoast Sun (ERF no 34 Farm no 269) in Winnie Madikizela-Mandela LM was transferred from Transkei Sun International to Land Reform beneficiary in May 2019. In terms of section 17(1)(g) of the Municipal Property Rates Act, 6 of 2004, the property held by Land Reform (Wildcoast Sun) is exempt from municipal rates for a period of 10 years. The billing relating to the above mentioned ERF has been reversed in the current year.

Licences and permit

The reduction on licence fees and permit revenue is due to the grace period announced by the Government on renewal of licences expiring during the National disaster state.

Fines, Penalties and Forfeits

The revenue for fines was adjusted down during the second adjustment budget based on the assessment of actual performance for fines billed. The decrease on fines, penalties and forfeits revenue might be due to lockdown regulation restricting movement, which had an impact on the number of offenders.

Employee related cost

The actual expenditure being less than budget is due to major positions that were budgeted for and the appointments were made towards the end of the financial year thus saving on employee costs.

Remuneration of councillors

The actual expenditure being less than budget is due to councillor increment that was budgeted for, however during the financial year the increment for councillor was not implemented as it was not Gazetted.

Depreciation

The depreciation budgeted for was based on old and new assets that were going to be procured and constructed. Most of the construction assets were not completed during the year.

Finance cost

During the financial year the municipality improved its internal controls on managing finance cost.

Debt Impairment

The municipality budgeted for debt impairment using the prior year provision, however this provision was adjusted due to reversal which was done on Property Rates. This resulted to municipality's debt impairment being less than the budget.

Winnie Madikizela-Mandela Local Municipality

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59. Budget differences (continued)

Contracted services

The actual expenditure being less than budget is due to savings as result of implementation of cost containment measures.

Transfer and subsidies

The actual expenditure being less than budget is due to saving as a results of procurement delays.

Loss on disposal of assets

The variance on loss on disposal of asset is as a result of disposal of old roads at year end that were rehabilitated during the year.

General Expenses

The actual expenditure being less than budget is due to savings as result of implementation of cost containment measures.

Inventories

The excess on actual performance compared to the budget is due to late procurement, which resulted to an increase in inventory on hand at year end.

Other Receivables from exchange transactions

The budget for operating lease, vat, prepayments and receivables from exchange transaction is included on other receivables from exchange transactions. The excess actual performance compared to the budget is as the result of increase on lease rentals, accrued income not received from services provider due to delay on submission and processing of invoices.

Cash and cash equivalent

The actual cash on hand as at 30 June 2021 was due to savings realised on reduced spending on general expenditure, contracted services which may be attributable to the implementation of cost containment regulations and the additional Equitable share received.

Investment property

The increase in investment property is due to fair value adjustments performed by the independent valuer at year end and the transfer of asset from Property, plant and equipment to investment property.

Property, plant and equipment

The excess on actual performance compared to the budget is due to delay during second half of the year on construction of Mphuthumi Mafumbatha Stadium.

Unspent conditional grants and receipts

The municipality does not budget for unspent grants as these are meant to be fully spent by the end of the year.

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Appropriation Statement

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	49 985 234	(24 796 262)	25 188 972	-	-	25 188 972	20 144 667	-	(5 044 305)	80 %	40 %
Service charges	37 015 032	128 784	37 143 816	-	-	37 143 816	40 257 499	-	3 113 683	108 %	109 %
Investment revenue	14 767 152	-	14 767 152	-	-	14 767 152	11 879 203	-	(2 887 949)	80 %	80 %
Transfers recognised - operational	286 464 012	69 125 754	355 589 766	-	-	355 589 766	338 000 944	-	(17 588 822)	95 %	118 %
Other own revenue	9 443 726	(521 430)	8 922 296	-	-	8 922 296	12 048 374	-	3 126 078	135 %	128 %
Total revenue (excluding capital transfers and contributions)	397 675 156	43 936 846	441 612 002	-	-	441 612 002	422 330 687	-	(19 281 315)	96 %	106 %
Employee costs	(122 803 856)	(401 579)	(123 205 435)	-	-	(123 205 435)	(110 026 158)	-	13 179 277	89 %	90 %
Remuneration of councillors	(25 078 656)	42 972	(25 035 684)	-	-	(25 035 684)	(23 964 375)	-	1 071 309	96 %	96 %
Debt impairment	(7 131 016)	(1 468 984)	(8 600 000)	-	-	(8 600 000)	(5 208 182)	-	3 391 818	61 %	73 %
Depreciation and asset impairment	(53 136 725)	455 653	(52 681 072)	-	-	(52 681 072)	(40 179 661)	-	12 501 411	76 %	76 %
Finance charges	(550 012)	400 000	(150 012)	-	-	(150 012)	(1 473)	-	148 539	1 %	- %
Materials and bulk purchases	(31 896 012)	(2 719 551)	(34 615 563)	-	-	(34 615 563)	(35 021 699)	-	(406 136)	101 %	110 %
Transfers and grants	(1 834 548)	(5 183 104)	(7 017 652)	-	-	(7 017 652)	(4 498 717)	-	2 518 935	64 %	245 %
Other expenditure	(235 887 523)	38 390 100	(197 497 423)	-	-	(197 497 423)	(123 412 236)	-	74 085 187	62 %	52 %
Total expenditure	(478 318 348)	29 515 507	(448 802 841)	-	-	(448 802 841)	(342 312 501)	-	106 490 340	76 %	72 %
Surplus/(Deficit)	(80 643 192)	73 452 353	(7 190 839)	-	-	(7 190 839)	80 018 186	-	87 209 025	(1 113)%	(99)%
Transfers recognised - capital	77 334 996	631 589	77 966 585	-	-	77 966 585	77 424 876	-	(541 709)	99 %	100 %
Surplus (Deficit) after capital transfers and contributions	(3 308 196)	74 083 942	70 775 746	-	-	70 775 746	157 443 062	-	86 667 316	222 %	(4 759)%
Surplus/(Deficit) for the year	(3 308 196)	74 083 942	70 775 746	-	-	70 775 746	157 443 062	-	86 667 316	222 %	(4 759)%

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Appropriation Statement

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	75 808 150	83 581 916	159 390 066	-		159 390 066	141 431 878		(17 958 188)	89 %	187 %
Sources of capital funds											
Transfers recognised - capital	45 646 549	24 689 875	70 336 424	-		70 336 424	67 539 897		(2 796 527)	96 %	148 %
Internally generated funds	30 161 601	58 892 041	89 053 642	-		89 053 642	73 891 981		(15 161 661)	83 %	245 %
Total sources of capital funds	75 808 150	83 581 916	159 390 066	-		159 390 066	141 431 878		(17 958 188)	89 %	187 %
Cash flows											
Net cash from (used) operating	-	-	-	-		-	209 605 753		209 605 753	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(125 089 359)		(125 089 359)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	-	-	-	-		-	84 516 394		84 516 394	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	141 421 015	(14 705 816)	126 715 199	-		126 715 199	173 644 306		46 929 107	137 %	123 %
Cash and cash equivalents at year end	141 421 015	(14 705 816)	126 715 199	-		126 715 199	258 160 700		(131 445 501)	204 %	183 %

Winnie Madikizela-Mandela Local Municipality
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Appendix B

Analysis of property, plant and equipment as at 30 June 2021
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	3 552 990	-	-	(400 000)	-	-	3 152 990	-	-	-	-	-	-	3 152 990
Landfill Sites (Separate for AFS purposes)	3 242 860	-	-	-	-	-	3 242 860	(961 933)	-	-	(167 261)	-	(1 129 194)	2 113 666
Buildings (Separate for AFS purposes)	33 014 551	735 627	(717 666)	(3 583 543)	-	-	29 448 969	(6 160 221)	226 612	834 326	(722 237)	148 587	(5 672 933)	23 776 036
	39 810 401	735 627	(717 666)	(3 983 543)	-	-	35 844 819	(7 122 154)	226 612	834 326	(889 498)	148 587	(6 802 127)	29 042 692
Infrastructure														
Roads, Pavements & Bridges	592 087 099	37 612 950	(12 921 343)	1 134 273	-	-	617 912 979	(221 503 463)	6 771 792	-	(28 910 391)	-	(243 642 062)	374 270 917
Transmission & Reticulation	18 212 553	1 706 734	-	-	-	-	19 919 287	(3 624 929)	-	-	(588 357)	-	(4 213 286)	15 706 001
Under Construction	52 978 513	45 509 594	(36 467 913)	(1 134 273)	-	-	60 885 921	-	-	-	-	-	-	60 885 921
	663 278 165	84 829 278	(49 389 256)	-	-	-	698 718 187	(225 128 392)	6 771 792	-	(29 498 748)	-	(247 855 348)	450 862 839
Community Assets														
Parks & gardens	31 765 568	865 000	-	-	-	-	32 630 568	(8 364 832)	-	-	(886 445)	-	(9 251 277)	23 379 291
Community halls	51 342 034	1 356 512	-	4 003 433	-	-	56 701 979	(6 003 395)	-	-	(1 187 782)	-	(7 191 177)	49 510 802
Creches	11 198 833	-	-	-	-	-	11 198 833	(433 340)	-	-	(297 220)	-	(730 560)	10 468 273
Under Construction	63 594 909	42 746 508	-	(4 003 433)	-	-	102 337 984	-	-	-	-	-	-	102 337 984
	157 901 344	44 968 020	-	-	-	-	202 869 364	(14 801 567)	-	-	(2 371 447)	-	(17 173 014)	185 696 350

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Analysis of property, plant and equipment as at 30 June 2021
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Historical monuments	1 230 799	-	-	-	-	-	1 230 799	-	-	-	-	-	-	1 230 799
	1 230 799	-	-	-	-	-	1 230 799	-	-	-	-	-	-	1 230 799
Specialised vehicles														
Other assets														
General vehicles	14 502 489	1 974 009	(32 000)	-	-	-	16 444 498	(4 885 795)	26 380	-	(1 451 774)	-	(6 311 189)	10 133 309
Plant & equipment	26 570 525	2 027 139	(20 031)	-	-	-	28 577 633	(11 823 434)	17 963	-	(3 352 602)	-	(15 158 073)	13 419 560
Computer Equipment	6 116 593	1 593 775	(37 343)	-	-	-	7 673 025	(4 109 709)	33 851	-	(773 817)	-	(4 849 675)	2 823 350
Furniture & Fittings	64 616	24 500	(1 363)	-	-	-	87 753	(63 446)	1 285	-	(11 693)	-	(73 854)	13 899
Office Equipment	9 650 603	2 726 119	(187 352)	-	-	-	12 189 370	(6 585 304)	179 205	-	(1 473 853)	-	(7 879 952)	4 309 418
Bins and containers	851 165	645 270	-	-	-	-	1 496 435	(347 293)	-	-	(227 097)	-	(574 390)	922 045
Under construction	2 367 148	1 908 641	-	-	-	-	4 275 789	-	-	-	-	-	-	4 275 789
	60 123 139	10 899 453	(278 089)	-	-	-	70 744 503	(27 814 981)	258 684	-	(7 290 836)	-	(34 847 133)	35 897 370

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Analysis of property, plant and equipment as at 30 June 2021
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	39 810 401	735 627	(717 666)	(3 983 543)	-	-	35 844 819	(7 122 154)	226 612	834 326	(889 498)	148 587	(6 802 127)	29 042 692
Infrastructure	663 278 165	84 829 278	(49 389 256)	-	-	-	698 718 187	(225 128 392)	6 771 792	-	(29 498 748)	-	(247 855 348)	450 862 839
Community Assets	157 901 344	44 968 020	-	-	-	-	202 869 364	(14 801 567)	-	-	(2 371 447)	-	(17 173 014)	185 696 350
Heritage assets	1 230 799	-	-	-	-	-	1 230 799	-	-	-	-	-	-	1 230 799
Other assets	60 123 139	10 899 453	(278 089)	-	-	-	70 744 503	(27 814 981)	258 684	-	(7 290 836)	-	(34 847 133)	35 897 370
	922 343 848	141 432 378	(50 385 011)	(3 983 543)	-	-	1 009 407 672	(274 867 094)	7 257 088	834 326	(40 050 529)	148 587	(306 677 622)	702 730 050
Intangible assets														
Computers - software & programming	2 230 573	-	-	-	-	-	2 230 573	(2 032 083)	-	-	(129 175)	-	(2 161 258)	69 315
	2 230 573	-	-	-	-	-	2 230 573	(2 032 083)	-	-	(129 175)	-	(2 161 258)	69 315
Investment properties														
Investment property	32 436 272	-	-	3 149 217	1 069 294	-	36 654 783	-	-	-	-	-	-	36 654 783
	32 436 272	-	-	3 149 217	1 069 294	-	36 654 783	-	-	-	-	-	-	36 654 783
Total														
Land and buildings	39 810 401	735 627	(717 666)	(3 983 543)	-	-	35 844 819	(7 122 154)	226 612	834 326	(889 498)	148 587	(6 802 127)	29 042 692
Infrastructure	663 278 165	84 829 278	(49 389 256)	-	-	-	698 718 187	(225 128 392)	6 771 792	-	(29 498 748)	-	(247 855 348)	450 862 839
Community Assets	157 901 344	44 968 020	-	-	-	-	202 869 364	(14 801 567)	-	-	(2 371 447)	-	(17 173 014)	185 696 350
Heritage assets	1 230 799	-	-	-	-	-	1 230 799	-	-	-	-	-	-	1 230 799
Other assets	60 123 139	10 899 453	(278 089)	-	-	-	70 744 503	(27 814 981)	258 684	-	(7 290 836)	-	(34 847 133)	35 897 370
Intangible assets	2 230 573	-	-	-	-	-	2 230 573	(2 032 083)	-	-	(129 175)	-	(2 161 258)	69 315
Investment properties	32 436 272	-	-	3 149 217	1 069 294	-	36 654 783	-	-	-	-	-	-	36 654 783
	957 010 693	141 432 378	(50 385 011)	(834 326)	1 069 294	-	1 048 293 028	(276 899 177)	7 257 088	834 326	(40 179 704)	148 587	(308 838 880)	739 454 148

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Analysis of property, plant and equipment as at 30 June 2020
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	3 552 990	-	-	-	-	-	3 552 990	-	-	-	-	-	-	3 552 990
Landfill Sites (Separate for AFS purposes)	3 242 860	-	-	-	-	-	3 242 860	(794 672)	-	-	(167 261)	-	(961 933)	2 280 927
Buildings (Separate for AFS purposes)	31 725 113	1 289 438	-	-	-	-	33 014 551	(5 284 570)	-	-	(727 064)	(148 587)	(6 160 221)	26 854 330
	38 520 963	1 289 438	-	-	-	-	39 810 401	(6 079 242)	-	-	(894 325)	(148 587)	(7 122 154)	32 688 247
Infrastructure														
Roads, Pavements & Bridges	560 802 161	14 633 053	(9 188 624)	28 277 924	-	-	594 524 514	(197 652 264)	7 660 528	-	(28 658 296)	(2 236 242)	(220 886 274)	373 638 240
Transmission & Reticulation	15 907 443	-	-	-	-	-	15 907 443	(3 043 430)	-	-	(544 661)	-	(3 588 091)	12 319 352
Under construction	129 786 299	65 704 552	(48 404 653)	(28 145 629)	-	-	118 940 569	-	-	-	-	-	-	118 940 569
	706 495 903	80 337 605	(57 593 277)	132 295	-	-	729 372 526	(201 318 931)	7 660 528	-	(29 366 042)	(2 236 242)	(225 260 687)	504 111 839
Community Assets														
Parks & gardens	68 515 575	-	(29 861)	-	-	-	68 485 714	(12 005 333)	29 861	-	(1 642 800)	-	(13 618 272)	54 867 442
Community halls	14 621 888	-	-	-	-	-	14 621 888	(456 218)	-	-	(293 235)	-	(749 453)	13 872 435
Creches	11 198 833	-	-	-	-	-	11 198 833	(136 120)	-	-	(297 220)	-	(433 340)	10 765 493
	94 336 296	-	(29 861)	-	-	-	94 306 435	(12 597 671)	29 861	-	(2 233 255)	-	(14 801 065)	79 505 370

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Analysis of property, plant and equipment as at 30 June 2020
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Historical monuments	1 230 799	-	-	-	-	-	1 230 799	-	-	-	-	-	-	1 230 799
	1 230 799	-	-	-	-	-	1 230 799	-	-	-	-	-	-	1 230 799
Specialised vehicles														
Other assets														
General vehicles	14 317 040	1 684 179	(1 498 729)	-	-	-	14 502 490	(3 932 259)	435 151	-	(1 388 640)	-	(4 885 748)	9 616 742
Plant & equipment	20 658 290	2 625 275	-	-	-	-	23 283 565	(7 255 568)	-	-	(2 628 913)	-	(9 884 481)	13 399 084
Computer Equipment	6 154 695	-	(38 102)	-	-	-	6 116 593	(2 842 629)	31 572	-	(1 299 299)	-	(4 110 356)	2 006 237
Furniture & Fittings	10 844 730	2 252 834	(150 203)	-	-	-	12 947 361	(7 074 156)	109 235	-	(1 574 694)	-	(8 539 615)	4 407 746
Office Equipment	54 817	-	-	-	-	-	54 817	(38 351)	-	-	(10 493)	-	(48 844)	5 973
Bins and containers	857 869	12 933	(19 596)	-	-	-	851 206	(284 030)	3 186	-	(66 449)	-	(347 293)	503 913
	52 887 441	6 575 221	(1 706 630)	-	-	-	57 756 032	(21 426 993)	579 144	-	(6 968 488)	-	(27 816 337)	29 939 695

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Analysis of property, plant and equipment as at 30 June 2020
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	38 520 963	1 289 438	-	-	-	-	39 810 401	(6 079 242)	-	-	(894 325)	(148 587)	(7 122 154)	32 688 247
Infrastructure	706 495 903	80 337 605	(57 593 277)	132 295	-	-	729 372 526	(201 318 931)	7 660 528	-	(29 366 042)	(2 236 242)	(225 260 687)	504 111 839
Community Assets	94 336 296	-	(29 861)	-	-	-	94 306 435	(12 597 671)	29 861	-	(2 233 255)	-	(14 801 065)	79 505 370
Heritage assets	1 230 799	-	-	-	-	-	1 230 799	-	-	-	-	-	-	1 230 799
Other assets	52 887 441	6 575 221	(1 706 630)	-	-	-	57 756 032	(21 426 993)	579 144	-	(6 968 488)	-	(27 816 337)	29 939 695
	893 471 402	88 202 264	(59 329 768)	132 295	-	-	922 476 193	(241 422 837)	8 269 533	-	(39 462 110)	(2 384 829)	(275 000 243)	647 475 950
Intangible assets														
Computers - software & programming	2 230 573	-	-	-	-	-	2 230 573	(1 901 546)	-	-	(130 538)	-	(2 032 084)	198 489
	2 230 573	-	-	-	-	-	2 230 573	(1 901 546)	-	-	(130 538)	-	(2 032 084)	198 489
Investment properties														
Investment property	25 097 000	7 339 272	-	-	-	-	32 436 272	-	-	-	-	-	-	32 436 272
	25 097 000	7 339 272	-	-	-	-	32 436 272	-	-	-	-	-	-	32 436 272
Total														
Land and buildings	38 520 963	1 289 438	-	-	-	-	39 810 401	(6 079 242)	-	-	(894 325)	(148 587)	(7 122 154)	32 688 247
Infrastructure	706 495 903	80 337 605	(57 593 277)	132 295	-	-	729 372 526	(201 318 931)	7 660 528	-	(29 366 042)	(2 236 242)	(225 260 687)	504 111 839
Community Assets	94 336 296	-	(29 861)	-	-	-	94 306 435	(12 597 671)	29 861	-	(2 233 255)	-	(14 801 065)	79 505 370
Heritage assets	1 230 799	-	-	-	-	-	1 230 799	-	-	-	-	-	-	1 230 799
Other assets	52 887 441	6 575 221	(1 706 630)	-	-	-	57 756 032	(21 426 993)	579 144	-	(6 968 488)	-	(27 816 337)	29 939 695
Intangible assets	2 230 573	-	-	-	-	-	2 230 573	(1 901 546)	-	-	(130 538)	-	(2 032 084)	198 489
Investment properties	25 097 000	7 339 272	-	-	-	-	32 436 272	-	-	-	-	-	-	32 436 272
	920 798 975	95 541 536	(59 329 768)	132 295	-	-	957 143 038	(243 324 383)	8 269 533	-	(39 592 648)	(2 384 829)	(277 032 327)	680 110 711

Winnie Madikizela-Mandela Local Municipality
Appendix D

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income	Actual Expenditure	Surplus /(Deficit)		Actual Income	Actual Expenditure	Surplus /(Deficit)
Rand	Rand	Rand		Rand	Rand	Rand
Municipality						
-	57 136 627	(57 136 627)	Executive & Council/Mayor and Council	-	58 412 740	(58 412 740)
306 600 455	96 855 769	209 744 686	Finance & Admin/Finance	374 263 556	86 226 771	288 036 785
306 862	19 308 642	(19 001 780)	Planning and Development/Economic Development/Plan	126 549	21 004 699	(20 878 150)
327 491	8 044 381	(7 716 890)	Comm. & Social/Libraries and archives	543 644	7 338 097	(6 794 453)
-	9 147	(9 147)	Housing	-	762 032	(762 032)
5 450 822	13 777 157	(8 326 335)	Public Safety/Police	4 284 845	14 082 610	(9 797 765)
-	7 496 637	(7 496 637)	Sport and Recreation	-	1 967 633	(1 967 633)
-	2 589 195	(2 589 195)	Environmental Protection/Pollution Control	-	1 572 412	(1 572 412)
9 825 113	18 271 497	(8 446 384)	Waste Water Management/Sewerage	7 369 174	23 255 990	(15 886 816)
53 946 982	46 899 090	7 047 892	Road Transport/Roads	45 459 000	45 335 129	123 871
59 438 905	96 848 174	(37 409 269)	Electricity /Electricity Distribution	67 708 794	79 676 484	(11 967 690)
-	2 219 677	(2 219 677)	Other/Air Transport	-	2 677 904	(2 677 904)
435 896 630	369 455 993	66 440 637		499 755 562	342 312 501	157 443 061

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Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2021

	Current year 2020 Act. Bal.	Current year 2020 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var
Revenue				
Property rates	20 144 667	25 188 979	(5 044 312)	(20.0) The billing relating to the above mentioned ERFno34 has been reversed in the current year.
Service charges	40 257 499	37 143 815	3 113 684	8.4
Rental of facilities and equipment	5 876 088	2 850 612	3 025 476	106.1 The excess actual revenue more than budget is due to increase lease rentals as a result of new lease agreements taht were signed in the current financial year.
Interest received	11 879 203	14 767 152	(2 887 949)	(19.6) The Covid-19 global pandemic lead to interest rate cuts which affected the level of return on invested funds.The impact of these interest cuts is material in the municipality, the municipality will continue to assess the impact as more data becomes available
Agency services	1 290 875	1 217 952	72 923	6.0
Fines	688 199	850 328	(162 129)	(19.1) The revenue for fines was adjusted down during the second adjustment budget based on the assessment of actual performance for fines billed. The decrease on fines, penalties and forfeits revenue might be due to lockdown regulation restricting movement, which had an impact on the number of offenders
Licences and permits	2 343 083	2 755 860	(412 777)	(15.0) The reduction on licence fees and permit revenue is due to the grace period announced by the Government on renewal of licences expiring during the National disaster state
Government grants and subsidies	415 425 820	433 406 355	(17 980 535)	(4.1)
Other income - (rollup)	780 835	1 397 551	(616 716)	(44.1) The reduction on building plans and vending income due to slow economy. The tender fees are no longer for sale, they are uploaded on portals.
	-	-	-	-
	498 686 269	519 578 604	(20 892 335)	(4.0)
Expenses				
Personnel	(110 026 158)	(119 194 138)	9 167 980	(7.7)
Remuneration of councillors	(23 964 375)	(25 035 684)	1 071 309	(4.3) The actual expenditure being less than budget is due to councillor increment that was budgeted for, however during the financial year the increment for councillor was not implemented as it was not Gazzeted.
Depreciation	(40 179 661)	(52 681 072)	12 501 411	(23.7) The depreciation budgeted for was based on old and new assets that were going to be procured and constructed. Most of the construction assets were not completed during the year
Finance costs	(1 473)	(150 000)	148 527	(99.0) During the financial year the municipality improved its internal controls on managing finance cost
Debt Impairment	(5 208 182)	(8 600 000)	3 391 818	(39.4) The municipality budgeted for debt impairment using the prior year provision, however this provision was adjusted due to reversal which was done on Property Rates.This resulted to municipality's debt impairment being less than the budget.
Bulk purchases	(35 021 699)	(34 615 563)	(406 136)	1.2
Contracted Services	-	-	-	-
Contracted Services	(33 367 359)	(93 387 540)	60 020 181	(64.3) The actual expenditure being less than budget is due to savings as result of implementation of cost containment measures
Transfers and subsidies	(4 498 717)	(7 017 652)	2 518 935	(35.9) The actual expenditure being less than budget is due to saving as a results of procurement delays
General Expenses	(46 620 022)	(71 844 665)	25 224 643	(35.1) The actual expenditure being less than budget is due to savings as result of implementation of cost containment measures.
	(298 887 646)	(412 526 314)	113 638 668	(27.5)
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	(43 424 855)	(36 276 515)	(7 148 340)	19.7 The variance on loss on disposal of asset is as a result of disposal of old roads at year end that were rehabilitated during the year
Fair value adjustments	1 069 294	-	1 069 294	- No surplus forecasted
	(42 355 561)	(36 276 515)	(6 079 046)	16.8
Net surplus/ (deficit) for the year	157 443 062	70 775 775	86 667 287	122.5

Winnie Madikizela-Mandela Local Municipality
Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June
2021

	Additions	Revised Budget	Variance	Variance	Explanation of significant
	Rand	Rand	Rand	%	variances from budget
Municipality					
Finance & Admin/Finance	8 469 665	13 368 484	4 898 819		37 Savings on procurement that was not done for Civic centre wifi, disaster recovery and CCTV cameras.
Planning and Development/Economic Development/Plan	44 271 011	59 578 676	15 307 665		26 Savings due to delays on Mputhumi Mafumbatha
Comm. & Social/Libraries and archives	979 707	1 900 000	920 293		48 The fencing of recreational facilities is still in progress, the project could not be completed.
Public Safety/Police	895 627	1 759 994	864 367		49 Savings on DLTC fencing, service provider was appointed with an amount below the budget
Waste Water Management/Sewerage	1 054 093	1 910 000	855 907		45 The supplier could not supply Refuse bakkie as per the specification.
Road Transport/Roads	51 576 521	50 740 165	(836 356)		(2)
Electricity /Electricity Distribution	34 185 254	30 022 746	(4 162 508)		(14) The expenditure exceeds budget due to due to the INEP approved roll over
	141 431 878	159 280 065	17 848 187	11	

Winnie Madikizela-Mandela Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by functional classification) for the year ended 30 June 2021

	2021/2020							2020/2019							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Functional															
Municipal governance and administration	321 684 048	54 164 622	375 848 670	-		375 848 670	374 263 556		(1 585 114)	100 %	116 %				306 600 455
Finance and administration	321 684 048	54 164 622	375 848 670	-		375 848 670	374 263 556		(1 585 114)	100 %	116 %				306 600 455
Community and public safety	4 941 552	1 104 765	6 046 317	-		6 046 317	4 828 489		(1 217 828)	80 %	98 %				5 778 313
Community and social services	180 864	1 202 533	1 383 397	-		1 383 397	543 644		(839 753)	39 %	301 %				327 491
Public safety	4 760 688	(97 768)	4 662 920	-		4 662 920	4 284 845		(378 075)	92 %	90 %				5 450 822
Economic and environmental services	48 612 108	14 494 974	63 107 082	-		63 107 082	45 585 549		(17 521 533)	72 %	94 %				54 253 844
Planning and development	563 112	17 084 974	17 648 086	-		17 648 086	126 549		(17 521 537)	1 %	22 %				306 862
Road transport	48 048 996	(2 590 000)	45 458 996	-		45 458 996	45 459 000		4	100 %	95 %				53 946 982
Trading services	70 838 945	3 737 573	74 576 518	-		74 576 518	75 077 968		501 450	101 %	106 %				69 264 018
Energy sources	63 969 012	3 221 589	67 190 601	-		67 190 601	67 708 794		518 193	101 %	106 %				59 438 905
Waste management	6 869 933	515 984	7 385 917	-		7 385 917	7 369 174		(16 743)	100 %	107 %				9 825 113
Total Revenue - Functional	446 076 653	73 501 934	519 578 587	-		519 578 587	499 755 562		(19 823 025)	96 %	112 %				435 896 630

Winnie Madikizela-Mandela Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by functional classification) for the year ended 30 June 2021

	2021/2020							2020/2019							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget (i.t.o. s28 and s31 of the MFMA)	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Functional															
Governance and administration	184 624 392	2 010 349	186 634 741	-	-	186 634 741	144 639 511	-	(41 995 230)	77 %	78 %	-	-	-	153 992 396
Executive and council	63 017 664	(2 188 279)	60 829 385	-	-	60 829 385	54 960 603	-	(5 868 782)	90 %	87 %	-	-	-	54 295 301
Finance and administration	116 149 524	3 734 768	119 884 292	-	-	119 884 292	86 226 771	-	(33 657 521)	72 %	74 %	-	-	-	96 855 769
Internal audit	5 457 204	463 860	5 921 064	-	-	5 921 064	3 452 137	-	(2 468 927)	58 %	63 %	-	-	-	2 841 326
Community and public safety	30 879 252	(144 583)	30 734 669	-	-	30 734 669	24 150 372	-	(6 584 297)	79 %	78 %	-	-	-	29 327 322
Community and social services	12 117 084	(623 500)	11 493 584	-	-	11 493 584	7 338 097	-	(4 155 487)	64 %	61 %	-	-	-	8 044 381
Sport and recreation	2 768 688	270 000	3 038 688	-	-	3 038 688	1 967 633	-	(1 071 055)	65 %	71 %	-	-	-	7 496 637
Public safety	15 013 500	208 917	15 222 417	-	-	15 222 417	14 082 610	-	(1 139 807)	93 %	94 %	-	-	-	13 777 157
Housing	979 980	-	979 980	-	-	979 980	762 032	-	(217 948)	78 %	78 %	-	-	-	9 147
Economic and environmental services	100 215 900	7 995 577	108 211 477	-	-	108 211 477	67 912 240	-	(40 299 237)	63 %	68 %	-	-	-	68 796 927
Planning and development	28 221 252	6 473 867	34 695 119	-	-	34 695 119	21 004 699	-	(13 690 420)	61 %	74 %	-	-	-	19 308 642
Road transport	69 641 208	1 560 478	71 201 686	-	-	71 201 686	45 335 129	-	(25 866 557)	64 %	65 %	-	-	-	46 899 090
Environmental protection	2 353 440	(38 768)	2 314 672	-	-	2 314 672	1 572 412	-	(742 260)	68 %	67 %	-	-	-	2 589 195
Trading services	103 890 501	15 995 230	119 885 731	-	-	119 885 731	102 932 474	-	(16 953 257)	86 %	99 %	-	-	-	115 119 671
Energy sources	77 926 884	15 247 277	93 174 161	-	-	93 174 161	79 676 484	-	(13 497 677)	86 %	102 %	-	-	-	96 848 174
Waste management	25 963 617	747 953	26 711 570	-	-	26 711 570	23 255 990	-	(3 455 580)	87 %	90 %	-	-	-	18 271 497
Other	3 580 128	(243 896)	3 336 232	-	-	3 336 232	2 677 904	-	(658 328)	80 %	75 %	-	-	-	-
Other	3 580 128	(243 896)	3 336 232	-	-	3 336 232	2 677 904	-	(658 328)	80 %	75 %	-	-	-	2 219 677
Total Expenditure - Functional	423 190 173	25 612 677	448 802 850	-	-	448 802 850	342 312 501	-	(106 490 349)	76 %	81 %	-	-	-	369 455 993
Surplus/(Deficit) for the year	22 886 480	47 889 257	70 775 737	-	-	70 775 737	157 443 061	-	86 667 324	222 %	688 %	-	-	-	66 440 637

Winnie Madikizela-Mandela Local Municipality

Appendix G2

Budgeted Financial Performance (revenue and expenditure by municipal vote) for the year ended 30 June 2021

	2021/2020							2020/2019							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Budget and Treasury	296 214 612	54 164 640	350 379 252	-		350 379 252	354 705 122		4 325 870	101 %	120 %				306 248 180
Corporate Services	280 464	-	280 464	-		280 464	404 673		124 209	144 %	144 %				352 274
Development and Planning	25 621 097	17 059 349	42 680 446	-		42 680 446	19 266 918		(23 413 528)	45 %	75 %				110 425
Community and Social Services	11 811 468	1 620 766	13 432 234	-		13 432 234	12 197 664		(1 234 570)	91 %	103 %				15 604 227
Infrastructure and Planning	48 180 000	(2 564 392)	45 615 608	-		45 615 608	45 472 391		(143 217)	100 %	94 %				54 143 418
Electricity	63 969 012	3 221 589	67 190 601	-		67 190 601	67 708 793		518 192	101 %	106 %				59 438 106
Total Revenue by Vote	446 076 653	73 501 952	519 578 605	-		519 578 605	499 755 561		(19 823 044)	96 %	112 %				435 896 630
Expenditure by Vote to be appropriated															
Mayor and Council	44 728 488	(1 378 619)	43 349 869	-		43 349 869	37 543 849		(5 806 020)	87 %	84 %	-	-	-	39 327 894
Municipal Manager	38 392 224	(143 884)	38 248 340	-		38 248 340	33 944 893		(4 303 447)	89 %	88 %	-	-	-	30 170 438
Budget and Treasury	30 707 292	4 089 536	34 796 828	-		34 796 828	21 934 645		(12 862 183)	63 %	71 %	-	-	-	25 841 753
Corporate Services	55 364 520	(233 871)	55 130 649	-		55 130 649	38 337 556		(16 793 093)	70 %	69 %	-	-	-	47 044 422
Development and Planning	25 425 061	6 063 275	31 488 336	-		31 488 336	15 968 670		(15 519 666)	51 %	63 %	-	-	-	16 059 774
Community and Social Services	75 969 144	436 909	76 406 053	-		76 406 053	62 981 887		(13 424 166)	82 %	83 %	-	-	-	63 663 161
Infrastructure and Planning	74 676 636	1 531 960	76 208 596	-		76 208 596	51 924 507		(24 284 089)	68 %	70 %	-	-	-	50 500 516
Electricity	77 926 884	15 247 285	93 174 169	-		93 174 169	79 676 494		(13 497 675)	86 %	102 %	-	-	-	96 847 851
Total Expenditure by Vote	423 190 249	25 612 591	448 802 840	-		448 802 840	342 312 501		(106 490 339)	76 %	81 %	-	-	-	369 455 809
Surplus/(Deficit) for the year	22 886 404	47 889 361	70 775 765	-		70 775 765	157 443 060		86 667 295	222 %	688 %				66 440 821