



Winnie Madikizela-Mandela Local Municipality
Audited Annual Financial Statements
for the year ended 30 June 2023

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

General Information

Nature of business and principal activities

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

TROIKA

Mayor

T.D Mafumbatha

Speaker

Z. Mhlwazi

Whip of Council

M.C Mpetshwa

Executive committee

N. Madikizela

L Makholosa

Y. Govana

N. Dlamini

N.E. Cengimbo

P.B. Majavu

S. Madikizela/N Langasiki

L.G. Mcambalala

N.M. Njomi

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

General Information

Councillors

N. Kwelemtini
E. Voko
B. Luwele
F.N. Sobazile
B Matshoba
N. Mgozozana
N. Sikibi
S.P. Madikizela
K Zinya
N. Madikizela
R.F. Madikizela
S. Mphoswa
M. Mbele
F.N. Nyathi
N.P Mavundla
T.Z. Noconjo
S.V. Mfolozi
L. Nomazele
M.S. Msindo
N. Majova
T. Dlamini
A. Maquthu
X. Bhabhazela
X. Ntsethe
S.M. Nomvalo
A.D. Diya
M.W. Dlamini
Z.H. Dyarvane
M.C. Mbodiya
N. Doko
S. Yalo
M. Manci
M. Ndovela
B. Qalaba
A.I Guqaza
S.W. Jayiya
F. Bewu
L.Maqoga
Z.P. Ndebele
N. Giyama-Bongwana
I.M. Sobuka
N. Madikizela
N.L. Xhalabile
Z.L Nelisi
Z. Moya
L.V. Nomaqhiza
B.W. Mangqalaza
P. Siramza
L. Silangwe
N. Langasiki/N Nxasana
F. Siramza
P. Nophinga

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

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
Auditors	Auditor General of South Africa Registered Auditors

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act (Act 56 of 20023)
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
DSRAC	Department of Sport, Recreation, Arts and Culture
INEP	Intergrated National Electrification Programme

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

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 are 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 annual 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 Cooperative Governance & Traditional Affairs 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 2024 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 6 to 105, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2023 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 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	7	1 383 544	449 850
Operating lease asset	8	15 435 571	11 731 524
Other Receivables from exchange transactions	9	1 184 466	2 373 190
Receivables from non-exchange transactions	10	2 226 890	1 727 859
Statutory receivables	11	60 288 802	50 579 522
Prepayments	12	4 720 631	12 118 629
Receivables from exchange transactions	13	22 749 772	24 881 324
Cash and cash equivalents	14	360 015 400	277 108 823
		468 005 076	380 970 721
Non-Current Assets			
Investment property	3	42 209 500	40 471 783
Property, plant and equipment	4	837 613 343	767 897 324
Intangible assets	5	631 422	43 247
Heritage assets	6	1 260 799	1 260 799
		881 715 064	809 673 153
Total Assets		1 349 720 140	1 190 643 874
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	52 743 548	52 834 431
Consumer deposits	16	497 247	505 877
Unspent conditional grants and receipts	17	8 198 501	7 445 110
Provisions	18	19 918 118	21 278 518
		81 357 414	82 063 936
Non-Current Liabilities			
Provisions	18	11 484 800	22 483 946
Total Liabilities		92 842 214	104 547 882
Net Assets		1 256 877 926	1 086 095 992
Accumulated surplus		1 256 877 926	1 086 095 992
Total Net Assets		1 256 877 926	1 086 095 992



WINNIE MADIKIZELA-MANDELA
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PO BOX 12 BIZANA 4330

2023 -11- 30

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 2023

Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	45 326 090	42 138 922
Rental of facilities and equipment	22	7 575 950	7 682 087
Agency services	23	1 360 653	1 202 470
Commissions received	24	164 806	144 819
Recoveries	24	78 500	364 022
Provision reduction	24	10 762 956	-
Other income	24	179 573	1 814 543
Interest received	25	28 370 870	15 385 924
Total revenue from exchange transactions		93 819 398	68 732 787
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	21 160 320	21 163 194
Licences and Permits	27	2 169 042	2 141 209
Transfer revenue			
Government grants & subsidies	28	437 000 999	375 834 380
Government donations	29	479 356	78 999
Fines, Penalties and Forfeits	30	1 224 575	386 474
Total revenue from non-exchange transactions		462 034 292	399 604 256
Total revenue	20	555 853 690	468 337 043
Expenditure			
Employee related costs	31	(125 614 323)	(117 626 288)
Remuneration of councillors	32	(26 320 579)	(25 009 923)
Depreciation and amortisation	33	(40 770 267)	(44 118 366)
Impairments	34	(991 512)	(8 555 816)
Interest and penalties	59	-	(50 372)
Lease rentals on operating lease	35	(4 736 656)	(3 643 567)
Debt Impairment	36	(1 404 083)	(821 631)
Bulk purchases	37	(42 241 255)	(40 211 160)
Contracted services	38	(43 804 603)	(55 610 747)
Transfers and Subsidies	39	(2 593 275)	(1 251 198)
General Expenses	40	(58 422 552)	(64 282 096)
Total expenditure		(346 899 105)	(361 181 164)
Operating Surplus (deficit)		208 954 585	107 155 879
Loss on disposal of assets and liabilities	41	(39 910 700)	(47 394 082)
Fair value adjustments	42	1 737 717	3 843 000
		(38 172 983)	(43 551 082)
Surplus for the year		170 781 602	63 604 797



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* See Note 58 & 57

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / (deficit)	Total net assets
Opening balance as previously reported	1 028 872 464	1 028 872 464
Adjustments		
Prior year adjustments 58	(6 381 269)	(6 381 269)
Balance at 01 July 2021 as restated*	1 022 491 195	1 022 491 195
Surplus/(Deficit) for the year	63 604 797	63 604 797
Total changes	63 604 797	63 604 797
Opening balance as previously reported	1 086 096 324	1 086 096 324
Restated* Balance at 01 July 2022 as restated*	1 086 096 324	1 086 096 324
Surplus/(Deficit) for the year	170 781 602	170 781 602
Total changes	170 781 602	170 781 602
Balance at 30 June 2023	1 256 877 926	1 256 877 926

Note(s)



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* See Note 58 & 57

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		78 006 301	72 120 922
Grants		437 754 390	378 221 076
Interest income		28 370 870	15 385 924
		<u>544 131 561</u>	<u>465 727 922</u>
Payments			
Employee costs		(151 934 902)	(142 636 211)
Suppliers		(160 067 659)	(144 281 601)
Interest and penalties		-	(50 372)
		<u>(312 002 561)</u>	<u>(286 968 184)</u>
Net cash flows from operating activities	44	<u>232 129 000</u>	<u>178 759 738</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(148 622 423)	(159 792 150)
Proceeds from sale of property, plant and equipment	4	-	9 022
Purchase of other intangible assets	5	(600 000)	-
Purchase of heritage assets	6	-	(30 000)
		<u>(149 222 423)</u>	<u>(159 813 128)</u>
Net increase/(decrease) in cash and cash equivalents		82 906 577	18 946 610
Cash and cash equivalents at the beginning of the year		277 108 823	258 162 213
Cash and cash equivalents at the end of the year	14	<u>360 015 400</u>	<u>277 108 823</u>

The accounting policies on pages 13 to 43 and the notes on pages 43 to 105 form an integral part of the audited annual financial statements.



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* See Note 58 & 57

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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	36 679 585	4 667 689	41 347 274	45 326 090	3 978 816	
Rental of facilities and equipment	3 893 452	605 000	4 498 452	7 575 950	3 077 498	
Agency services	1 400 874	120 000	1 520 874	1 360 653	(160 221)	
Commissions received	136 726	27 000	163 726	164 806	1 080	
Recoveries	-	-	-	78 500	78 500	
Other income 1	-	-	-	10 762 956	10 762 956	
Other income - (rollup)	383 268	321 373	704 641	179 573	(525 068)	
Interest received - investment	15 138 171	9 330 000	24 468 171	28 370 870	3 902 699	
Total revenue from exchange transactions	57 632 076	15 071 062	72 703 138	93 819 398	21 116 260	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	21 468 489	-	21 468 489	21 160 320	(308 169)	
Licences and Permits (Non-exchange)	2 403 886	-	2 403 886	2 169 042	(234 844)	
Transfer revenue						
Government grants & subsidies	338 351 500	12 572 200	350 923 700	343 329 882	(7 593 818)	
Government Donations	-	-	-	479 356	479 356	
Fines, Penalties and Forfeits	592 627	-	592 627	1 224 575	631 948	
Total revenue from non-exchange transactions	362 816 502	12 572 200	375 388 702	368 363 175	(7 025 527)	
Total revenue	420 448 578	27 643 262	448 091 840	462 182 573	14 090 733	
Expenditure						
Personnel	(124 799 443)	2 747 750	(122 051 693)	(125 614 323)	(3 562 630)	
Remuneration of councillors	(27 047 160)	-	(27 047 160)	(26 320 579)	726 581	
Depreciation and amortisation	(49 735 160)	-	(49 735 160)	(40 770 267)	8 964 893	
Impairment loss/ Reversal of impairments	-	-	-	(991 512)	(991 512)	
Finance costs	(100 000)	-	(100 000)	-	100 000	
Lease rentals on operating lease	(5 705 000)	473 000	(5 232 000)	(4 736 656)	495 344	
Debt Impairment	(9 600 000)	-	(9 600 000)	(1 404 083)	8 195 917	
Bulk purchases	(40 005 406)	-	(40 005 406)	(42 241 255)	(2 235 849)	
Contracted Services	(86 644 039)	(12 830 614)	(99 474 653)	(43 804 603)	55 670 050	
Transfers and Subsidies	(3 200 000)	(149 200)	(3 349 200)	(2 593 275)	755 925	
Loss on disposal of assets	-	(36 336 122)	(36 336 122)	(39 910 700)	(3 574 578)	
General Expenses	(84 482 031)	(4 552 492)	(89 034 523)	(58 422 552)	30 611 971	
Total expenditure	(431 318 239)	(50 647 678)	(481 965 917)	(386 809 805)	95 156 112	
Operating surplus	(10 869 661)	(23 004 416)	(33 874 077)	75 372 768	109 246 845	
Transfer recognised- capital contribution	82 287 958	24 927 408	107 215 366	93 671 117	(13 544 249)	
Fair value adjustments	-	-	-	1 737 717	1 737 717	
Surplus before taxation	71 418 297	1 922 992	73 341 289	170 781 602	97 440 313	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	71 418 297	1 922 992	73 341 289	170 781 602	97 440 313	

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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	1 878 226	(711 659)	1 166 567	1 383 544	216 977	
Operating lease asset	-	-	-	15 435 571	15 435 571	
Other Receivables from exchange transactions	-	-	-	1 184 466	1 184 466	
Receivables from non-exchange transactions	19 654 385	18 084 389	37 738 774	2 226 890	(35 511 884)	
Statutory receivables	-	-	-	60 288 802	60 288 802	
Prepayments	-	-	-	4 720 631	4 720 631	
Consumer debtors	31 799 089	11 214 685	43 013 774	22 749 772	(20 264 002)	
Cash and cash equivalents	385 302 529	(41 891 130)	343 411 399	360 015 400	16 604 001	
	438 634 229	(13 303 715)	425 330 514	468 005 076	42 674 562	
Non-Current Assets						
Investment property	36 654 783	2 435 400	39 090 183	42 209 500	3 119 317	
Property, plant and equipment	759 811 109	71 009 975	830 821 084	837 613 343	6 792 259	
Intangible assets	-	43 247	43 247	631 422	588 175	
Heritage assets	1 230 799	30 000	1 260 799	1 260 799	-	
	797 696 691	73 518 622	871 215 313	881 715 064	10 499 751	
Total Assets	1 236 330 920	60 214 907	1 296 545 827	1 349 720 140	53 174 313	
Liabilities						
Current Liabilities						
Payables from exchange transactions	44 405 869	37 711 791	82 117 660	52 743 548	(29 374 112)	
Consumer deposits	504 619	1 258	505 877	497 247	(8 630)	
Unspent conditional grants and receipts	-	-	-	8 198 501	8 198 501	
Provisions	19 990 418	317 241	20 307 659	19 918 118	(389 541)	
	64 900 906	38 030 290	102 931 196	81 357 414	(21 573 782)	
Non-Current Liabilities						
Provisions	5 246 062	17 237 884	22 483 946	11 484 800	(10 999 146)	
Total Liabilities	70 146 968	55 268 174	125 415 142	92 842 214	(32 572 928)	
Net Assets	1 166 183 952	4 946 733	1 171 130 685	1 256 877 926	85 747 241	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 166 183 952	4 946 733	1 171 130 685	1 256 877 926	85 747 241	

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual 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	115 975 309	30 441 065	146 416 374	78 006 301	(68 410 073)	
Grants	420 639 458	42 240 000	462 879 458	437 754 390	(25 125 068)	
Interest income	9 760 440	9 330 000	19 090 440	28 370 870	9 280 430	
	546 375 207	82 011 065	628 386 272	544 131 561	(84 254 711)	
Payments						
Employee costs	(147 211 180)	(3 455 018)	(150 666 198)	(151 934 902)	(1 268 704)	
Suppliers	(220 620 432)	(19 450 908)	(240 071 340)	(160 067 659)	80 003 681	
Interest and penalties	(100 000)	-	(100 000)	-	100 000	
	(367 931 612)	(22 905 926)	(390 837 538)	(312 002 561)	78 834 977	
Net cash flows from operating activities	178 443 595	59 105 139	237 548 734	232 129 000	(5 419 734)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(129 967 956)	(41 278 173)	(171 246 129)	(148 622 423)	22 623 706	
Purchase of other intangible assets	-	-	-	(600 000)	(600 000)	
Net cash flows from investing activities	(129 967 956)	(41 278 173)	(171 246 129)	(149 222 423)	22 023 706	
Net increase/(decrease) in cash and cash equivalents	48 475 639	17 826 966	66 302 605	82 906 577	16 603 972	
Cash and cash equivalents at the beginning of the year	336 826 809	(59 717 986)	277 108 823	277 108 823	-	
Cash and cash equivalents at the end of the year	385 302 448	(41 891 020)	343 411 428	360 015 400	16 603 972	

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1. Presentation of Audited Annual Financial Statements

The principal accounting policies applied in the preparation of these audited annual financial statements are set out below.

1.1 Basis of preparations

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

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

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.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 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.

1.4 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 Allowance for doubtful debts 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/service 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 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.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 18 - Provisions.

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 / Dumping site

The municipality has an obligation to rehabilitate its landfill sites in terms of National Environment Management Act, the Water Act and the Waste Management series as promulgated by the Department of Water and Sanitation. A 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 19 and 47 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.

1.5 Investment property

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

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

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

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

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

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

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

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Accounting Policies

1.5 Investment property (continued)

Fair value

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

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

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

If the 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.

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.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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.

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

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

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.6 Property, plant and equipment (continued)

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).

1.7 Intangible assets

An asset is identifiable if it either:

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

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

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Accounting Policies

1.7 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. 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 - 10 years

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

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.8 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.

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.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- 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
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Cash and Cash equivalents	Financial asset measured at amortised cost

The municipality 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
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost
Consumer Deposit	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.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.8 Financial instruments (continued)

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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 (where applicable) is in fact a loan. On initial recognition, the municipality analyses a concessionary loan (where applicable) into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan (where applicable) 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 (where applicable):

- 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 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 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.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.8 Financial instruments (continued)

Financial assets measured at cost:

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

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).

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.8 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.

1.9 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 municipality 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.

1.10 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 replacement 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.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.10 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.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.11 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.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.11 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

1.11 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.

1.12 Impairment of non-cash-generating assets

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

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

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Accounting Policies

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

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.

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

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

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the 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 non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

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Accounting Policies

1.13 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.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.13 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.

An employee shall qualify for the following additional leave together with the following monetary awards as recognition for continuous service at the completion of the following:

- 1) 5 years' service: 5 days accumulative leave plus a once off payment equal to 2% of the employee's annual salary.
- 2) 10 year's service: 10 days accumulative leave plus a once off payment equal to 3% of the employee's annual salary.
- 3) 15 year's service: 15 days accumulative leave plus a once off payment equal to 4% of the employee's annual salary.
- 4) 20 year's service: 15 days accumulative leave plus a once off payment equal to 5% of the employee's annual salary.
- 5) 25 year's service: 15 days accumulative leave plus a once off payment equal to 6% of the employee's annual salary.
- 6) 30, 35, 40, 45(or more years service): 15 days accumulative leave plus a once off payment equal to 6% of the employee's annual salary.

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.

Performance Bonuses

The municipality provides performance bonuses for rewarding an outstanding performance of senior managers. A performance bonus ranging from 5% to 14% of all inclusive remuneration package may be paid to a senior manager in recognition of such outstanding performance.

In determining the performance bonus the relevant percentage is based on the overall rating, calculated by using the applicable assessment-rating calculator provided that:

- a score of 130% to 149% is awarded a performance bonus ranging from 5% to 9% and
- a score of 150% and above is awarded a performance bonus ranging from 10% to 14%

1.14 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.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.14 Provisions and contingencies (continued)

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

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

If the 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 the municipality:

- 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

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 the breache 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 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 / Dumping site

The provision for rehabilitation of landfill / dumping site relates to the legal obligation to rehabilitate the landfill / dumping 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.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.15 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 a three months 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 qualifies to be rendered a service. Tariffs are determined per category of property usage, and are levied monthly based on the approved (determined) number of refuse collection 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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.15 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 municipal 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 municipal 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.

1.16 Revenue from non-exchange transactions

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

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

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

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

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

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

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

Recognition

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

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

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

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

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

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

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

Taxation revenue are not grossed up for the amount of tax expenditures.

Fines

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

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

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

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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.

1.17 Investment income

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

1.18 Borrowing costs

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

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

1.19 Comparative figures

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

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.19 Comparative figures (continued)

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 58** 'Prior Period Errors' to the financial statements.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

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.

1.21 Fruitless and wasteful expenditure

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

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

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

1.22 Irregular expenditure

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

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

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

- (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);
- (d) 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
- (e) 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 annual 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 annual 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.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.22 Irregular expenditure (continued)

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.

1.23 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.

1.24 Segment information

A segment is an activity of the municipality:

- 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.

1.25 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.

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 58 of the financial statements where applicable.

1.26 Budget information

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

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

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.26 Budget information (continued)

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.

1.27 Related parties

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

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

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the 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.

1.28 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.

1.29 Events after reporting date

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

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

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

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

1.30 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

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.31 Prepayments

Prepayments are future payments made in advance for services or goods to be delivered in a future period that are recorded in the municipality's statement of financial position as assets at year end, and also when the municipality will benefit from early settlement discounts from subscriptions.

The municipality only limits prepayments to capital expenditure where the municipality is still contracted with the service providers for acquisition or construction of municipal assets.

The municipality also permits prepayments to take advantage of early settlement discounts on subscription fees for professional bodies as well as membership fees and also to avoid penalties on such when these are required to be settled before the start of the subscription period. Examples of these include subscriptions such as SALGA levies.

Prepayments on capital programs are made as part of the municipality's attempt to assist small business to speed up delivery, where materials are required to complete works from distributors that normally require payment upfront to supply the materials required. Examples of these include electricity meters from Eskom, building material, concrete materials and other types of materials that contractors do not necessarily produce. Prepayments are made either at the request of the contractors or at the recommendation of the municipality, these requests may either be in writing or verbal during project management engagements.

For infrastructure projects the municipality only makes prepayments where the amount will not result in the whole contract value being paid, this means that the municipality may still have mechanisms to recover the amount in terms of future work delivered.

Sometimes prepayments are made to lock the prices for the goods and services that may change and benefit from the discounts that are being offered.

Recognition

Prepayments are considered current assets because they are amounts paid in advance by the municipality in exchange for goods or services to be delivered in the future. Prepayments relate to purchase of something that provides value to the municipality over several accounting periods or as part of the agreements entered into between a service provider and the municipality. The municipality records a prepayment as an asset on the statement of financial position because it represents a future benefit due to the municipality. As the benefit of the goods or service are realised, the asset's value is decreased or cleared and the amount is added to the respective asset being acquired or expensed as may be necessary. At the end of each reporting date the municipality confirms whether delivery has taken place or not.

Disclosure

The municipality discloses the following information at each reporting date relating prepayments

- Amounts paid
- Name of company paid
- Reasons for payment

Derecognition

Prepayments are derecognised in the municipality's books when the goods or services have been received and transferred to the corresponding asset being acquired or constructed or expensed in the municipality's statement of financial performance as may be necessary.

1.32 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.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.32 Heritage assets (continued)

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 heritage 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.

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).

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.33 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
- 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 municipality 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 municipality 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.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.33 Statutory receivables (continued)

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, the 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 municipality 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
- 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 municipality 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.

1.34 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.

Winnie Madikizela-Mandela Local Municipality

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Accounting Policies

1.34 Accounting by principals and agents (continued)

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.

1.35 Contingent assets and contingent liabilities

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

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 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 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none">• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">• Guideline: Guideline on Accounting for Landfill Sites	01 April 2019	Not expected to impact results but may result in additional disclosure
<ul style="list-style-type: none">• GRAP 25 (as revised): Employee Benefits	01 April 2019	Not expected to impact results but may result in additional disclosure
<ul style="list-style-type: none">• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2019	Not expected to impact results but may result in additional disclosure

Winnie Madikizela-Mandela Local Municipality

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3. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	42 209 500	-	42 209 500	40 471 783	-	40 471 783

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Investment property	40 471 783	1 737 717	42 209 500

Reconciliation of investment property - 2022

	Opening balance	Transfers	Fair value adjustments	Total
Investment property	36 654 783	1 381 500	2 435 500	40 471 783

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 2023

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2023

2022

3. Investment property (continued)

Details of valuation

The effective date of the revaluations was 30 June 2023. 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 42 209 500 (2022: 40 471 783), where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptions were used:

Discount rate

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	7 575 950	7 682 087
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Winnie Madikizela-Mandela Local Municipality

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4. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3 128 628	-	3 128 628	3 148 628	-	3 148 628
Buildings	30 210 085	(7 012 400)	23 197 685	29 461 646	(6 337 119)	23 124 527
Plant and machinery	25 049 766	(16 985 199)	8 064 567	24 881 652	(15 403 143)	9 478 509
Furniture and fixtures	28 336 609	(21 399 229)	6 937 380	26 286 731	(19 879 588)	6 407 143
Motor vehicles	16 888 020	(7 510 560)	9 377 460	12 850 691	(6 600 807)	6 249 884
Infrastructure	728 181 241	(295 749 970)	432 431 271	664 638 294	(265 997 952)	398 640 342
Community	210 167 147	(28 987 451)	181 179 696	127 008 101	(24 455 300)	102 552 801
Work in progress	173 296 656	-	173 296 656	218 295 490	-	218 295 490
Total	1 215 258 152	(377 644 809)	837 613 343	1 106 571 233	(338 673 909)	767 897 324

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	3 148 628	-	(20 000)	-	-	-	-	-	3 128 628
Buildings	23 124 527	748 440	-	-	-	(675 282)	-	-	23 197 685
Plant and machinery	9 478 509	168 114	-	-	-	(1 563 937)	(18 119)	-	8 064 567
Furniture and fixtures	6 407 143	3 120 966	(91 736)	79 700	-	(2 408 245)	(170 448)	-	6 937 380
Motor vehicles	6 249 884	4 457 473	(775 328)	399 656	-	(954 225)	-	-	9 377 460
Infrastructure	398 640 342	64 621 999	(2 239 026)	-	2 835 504	(30 624 603)	(1 732 429)	929 484	432 431 271
Community	102 552 801	7 069 812	-	-	76 089 234	(4 532 151)	-	-	181 179 696
Work in progress	218 295 490	70 273 097	(34 510 049)	-	(80 761 882)	-	-	-	173 296 656
	767 897 324	150 459 901	(37 636 139)	479 356	(1 837 144)	(40 758 443)	(1 920 996)	929 484	837 613 343

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	3 148 628	-	-	-	-	-	-	3 148 628
Buildings	23 755 900	-	(20 129)	-	63 000	(674 244)	-	23 124 527
Plant and machinery	12 529 546	119 400	(276 652)	-	-	(2 893 785)	-	9 478 509
Furniture and fixtures	8 957 466	1 838 653	(15 901)	78 999	-	(4 452 074)	-	6 407 143
Motor vehicles	10 133 337	-	(1 696 740)	-	-	(2 186 713)	-	6 249 884
Infrastructure	392 127 020	49 246 343	(16 256 037)	1 432 000	7 210 136	(31 004 067)	(4 115 053)	398 640 342
Community	83 755 070	13 130 028	(139 656)	-	13 129 537	(2 881 415)	(4 440 763)	102 552 801
Work in progress	165 166 168	102 414 244	(28 882 249)	-	(20 402 673)	-	-	218 295 490
	699 573 135	166 748 668	(47 287 364)	1 510 999	-	(44 092 298)	(8 555 816)	767 897 324

Pledged as security

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

Depreciation rates

Land		Indefinite
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
Waste disposal site	Straight-line	15-30 years

Winnie Madikizela-Mandela Local Municipality

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4. Property, plant and equipment (continued)

Capitalised expenditure (excluding borrowing costs)

Buildings	748 440	-
Plant and machinery	168 114	119 400
Furniture and fixtures	3 120 966	1 838 653
Motor vehicles	4 457 473	-
Infrastructure	64 621 999	49 246 343
Community	7 069 812	13 130 028
Work in progress	70 273 097	102 414 244
	150 459 901	166 748 668

Compensation received for losses on property, plant and equipment

IT equipment	25 550	9 022
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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 property, plant and equipment	6 301 365	4 809 316
Infrastructure	79 941 918	63 436 528
Community	87 053 373	150 049 646
	173 296 656	218 295 490

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

Community Assets	58 470 995	58 470 995
Bizana Sport field was previously delayed due to lack of funding, however the municipality has agreed to fund the construction as a multi year project that is scheduled to be completed in 2023		
Road Infrastructure	25 285 121	6 343 328
Sidanga Access Road delayed due to the fine municipality received from DEDEA for working without the ORD.		
Electricity Projects	8 945 333	8 945 333
8 MVA Backbone line that has been delayed by approvals required from Eskom that took longer than expected.		
	92 701 449	73 759 656

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	63 436 528	150 049 646	4 809 316	218 295 490
Additions/capital expenditure	53 850 926	14 930 104	1 492 049	70 273 079
Disposal (Transfer to ESKOM)	(34 510 050)	-	-	(34 510 050)
Transferred to completed items	(2 835 486)	(77 926 377)	-	(80 761 863)
	79 941 918	87 053 373	6 301 365	173 296 656

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	60 885 921	100 004 458	4 275 789	165 166 168
Additions/capital expenditure	38 642 992	63 174 724	596 527	102 414 243
Disposals(Transfer to ESKOM)	(28 882 249)	-	-	(28 882 249)
Transferred to completed items	(7 210 136)	(13 129 536)	(63 000)	(20 402 672)
	63 436 528	150 049 646	4 809 316	218 295 490

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

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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	5 782 340	5 143 301
Contracted services	11 478 859	12 443 946
General expenses	6 817	983 249
	17 268 016	18 570 496

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	168 114	119 400
Infrastructure Assets			
Municipal Infrastructure Grant	Government Grant	14 167 227	20 609 587
Internally generated funds	Own revenue	22 479 507	28 636 756
Disaster Recovery Grant	Type 1	27 975 265	-
Community Assets			
Internally generated funds	Own revenue	7 069 812	6 962 495
Municipal Infrastructure Grant	Government Grant	-	6 167 533
Furniture and fixtures			
Internally generated funds	Own revenue	3 120 966	1 838 653
Transport Assets			
Internally generated funds	Own revenue	4 457 473	-
Work in progress			
Municipal Infrastructure Grant	Government grant	20 730 658	21 507 015
Integrated National Electrification Grant	Government Grant	14 432 317	15 591 909
Internally generated funds	Own revenue	25 991 049	64 718 794
General Budget Support Grant(GBS)	Government grant	996 995	596 527
Disaster Recovery Grant	Government Grant	8 122 068	-
Buildings			
Internally generated funds	Own revenue	748 440	-
		150 459 901	166 748 668

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

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 740 673	(2 109 251)	631 422	2 230 573	(2 187 326)	43 247

Reconciliation of intangible assets - 2023

Computer software, other	Opening balance	Additions	Amortisation	Total
	43 247	600 000	(11 825)	631 422

Reconciliation of intangible assets - 2022

Computer software, other	Opening balance	Amortisation	Total
	69 315	(26 068)	43 247

Pledged as security

There are no intangible assets pledged as security:

Winnie Madikizela-Mandela Local Municipality

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6. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	30 000	-	30 000	30 000	-	30 000
Historical monuments	1 230 799	-	1 230 799	1 230 799	-	1 230 799
Total	1 260 799	-	1 260 799	1 260 799	-	1 260 799

Reconciliation of heritage assets 2023

Art Collections, antiquities and exhibits	Opening balance	Total
Historical monuments	30 000	30 000
	1 230 799	1 230 799
	1 260 799	1 260 799

Reconciliation of heritage assets 2022

Art Collections, antiquities and exhibits	Opening balance	Additions	Total
Historical monuments	-	30 000	30 000
	1 230 799	-	1 230 799
	1 230 799	30 000	1 260 799

Restrictions on heritage assets

There are no restrictions on heritage assets:

Pledged as security

There are no heritage assets pledged as security:

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

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	2023	2022
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7. Inventories

Inventories	1 401 273	449 850
Inventories (write-downs)	1 401 273 (17 729)	449 850 -
	1 383 544	449 850

Inventory pledged as security

There is no Inventory pledged as security.

8. Operating lease asset

Current assets	15 435 571	11 731 524
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Certain of the municipality's property is held to generate rental income. Lease agreements 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	829 225	2 014 706
Consumer debtors - Electricity	355 241	358 484
	1 184 466	2 373 190

Details of other receivables from exchange transactions

Trade Debtors	829 225	2 014 706
Consumer debtors - Land Sales	210 030	210 030
Allowance for doubtful debts consumer debtors - Land sales	(210 030)	(210 030)
Consumer debtors - Electricity	956 457	956 457
Allowance for doubtful debts consumer debtors - Electricity	(601 216)	(597 973)
	1 184 466	2 373 190

Financial asset receivables included in receivables from exchange transactions above

	-	-
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Total receivables from exchange transactions

There are no other receivables from exchange transaction that were pledged as security

Fair value of trade and other receivables

Other receivables from exchange transactions	1 184 466	2 373 190
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Other receivables from exchange transactions past due but not impaired

Other trade and other receivables from exchange transactions 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 2023 and 30 June 2022.

Other receivables from exchange transactions impaired

As of 30 June 2023, trade and other receivables of 1 166 487 (2022: 1 166 487) were impaired and provided for.

The amount of the provision was 811 246 as of 30 June 2023 (2022: 808 003).

The ageing of these loans is as follows:

Over 6 months	1 166 487	1 166 487
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Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand

	2023	2022
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10. Receivables from non-exchange transactions

Contractor receivables	1 083 620	418 046
Recoveries	375 856	535 000
Staff debts	99 044	105 845
Payroll debtors	182 839	182 839
Overpayment - Councillors remuneration	485 531	486 129
	2 226 890	1 727 859

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	2 226 890	1 727 859
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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 2023

Notes to the Audited Annual Financial Statements

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11. Statutory receivables		
The municipality had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition and subsequent measurement:		
Fines	2 637 434	1 502 694
These are receivables as a result of transgressions of laws and by-laws		
Fines impairment	(1 122 440)	(1 063 893)
This is impairment based on past experience and assessment of the category of debtors terms of the policy on debt impairment		
Property Rates	46 577 165	42 102 614
These are receivables arising from the Municipal Property Rates Act		
Property Rates Impairment	(5 424 491)	(4 814 712)
This is impairment based on past experience and assessment of the individual debtors performance in terms of the policy on debt impairment		
VAT Receivables	17 621 134	12 852 819
These are receivables arising from the VAT Act 89 of 1991		
	60 288 802	50 579 522
Current assets	60 288 802	50 579 522

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

In terms of the VAT ACT 89 of 1991 and its amendments municipalities must be VAT registered and must declare Output tax on the taxable supply of goods and services and claim Input tax credits on expenses incurred in the course or furtherance of the enterprise (the taxable supplies). The output tax is declared and the input tax is claimed by completing a VAT 201 return.

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 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 in the municipal tariffs policy as adopted by municipal council.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

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Figures in Rand	2023	2022
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11. Statutory receivables (continued)

VAT Receivablest

The VAT 201 is a monthly VAT declaration that must be submitted by all VAT registered vendors as per the registered tax period. The return reflects the VAT for which the entity is liable to declare output tax and the amounts that can be deducted as input tax.

Winnie Madikizela-Mandela Local Municipality

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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 Allowance 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 2023, 1 680 428 (2022: 905 581) were past due but not impaired.

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

1 month past due	982 642	593 581
2 months past due	352 007	32 200
3 months past due	345 779	279 800

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 2023, Statutory receivables of 47 193 250 (2022: 42 742 783) were impaired and provided for.

The amount of the Allowance for doubtful debts was 6 678 471 as of 30 June 2023 (2022: 5 878 605).

The ageing of these receivables is as follows:

1 to 6 months	3 645 456	3 408 280
Over 6 months	43 547 794	39 334 503

Factors the entity considered in assessing statutory receivables impaired

Winnie Madikizela-Mandela Local Municipality

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11. Statutory receivables (continued)

Allowance for doubtful debts 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.

Reconciliation of allowance for doubtful debts for statutory receivables

Opening balance	5 878 605	12 183 171
Allowance for doubtful debts	917 467	246 904
Amounts written off as uncollectible	-	(6 551 470)
Allowance for doubtful debt reversal	(117 601)	-
	6 678 471	5 878 605

During the current year, the municipality started utilising the services of a debt collector as part of its implementation of the debt collection and credit control policy which has contributed to a reduction in the year to year debt impairment movement.

The Council took a resolution to write-off all outstanding traffic fines that are older than two years at reporting date as uncollectible.

12. Prepayments

Prepayments

Prepayments	4 720 631	12 118 629
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Prepaid expenses are those expenses 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	2 869 864	6 157 483
ESKOM Holdings for electricity projects	117 475	3 582 228
Salga levies	1 542 082	-
SAGE VIP	190 875	175 115
Zamadunga Business Enterprise	-	2 202 803
Institute of Local Government	-	1 000
Post Office	335	-
	4 720 631	12 118 629

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 Mpuhumi Mafumbatha Stadium, that is currently being constructed.

South African Post Office for the annual fee 2023.

SAGE VIP for annual licence fee from March to Feb 2024.

SALGA Levies for period 2023/24 was paid in advance in order for the municipality to benefit from the discount being offered of 5%

Winnie Madikizela-Mandela Local Municipality

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13. Receivables from exchange transactions		
Gross balances		
Receivables-service charges	40 203 032	42 783 692
Less: Allowance for doubtful debts		
Allowance for doubtful debts	(17 453 260)	(17 902 368)
Net balance		
Receivables-service charges	22 749 772	24 881 324
Gross Services Charges		
Current (0- 30 days)	4 194 437	6 036 357
31 - 60 days	2 692 410	2 162 681
61 -90 days	2 392 680	2 036 004
91 -120 days	1 889 520	1 919 048
121 - 365 days	13 003 786	10 137 916
> 365 days	16 030 200	20 491 687
	40 203 033	42 783 693
Gross balance		
	40 203 033	42 783 693
Net balance - Service charges		
Current (0 -30 days)	4 194 436	6 036 357
31 - 60 days	1 750 983	1 239 090
61 - 90 days	1 484 888	1 106 771
91 - 120 days	920 793	1 102 608
121 - 365 days	6 895 382	5 785 444
> 365 days	6 915 955	9 611 054
Allowance for doubtful debts reversal	587 335	-
	22 749 772	24 881 324
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	213 768	404 911
31 - 60 days	195 829	193 274
61 - 90 days	185 863	176 773
91 - 120 days	183 404	150 330
121 - 365 days	1 406 741	1 000 252
> 365 days	7 495 320	6 889 295
	9 680 925	8 814 835
Less: Allowance for doubtful debts	(6 504 498)	(6 277 162)
	3 176 427	2 537 673
Industrial/ commercial		
Current (0 -30 days)	3 263 910	4 146 905
31 - 60 days	1 903 154	1 290 823
61 - 90 days	1 169 456	1 222 897
91 - 120 days	1 204 296	1 218 214
121 - 365 days	8 020 044	4 618 866
> 365 days	6 396 365	8 555 826
	21 957 225	21 053 531
Less: Allowance for doubtful debts	(11 536 095)	(11 625 204)
	10 421 130	9 428 327
National and provincial government		
Current (0 -30 days)	716 759	1 484 540
31 - 60 days	593 428	678 585
61 - 90 days	1 037 362	636 333

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Figures in Rand	2023	2022
13. Receivables from exchange transactions (continued)		
91 - 120 days	501 820	550 503
121-365 days	3 577 002	4 518 801
> 365 days	2 138 515	5 046 564
	8 564 886	12 915 326
Total		
Current (0 -30 days)	4 194 436	6 036 357
31 - 60 days	2 692 410	2 162 681
61 - 90 days	2 392 680	2 036 004
91 - 120 days	1 889 520	1 919 045
121 - 365 days	13 003 786	10 137 916
> 365 days	16 030 200	20 491 687
	40 203 032	42 783 690
Less: Allowance for doubtful debts	(18 040 594)	(17 902 366)
Allowance for doubtful debts reversal	587 334	-
	22 749 772	24 881 324
Less: Allowance for doubtful debts		
Current (0 -30 days)	-	-
31 - 60 days	(941 427)	(923 591)
61 - 90 days	(907 792)	(929 233)
91 - 120 days	(968 727)	(816 440)
121 - 365 days	(6 108 404)	(4 352 472)
> 365 days	(9 114 244)	(10 880 632)
Allowance for doubtful debts reversal	587 334	-
	(17 453 260)	(17 902 368)
Reconciliation of allowance for doubtful debts		
Balance at beginning of the year	(17 902 368)	(17 317 714)
Contributions to allowance	(138 226)	(584 654)
Reversal of allowance	587 334	-
	(17 453 260)	(17 902 368)

Consumer debtors pledged as security

There were no consumer debtors that were pledged as security in the 2022/2023 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 allowance for doubtful debts is determined according to the past payment patterns of each consumers within the various categories. The calculation of the allowance for doubtful debts is automated in the system which is configured according to the national treasury scoring method.

Fair value of receivables- service charges

Consumer debtors	22 749 772	24 881 324
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The value of receivables from service charges is determined by taking the gross amount less the allowance for doubtful debts.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
13. Receivables from exchange transactions (continued)		
Consumer debtors past due but not impaired		
Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2023, 6 327 046 (2022: 3 569 276) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	4 787 864	2 254 358
2 months past due	1 037 362	678 585
3 months past due	501 820	636 333
Consumer debtors impaired		
As of 30 June 2023, consumer debtors of 24 706 170 (2022: 22 357 996) were impaired and allowed for.		
The amount of the allowance for doubtful debts was 19 080 052 as of 30 June 2023 (2022: 17 902 368).		
The ageing of these receivables are as follows:		
3 to 6 months	5 499 397	4 138 901
Over 6 months	19 206 773	18 219 095
Reconciliation of allowance for doubtful debts of consumer debtor		
Opening balance	(17 902 368)	(17 317 714)
Allowance for doubtful debts	(138 226)	(584 654)
	(18 040 594)	(17 902 368)

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14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4	4
Bank balances	956 930	2 951 488
Short-term deposits	359 058 466	274 157 331
	360 015 400	277 108 823

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
FNB BANK - Public Sector-Cheque account -51704922107	902 583	2 940 039	9 323 582	956 929	2 951 487	9 353 192
FNB BANK - Business Call Account - 62459758078	-	-	1 163	-	-	1 164
FNB BANK - Business Call Account - 62852108531	4 824 046	206	67 458	4 824 047	-	67 459
FNB BANK - Business Call Account - 62816773073	33	19	2 387	33	19	2 387
FNB BANK - Business Call Account - 62816769220	348 619	357 312	393 618	348 618	357 312	393 618
FNB BANK - Business Call Account - 62028477992	351 690 116	267 495 116	244 068 379	351 690 116	267 495 116	244 068 379
FNB BANK - Business Call Account - 62896110170	2 195 648	6 304 880	4 276 010	2 195 571	6 304 880	4 276 010
Total	359 961 045	277 097 572	258 132 597	360 015 314	277 108 814	258 162 209

15. Payables from exchange transactions

Trade payables	3 157 244	9 994 503
Payments received in advanced - contract in process	1 420 839	1 471 445
Retention and surety	25 026 021	22 888 724
Accruals	20 884 624	16 366 202
Workmen's Compensation	265 724	233 834
Unallocated receipts	1 517 870	1 629 070
Payroll Creditors	471 226	250 653
	52 743 548	52 834 431

Fair value of trade and other payables

Trade payables	52 743 548	52 834 431
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16. Consumer deposits

Electricity	114 597	132 596
Hall Hire	382 650	373 281
	497 247	505 877

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.

Winnie Madikizela-Mandela Local Municipality

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17. 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	-	1 048 203
EPWP Grant	4	4
Disaster Recovery Grant	6 071 429	-
GIS Grant - Alfred Nzo	100 000	100 000
Municipal Infrastructure Grant	(2)	-
General Budget Support Grant	2 015 384	6 285 217
Waste Management Grant	11 686	11 686
	8 198 501	7 445 110

Movement during the year

Balance at the beginning of the year	7 445 110	5 058 414
Additions during the year	120 375 879	92 855 764
Income recognition	(116 905 998)	(86 214 381)
Surrendered to National Revenue fund during the year	(2 716 490)	(4 254 687)
	8 198 501	7 445 110

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

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18. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Reduction due to re-measurement	Closing Balance
Environmental rehabilitation	24 785 204	-	(391 976)	-	(10 762 956)	13 630 272
Provision for long service bonuses	610 802	764 957	(286 690)	(324 111)	-	764 958
Bonus provision	3 282 309	3 591 689	(3 282 309)	-	-	3 591 689
Staff leave provision	15 084 149	13 415 999	(1 982 704)	(13 101 445)	-	13 415 999
	43 762 464	17 772 645	(5 943 679)	(13 425 556)	(10 762 956)	31 402 918

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Closing Balance
Environmental rehabilitation	7 627 683	24 785 204	-	(7 627 683)	24 785 204
Provision for long service bonuses	461 614	610 802	(212 503)	(249 111)	610 802
Bonus provision	2 058 138	3 282 309	(2 058 138)	-	3 282 309
Staff leave provision	15 784 450	15 084 150	(1 065 009)	(14 719 442)	15 084 149
	25 931 885	43 762 465	(3 335 650)	(22 596 236)	43 762 464

Non-current liabilities	11 484 800	22 483 946
Current liabilities	19 918 118	21 278 518
	31 402 918	43 762 464

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 2023 taking into account price escalation of 6% relating to inflation.

A valuation of the rehabilitation was conducted by an independent valuer (Episteme Research and development) 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 equal 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

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

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19. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	22 309 942	22 309 942
Receivables from non-exchange transactions	2 226 890	2 226 890
Cash and cash equivalents	360 015 400	360 015 400
	384 552 232	384 552 232

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	52 743 548	52 743 548
Unspent conditional grants and receipts	9 271 366	9 271 366
Consumer deposits	497 247	497 247
	62 512 161	62 512 161

2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	28 224 836	28 224 836
Receivables from non-exchange transactions	1 727 859	1 727 859
Cash and cash equivalents	277 108 823	277 108 823
	307 061 518	307 061 518

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	52 834 431	52 834 431
Unspent conditional grants	7 445 110	7 445 110
Consumer deposit	505 877	505 877
	60 785 418	60 785 418

Financial instruments in Statement of financial performance

2023

	At amortised cost	Total
Interest income for financial instruments at amortised cost	17 949 370	17 949 370

2022

	At amortised cost	Total
Interest income for financial instruments at amortised cost	11 498 318	11 498 318

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
20. Revenue		
Service charges	45 326 090	42 138 922
Rental of facilities and equipment	7 575 950	7 682 087
Agency services	1 360 653	1 202 470
Licences and Permits (Non-exchange)	2 169 042	2 141 209
Commissions received	164 806	144 819
Recoveries	78 500	364 022
Other income	10 762 956	-
Other income - (rollup)	179 573	1 814 543
Interest received	28 370 870	15 385 924
Property rates	21 160 320	21 163 194
Government grants & subsidies	437 000 999	375 834 380
Public contributions and donations	479 356	78 999
Fines, Penalties and Forfeits	1 224 575	386 474
	555 853 690	468 337 043

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

Service charges	45 326 090	42 138 922
Rental of facilities and equipment	7 575 950	7 682 087
Agency services	1 360 653	1 202 470
Commissions received	164 806	144 819
Recoveries	78 500	364 022
Other income	10 762 956	-
Other income - (rollup)	179 573	1 814 543
Interest received	28 370 870	15 385 924
	93 819 398	68 732 787

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

Taxation revenue		
Property rates	21 160 320	21 163 194
Licences or permits	2 169 042	2 141 209
Transfer revenue		
Government grants & subsidies	437 000 999	375 834 380
Public contributions and donations	479 356	78 999
Fines, Penalties and Forfeits	1 224 575	386 474
	462 034 292	399 604 256

21. Service charges

Sale of electricity	40 847 763	37 936 997
Solid waste	4 478 327	4 201 925
	45 326 090	42 138 922

22. Rental of facilities and equipment

Facilities and equipment		
Leasehold fees	7 540 862	7 637 800
Hall hire	35 088	44 287
	7 575 950	7 682 087

Included in the above rentals are operating lease rentals at straight-lined amounts of 3 704 047 (2022: 4 048 568) .

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand 2023 2022

22. Rental of facilities and equipment (continued)

Minimum lease payments receivables

-within one year	953 422	896 046
-in second to fifth year inclusive	4 357 094	4 298 168
-over five years	3 449 606	5 164 544
	8 760 122	10 358 758

The municipality is leasing out certain property to Collins Property Investment (Browns 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 receivables

-within one year	743 937	688 831
-in second to fifth year inclusive	3 620 446	3 352 265
-over five years	22 531 062	23 543 180
	26 895 445	27 584 276

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 payments receivable

-within one year	30 140	178 609
-in second to fifth year inclusive	-	30 140
	30 140	208 749

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 payments receivables

-within one year	2 414 486	2 256 529
-in second to fifth year inclusive	11 470 594	10 720 181
-over five years	91 184 813	94 349 712
	105 069 893	107 326 422

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.

Minimum lease payments receivables

-within one year	139 990	-
-in second to fifth year inclusive	681 277	-
-over five years	625 141	-
	1 446 408	-

The municipality is leasing out certain property to Cybromax. The lease agreement has a term of 10 years and rentals escalates by 8% each anniversary date. No contingent rents are receivable.

Minimum lease payments receivables

-within one year	13 991	82 908
-in second to fifth year inclusive	-	13 991
	13 991	96 899

The municipality is leasing out certain property to Jake Parkers(PTY)LTD. The lease agreement has a term of 5 years and rentals escalates by 8% each anniversary date. No contingent rents are receivable.

23. Agency services

Driver's Licenses	1 360 653	1 202 470
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Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
24. Other income		
Commissions received	164 806	144 819
Losses recovered	25 550	9 022
Recovery of unauthorised, irregular, fruitless and wasteful expenditure	52 950	355 000
Provision reduction	10 762 956	-
Other income - (rollup)	179 573	1 814 543
	11 185 835	2 323 384
The amount included in other revenue arising from exchanges of goods or services are as follows:		
Sundry income	33 498	143 482
Building plans	62 458	86 823
Advertising	70 260	24 249
Funeral fees	13 357	4 424
Impairment Reversal	-	123 565
Revenue in-kind	-	1 432 000
	179 573	1 814 543
25. Interest received		
Interest revenue		
Bank	21 920 440	10 783 545
Interest charged on trade and other receivables	6 450 430	4 602 379
	28 370 870	15 385 924
Interest charged on Trade and other receivables		
Exchange transaction	2 489 348	3 773 232
Non- exchange transactions(Statutory)	3 961 082	917 533
	6 450 430	4 690 765

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26. Property rates

Rates income

Rates levied	21 160 320	21 163 194
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Valuations

Residential	211 456 500	211 456 500
Commercial	830 740 500	830 740 500
State	1 182 448 500	1 182 448 500
Municipal	91 341 000	91 341 000
	2 315 986 500	2 315 986 500

Valuations on land and buildings are 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 R0.0144 (business), R0.0070 (Residential), R0.0130 (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 2022 for annual payment. Interest at prime plus 1% per annum (2022: 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.

27. Licences and permits (non-exchange)

Trading	7 382	-
Road and Transport	2 161 660	2 141 209
	2 169 042	2 141 209

28. Government grants & subsidies

Operating grants

Equitable share	320 095 000	289 620 000
MIG Operational	2 534 100	2 551 150
Financial Management Grant	2 100 000	2 000 000
Expanded Public Works Programme Grant	3 687 000	3 570 000
LGSET / Skills Development Grant	410 879	338 564
Dept Sport & Culture - Library	1 548 203	143 810
Disaster Relief Grant	12 790 000	-
	343 165 182	298 223 524

Capital grants

Municipal Infrastructure Grant	48 147 902	48 471 850
Integrated National Electrification Programme	16 400 000	28 453 000
Disaster Recovery Grant	27 734 571	-
General Budget Support Grant	1 553 344	686 006
	93 835 817	77 610 856
	437 000 999	375 834 380

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	120 375 879	92 855 764
Unconditional grants received	320 095 000	289 620 000
	440 470 879	382 475 764

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28. Government grants & subsidies (continued)

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 5 567 256 (2022: 4 994 210), which is funded from the grant.

Equitable Share

Current-year receipts	320 095 000	289 620 000
Transferred to revenue	(320 095 000)	(289 620 000)
	<u>-</u>	<u>-</u>

DSRAC Library Grant

Balance unspent at beginning of year	1 048 203	692 013
Current-year receipts	500 000	500 004
Conditions met - transferred to revenue	(1 548 203)	(143 814)
	<u>-</u>	<u>1 048 203</u>

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

LGSETA / Skills Development Grant

Current-year receipts	410 879	338 564
Conditions met - transferred to revenue	(410 879)	(338 564)
	<u>-</u>	<u>-</u>

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

EPWP Grant

Balance unspent at beginning of year	4	4
Current-year receipts	3 687 000	3 570 000
Conditions met - transferred to revenue	(3 687 000)	(3 570 000)
	<u>4</u>	<u>4</u>

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

Integrated National Electrification Grant

Current-year receipts	16 400 000	28 453 000
Conditions met - transferred to revenue	(16 400 000)	(28 453 000)
	<u>-</u>	<u>-</u>

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

Financial Management Grant

Current-year receipts	2 100 000	2 000 000
Conditions met - transferred to revenue	(2 100 000)	(2 000 000)
	<u>-</u>	<u>-</u>

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

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28. Government grants & subsidies (continued)

Disaster Recovery Grant

Current-year receipts	33 806 000	-
Conditions met - transferred to revenue	(27 734 571)	-
	6 071 429	-

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 17).

GIS Grant - Alfred Nzo

Balance unspent at beginning of year	100 000	100 000
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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 17).

Municipal Infrastructure Grant

Current-year receipts	50 682 000	51 023 000
Conditions met - transferred to revenue	(50 682 002)	(51 023 000)
	(2)	-

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

General Budget Support Grant

Balance unspent at beginning of year	6 285 217	4 254 711
Current-year receipts	-	6 971 200
Conditions met - transferred to revenue	(1 553 344)	(686 007)
Surrendered to the National Revenue Fund	(2 716 489)	(4 254 687)
	2 015 384	6 285 217

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 17).

Disaster Relief Grant

Balance unspent at beginning of year	-	5 474
Current-year receipts	12 790 000	-
Conditions met - transferred to revenue	(12 790 000)	(5 474)
	-	-

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

Waste Management Grant

Balance unspent at beginning of year	11 686	413 515
Conditions met - transferred to revenue	-	(401 829)
	11 686	11 686

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 17).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (B6 of 2022), an average increase of about 6% in the level of government grant funding are expected over the forthcoming 3 financial years.

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

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29. Government donations

SALGA Donations	-	78 999
District Donations	479 356	-
	479 356	78 999

30. Fines, Penalties and Forfeits

Illegal connections fines	18 500	20 250
Vending and hawking fines	-	1 800
Pound Fees Fines	29 675	24 524
Municipal traffic fines	1 176 400	339 900
	1 224 575	386 474

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Figures in Rand	2023	2022
31. Employee related costs		
Basic	81 326 087	76 022 357
Bonus	6 930 745	6 629 875
Medical aid - company contributions	5 698 857	5 317 118
UIF	544 570	542 206
SDL	1 197 723	1 137 455
Provision for leave	314 554	364 708
Cellphone allowance	728 804	739 317
Pension fund contribution	10 897 136	9 789 795
Bargaining council contribution	33 340	29 163
Overtime payments	1 387 298	1 714 813
Long-service awards	440 849	361 692
Car allowance	9 102 094	8 563 646
Housing benefits and allowances	4 153 768	3 829 466
Other allowances	1 597 397	1 489 258
Standby and Uniform Allowance	1 261 101	1 095 419
	125 614 323	117 626 288
Remuneration of Municipal Manager		
Annual Remuneration	1 180 333	1 178 173
Car Allowance	388 854	388 854
Other	142 113	142 113
	1 711 300	1 709 140
Remuneration of Chief Finance Officer		
Annual Remuneration	905 872	887 874
Car Allowance	308 359	301 328
Other	214 204	209 368
	1 428 435	1 398 570
Remuneration of Senior Manager: Corporate Services		
Annual Remuneration	964 446	952 278
Car Allowance	216 270	216 270
Other	188 517	188 517
	1 369 233	1 357 065
Remuneration of Senior Manager: Community Services		
Annual Remuneration	530 368	829 252
Car Allowance	92 762	199 079
Other	132 342	173 701
	755 472	1 202 032
Remuneration of Senior Manager: Engineering Services		
Annual Remuneration	888 630	884 846
Car Allowance	254 285	254 285
Other	192 839	192 839
	1 335 754	1 331 970
Remuneration of Senior Manager: Planning and Development		
Annual Remuneration	930 211	938 617
Car Allowance	216 270	216 270
Other	188 517	188 517
	1 334 998	1 343 404

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

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32. Remuneration of councillors

Cellphone Allowance	2 971 120	2 808 997
Public Office Allowance	1 167 453	1 110 046
Car Allowance	5 762 061	5 513 482
Annual remuneration	16 419 945	15 577 398
	26 320 579	25 009 923

33. Depreciation and amortisation

Property, plant and equipment	40 758 443	44 092 298
Intangible assets	11 824	26 068
	40 770 267	44 118 366

34. Impairment loss

Impairments

Property, plant and equipment	991 512	8 555 816
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Following the severe weather events and the consequent damage caused in various provinces, a national disaster was declared in terms section 27(1) of the Disaster Management Act, 2002. The response, as announced by the President in his address to the nation on 18 April 2022, will be undertaken in a phased approach; the first being immediate humanitarian relief, second phase relates to stabilisation and recovery which includes rehousing people who have lost homes and restoring provision of services; and the third phase will focus on reconstruction and rehabilitation.++

The municipality was also not spared as most of the infrastructure along the coast was severely damaged resulting in a need for an impairment assessment which resulted in the impairment reported above.

The following classes of assets were affected as indicated

Infrastructure Assets R4 115 053;

Community Assets R4 440 762

During the impairment assessment, the municipality identify assets that needs to impaired due to their condition The following class of assets were impaired in the current year:

- Furniture and fixtures R170 448
- Plant and Machinery R18 119

35. Lease rentals on operating lease

Equipment

Contractual amounts	4 736 656	3 643 567
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Operating lease payments represents rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

36. Debt impairment

Movement-allowance for doubtful debts	1 058 936	821 631
Bad debts written off	345 147	-
	-	-
	1 404 083	821 631

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 state of national disaster was then lifted in April 2022. The state of the economy in the country had been impacted negatively and therefore affected 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 allowance for doubtful debts for the period as indicated above.

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand			2023	2022
37. Bulk purchases				
Electricity - Eskom			42 241 255	40 211 160
Electricity losses				
	Number 2023	Number 2022		
Units purchased	20 437 150	22 001 357	42 241 255	40 211 160
Units sold	(18 801 839)	(19 995 580)	(38 688 852)	(38 609 839)
Total loss	1 635 311	2 005 777	3 552 403	1 601 321
Comprising of:				
Non-technical losses	1 635 311	2 005 777	3 083 167	3 822 670
Percentage Loss:				
Non-technical losses	8 %	9 %	8 %	9 %

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

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Figures in Rand	2023	2022
38. Contracted services		
Other Contracted Services		
Other Contractors	448 593	471 976
Outsourced Services		
Business and Advisory	2 837 505	4 700 922
Catering Services	83 250	15 300
Cleaning Services	-	18 488
Internal Auditors	765 704	508 511
Meter Management	1 048 481	1 546 826
Personnel and Labour	2 755 148	2 638 010
Refuse Removal	230 000	1 456 800
Transport Services	558 673	334 495
Consultants and Professional Services		
Business and Advisory	671 674	1 258 558
Legal Cost	9 206 234	7 479 072
Contractors		
Catering Services	3 043 306	3 496 354
Electrical	1 058 558	11 040 022
Event Promoters	374 384	288 894
Maintenance of Buildings and Facilities	3 965 138	3 487 752
Maintenance of Equipment	119 441	397 727
Maintenance of Assets	7 153 114	8 558 467
Safeguard and Security	9 458 000	7 834 973
Stage and Sound Crew	27 400	77 600
	43 804 603	55 610 747
39. Transfer and subsidies		
Other subsidies		
SMME Support	2 593 275	1 251 198

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.

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
40. General expenses		
Advertising	552 288	474 352
Auditors remuneration	4 116 112	3 228 513
Bank charges	162 042	138 424
Commission paid	508 661	682 830
Consumables	4 759 452	5 007 773
Promotional material and gifts	2 642 169	1 361 769
Hire	3 713 748	3 834 020
Insurance	2 576 217	2 302 399
IT expenses	2 654 065	1 159 401
Magazines, books and periodicals	466 089	711 845
Motor vehicle expenses	-	5 200
Fuel and oil	4 094 035	2 678 629
Placement fees	84 214	-
Postage and courier	771	3 295
Printing and stationery	636 697	464 871
Protective clothing	2 289 417	852 975
Subscriptions and membership fees	90 351	58 109
Telephone and fax	3 395 973	2 980 884
Training	576 467	520 963
Travel - local	10 149 378	7 866 954
Travel - overseas	92 110	-
Free basic services	5 567 256	4 994 211
License fees	347 113	318 256
Ward committee fees	6 721 339	4 977 905
Other expenses	2 226 588	1 703 263
Landfill site rehabilitation	-	17 955 255
	58 422 552	64 282 096
41. Loss on disposal of assets		
Gain or loss on disposal of assets and liabilities	(39 910 700)	(47 394 082)
42. Fair value adjustments		
Investment property (Fair value model)	1 737 717	3 843 000
43. Auditors' remuneration		
Fees	4 116 112	3 228 513

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
44. Cash generated from operations		
Surplus	170 781 602	63 604 797
Adjustments for:		
Depreciation and amortisation	40 770 267	44 118 366
Gains or loss on sale of assets and liabilities	39 910 700	47 394 082
Fair value adjustments	(1 737 717)	(3 843 000)
Impairment deficit	991 512	8 555 816
Debt impairment	1 404 083	821 631
Movements in operating lease assets and accruals	(3 704 047)	(4 118 047)
Movements in provisions	(12 359 546)	17 830 579
Transfers and non-cash disposals	-	(8 644 167)
Movement in retention and accruals on PPE	(2 753 918)	(5 399 779)
Changes in working capital:		
Inventories	(933 694)	1 596 623
Other Receivables from exchange transactions	1 188 724	7 047 944
Receivables from exchange transactions	727 469	(6 159 259)
Receivables from non-exchange transactions	(499 031)	(484 720)
Statutory receivables	(9 709 280)	492 588
Prepayments	7 397 998	5 058 347
Payables from exchange transactions	(90 883)	8 499 983
Unspent conditional grants and receipts	753 391	2 386 696
Consumer deposits	(8 630)	1 258
	232 129 000	178 759 738

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2023	2022
45. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure Assets	16 891 777	9 950 640
• Integrated Electrification	12 670 300	1 891 591
• Community Assets	9 128 295	7 032 997
• Other Assets	3 730 667	1 379 822
	42 421 039	20 255 050
Total capital commitments		
Already contracted for but not provided for	42 421 039	20 255 050
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational expenditure	24 321 886	36 667 624
Total operational commitments		
Already contracted for but not provided for	24 321 886	36 667 624
Total commitments		
Total commitments		
Authorised capital expenditure	42 421 039	20 255 050
Authorised operational expenditure	24 321 886	36 667 624
	66 742 925	56 922 674

This committed expenditure relates to expenditure that will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, future grants allocations etc.

Operating leases - as lessee (expense)

Munsoft Minimum Lease payments due

-within one year	4 313 661	-
Contingent rents	4 745 027	-
	9 058 688	-

Techseeds Minimum Lease payments due

-within one year	1 352 222	1 352 222
- in second to fifth year inclusive	1 352 222	2 704 447
	2 704 444	4 056 669

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

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

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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 R2 500 000 iro damages for injuries allegedly caused as a result of being shot by an employee.	500 000	1 500 000
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 shot by a municipal employee.	5 000 000	19 637 500
Mohamed Randareen vs Winnie Madikizela-Mandela Local Municipality		
Claim of electricity costs after meter tampering and /or incorrect billing	148 000	148 000
Arbitration amounting to R665 573.70 for termination of contract MBIZLM 1212017		
Iqhayiya Design and workshop vs Winnie Madikizela Mandela LM	665 574	-
Lucky Shusha vs Winnie Madikizela Mandela LM and Municipal Manare		
Matter involving request of access to information on various projects done by the municipality	50 000	-
	6 363 574	21 285 500

Winnie Madikizela Mandela Local Municipality vs Public Protector

The matter is as a result of the Public Protectors Report on an investigation into allegations of corruption, maladministration/ misuse of public funds by Senior and Executive government officials from the Municipality, wherein the Public Protector found that the Municipality has spent an amount of R1,1 million in respect of the memorial service of the late mama Winnie-Madikizela Mandela for transportation services improperly benefited certain government officials.

The municipality has spent a sum of R2 364 239.93 in legal fees.

On the 14 February 2023 the judgement was handed down. The report was set aside and declared invalid.

Contingent assets

At year end the municipality had no contingent assets.

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

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47. Related parties

Executive Council members- part time Relationships	5 part time
Mayor	Ms TD Mafumbatha
Speaker	Mr Z Mhlwazi
Whip of Council	Mr M Mpetshwa
Executive Council members- full time	4 members
Executive Council members- part time	5 part time
Council members	52 members
Section 57 Managers	6 members

Related party balances

Loan accounts - Owing (to) by related parties

Councillor overpayment	485 531	486 129
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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	1 711 300	1 709 140
Chief Financial Officer	1 428 435	1 398 570
Senior Manager: Corporate Services	1 369 233	1 357 065
Senior Manager: Community Services	755 472	1 202 032
Senior Manager: Engineering Services	1 335 754	1 331 970
Senior Manager: Development Planning	1 334 999	1 343 404
Mayor	1 002 654	928 347
Speaker	804 134	759 908
Councillors	24 513 791	23 321 668

The Mayor, Speaker and Whip of Council 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
Senior Manager: Development Planning	Senior Manager	1
Speaker	Councillor	1
Whip of Council	Councillor	1
Executive committee	Councillors	9
Councillors	Councillors	52
Municipal Manager	Accounting Officer	1
Chief Financial Officer	Senior Manager	1
Senior Manager: Development Planning	Senior Manager	1
Senior Manager: Corporate Services	Senior Manager	1
Senior Manager: Community Services	Senior Manager	1
Senior Manager: Engineering Services	Senior Manager	1

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

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47. Related parties (continued)

Remuneration of management

Management class: Councillors

2023

	Basic salary	Travel/ Car allowance	Cellphone Allowance	Public Office	Total
Councillors					
Mayor	668 955	238 912	47 004	47 783	1 002 654
Speaker	529 990	189 282	47 004	37 858	804 134
Whip of Council	501 716	179 184	47 004	35 837	763 741
MPAC Chairperson	486 998	173 928	47 004	34 911	742 841
Executive Committee members	3 911 698	1 397 438	509 621	279 280	6 098 037
Councillors	10 320 590	3 583 315	2 273 483	731 784	16 909 172
	16 419 947	5 762 059	2 971 120	1 167 453	26 320 579

2022

	Basic salary July-Nov	Travel/Car Allowance July-NoV	Cellphone Allowance July - Nov	Public Office July - Nov	Basic Salary Dec-June	Travel/Car Allowance Dec-June	Cellphone Allowance Dec-June	Public Office Dec-June	Total
Councillors									
Mayor	221 980	79 279	15 553	15 856	396 783	141 708	28 847	28 341	928 347
Speaker	177 586	63 423	15 553	12 685	323 270	115 454	28 847	23 090	759 908
Whip of Council	166 561	59 486	15 553	11 897	300 693	107 390	28 847	21 478	711 905
MPAC Chairperson	161 603	57 715	15 293	11 543	289 030	104 320	29 107	20 864	689 475
Executive Committee members	1 032 834	384 078	113 667	74 126	2 093 432	744 801	246 583	148 960	4 838 481
Councillors	3 519 609	1 257 003	778 195	251 401	6 894 018	2 412 275	1 479 502	489 804	17 081 807
	5 280 173	1 900 984	953 814	377 508	10 297 226	3 625 948	1 841 733	732 537	25 009 923

Change of political leadership

During the month of November 2021 there were local government elections that affect the composition and amounts paid to councillors for the year. The outcome of the elections resulted in a change of councillors in the municipality which also affected the position of the Speaker of Council while the Mayor and the Whip of Council (formerly the Chief Whip) remained unchanged.

Winnie Madikizela-Mandela Local Municipality

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2022

47. Related parties (continued)

Management class: Executive management

2023

	Basic salary	Travel/Car Allowance	Other Benefits	Total
Senior Management				
Municipal Manager	1 180 333	388 854	142 113	1 711 300
Chief Financial Officer	905 872	308 359	214 204	1 428 435
Senior Manager: Engineering Services	888 630	254 285	192 839	1 335 754
Senior Manager: Corporate Services	964 446	216 270	188 517	1 369 233
Senior Manager: Community Services	530 368	92 762	132 342	755 472
Senior Manager: Development Planning	930 212	216 270	188 517	1 334 999
	5 399 861	1 476 800	1 058 532	7 935 193

2022

	Basic salary	Travel/Car Allowance	Other Benefits	Total
Senior Management				
Municipal Manager	1 178 173	388 854	142 113	1 709 140
Chief Financial Officer	887 874	301 328	209 368	1 398 570
Senior Manager: Engineering Services	884 846	254 285	192 839	1 331 970
Senior Manager: Corporate Services	952 278	216 270	188 517	1 357 065
Senior Manager: Community Services	829 252	199 079	173 701	1 202 032
Senior Manager: Development Planning	938 617	216 270	188 517	1 343 404
	5 671 040	1 576 086	1 095 055	8 342 181

Management class: Key advisors/Sub committees

2023

	Fees for services as a member of management	Travel Claims	Total
Internal Audit Committee			
Chairperson of the audit committee	118 889	8 825	127 714
Audit committee members	80 983	14 299	95 282
	199 872	23 124	222 996

2022

	Fees for services as a member of management	Travel Claims	Total
Internal Audit Committee			
Chairperson of the audit committee	93 921	4 482	98 403
Audit committee members	82 704	12 674	95 378
	176 625	17 156	193 781

Winnie Madikizela-Mandela Local Municipality

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48. 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 central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges 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 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	52 743 548	-	-	-
Consumer Deposits	2 986	168 618	17 953	304 693

At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	52 834 431	-	-	-
Consumer Deposits	2 986	173 671	25 269	303 951

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.

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	2023	2022
Cash and Cash equivalents	360 015 400	277 108 823
Other receivables from exchange transactions	1 184 466	2 373 190
Receivables from non-exchange transactions	2 226 890	1 727 859
Receivables from exchange transactions	22 749 772	24 881 324

Market risk

Interest rate risk

The municipality limits its interest risk exposure by only conducting business with financial institutions registered in terms of Bank Act 94 of 1990.

49. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of 1 256 877 926 and that the municipality's total assets exceed its liabilities by 1 256 877 926.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

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49. Going concern (continued)

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 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

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

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50. Fruitless and wasteful expenditure		
Opening balance as previously reported	5 032 648	376 912
Add: Fruitless and wasteful expenditure identified - current	20 400	50 372
Add: Prior period correction	-	4 982 276
Less: Amount written off - current	(5 032 648)	(21 912)
Less: Transferred to receivables for recovery	-	(355 000)
Closing balance	20 400	5 032 648

Winnie Madikizela-Mandela Local Municipality

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50. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Damages on hired vehicle	Amounts under investigation	20 400	-
SARS fines and penalties	SARS	-	5 032 648
		20 400	5 032 648

Amount written-off

During the year after the council committee investigations, council adopted council committee recommendation to write off an amount of R20 439 relating to 2019/20 and R1 473 that was incurred in 2020/21 from the fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

51. Irregular expenditure

Add: Irregular expenditure - current	1 842 061	15 795
Less: Transferred to receivables for recovery	-	(15 795)
Closing balance	1 842 061	-

Winnie Madikizela-Mandela Local Municipality

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51. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Non compliance with SCM regulations	Masinyane and sons- bidder not disqualified for reasons other bidders were disqualified for and other bidders disqualified for the reasons no longer apply after the SCM regulations were revised.	453 510	-
Non compliance with SCM regulations	Laz investments- The bidder's quotation had calculations errors which were not picked up while other bidders were eliminated for the same reasons.	28 116	-
Non compliance with tax matters	Ingcali Agricultural Solutions- The bidder submitted an expired Tax pin while the requirements required a valid Tax pin	165 750	-
Non compliance with SCM regulations	Masinyane and sons- bidder not disqualified for reasons other bidders were disqualified for and other bidders disqualified for the reasons no longer apply after the ascm regulations were revised.	1 194 685	-
		1 842 061	-

Winnie Madikizela-Mandela Local Municipality

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51. Irregular expenditure (continued)

Amount recovered

Of the 15 795 transferred to debtors from the prior year an amount of R6 581.15 has since been recovered and the remaining balance from the debt is R9 213.70.

Amount written-off

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Notes to the Audited Annual Financial Statements

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	2023	2022
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52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	191	191
Current year subscription / fee	987 751	661 553
Amount paid - current year	(987 751)	(661 553)
	191	191

Audit fees

Current year subscription / fee	4 116 112	3 228 513
Amount paid - current year	(4 116 112)	(3 228 513)
	-	-

PAYE and UIF

Opening balance	2 994	2 994
Current year subscription / fee	22 437 190	20 350 567
Amount paid - current year	(22 437 190)	(20 350 567)
	2 994	2 994

Pension and Medical Aid Deductions

Opening balance	(43 308)	(43 308)
Current year subscription / fee	23 092 449	23 759 343
Amount paid - current year	(23 092 449)	(23 759 343)
	(43 308)	(43 308)

Skills Development Levy

Opening balance	(90)	(90)
Current year subscription/fee	1 319 918	1 232 867
Amount paid - current year	(1 319 918)	(1 232 867)
	(90)	(90)

VAT

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

Winnie Madikizela-Mandela Local Municipality

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53. 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 vehicle maintenance, laptop repairs, fraud risk awareness and insurance shortfall, procurement of firearms and rehabilitation of dumping site. These procurements resulted to Deviations totalling to R1 128 412.00.

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

Supply and delivery of Groceries for Mass Funeral	-	5 580
Hiring of Crane Truck	-	15 000
Staff car repair damaged during community unrest	-	43 819
Maintenance of Toyota Hilux HLW 365 EC for electricity section	193 716	-
Repair of Refuse Truck DTH 289 EC	157 029	-
Fraud awareness workshop to newly appointed councillors	198 500	-
Procurement of municipal firearms Glock 19	163 000	-
Repairs of Budget and Reporting Managers crashed Laptop HP ENVY x360 Convertible	11 869	-
Laptop PC 15-ed 1000	-	-
Repairs of engineering bakkie: HLN 081 EC	76 778	-
Shortfall on the replacement vehicle for the mayors Office	139 370	-
Rehabilitation of ext 3 dumping site for three months	188 150	-
	1 128 412	64 399

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54. Accounting by principals and agents

The municipality is 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 Regulation

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.

The municipality is licenced to distribute electricity in town for which the municipality has a vending contract with Conlog for the utilisation of their system to distribute or to sell electricity tokens.

As part of the distribution of electricity tokens Conlog also sells electricity tokens on behalf of the municipality for which the municipality compensate Conlog for this service.

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 (1 360 653) (2022: 1 202 570).

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.

Additional information

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

The municipality has no resources held on behalf of the municipality by the agent that are recognised either in the municipality's financial statements or the agent's financial statements.

Fee paid

Winnie Madikizela-Mandela Local Municipality

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54. Accounting by principals and agents (continued)

Fee paid as compensation to the agent	508 661	682 830
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Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

The termination of the agreement will not result in any costs for both the principal and the agent, however, the municipality will need to extend operating hours, increase number of staff, increase service points.

Winnie Madikizela-Mandela Local Municipality

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55. 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 services have been aggregated as unallocated services.

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 services.

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	Goods and/or services
Electricity	Electricity distribution
Waste Management	Refuse removal services
Community and Public Safety	Library Services, Police force, Cemeteries, Environmental Protection, Recreational facilities, Social Services
Infrastructure Services	Provision of infrastructure and Maintenance, Provision of community facilities
Development Planning	Local Economic Development, Supporting SMMEs, Property Services and Spatial Planning
Unallocated services	Administrative and support services

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55. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2023

	Electricity	Waste Management	Infrastructure Services	Community & Public Safety	Development Planning	Unallocated services	Total
Revenue							
Revenue from non-exchange transactions	16 418 500	3 687 000	78 416 573	4 915 938	22 721 046	335 875 235	462 034 292
Revenue from exchange transactions	40 869 525	15 477 473	-	1 409 098	74 194	35 989 108	93 819 398
Fair value adjustments	-	-	-	-	-	1 737 717	1 737 717
Total segment revenue	57 288 025	19 164 473	78 416 573	6 325 036	22 795 240	373 602 060	557 591 407
Entity's revenue							557 591 407
Expenditure							
Employee cost	5 002 416	9 356 356	12 432 103	21 891 291	11 202 401	65 729 756	125 614 323
Remuneration of councillors	-	-	-	-	-	26 320 579	26 320 579
Other expenses	6 448 418	3 710 604	1 558 651	3 697 395	4 752 821	88 936 399	109 104 288
Bulk Purchases	42 241 255	-	-	-	-	-	42 241 255
Depreciation	637 916	35 419	30 322 143	(196 739)	4 427 897	5 543 631	40 770 267
Contracted services	2 344 514	10 481 054	7 244 654	12 868 234	1 444 454	9 421 693	43 804 603
Total segment expenditure	56 674 519	23 583 433	51 557 551	38 260 181	21 827 573	195 952 058	387 855 315
Total segmental surplus/(deficit)	613 506	(4 418 960)	26 859 022	(31 935 145)	967 667	177 650 002	169 736 092

Balance sheet items with opening balance that are from previous years which are currently allocated under different functions due to changes that are being made to the mSCOA Chart from pre-mSCOA era to the mSCOA era do not have sufficient information to break down the information per segment and therefore rendering the reporting impossible. The mSCOA changes effected on the chart are applied prospectively which leaves other balances still allocated under the previously used functions. Therefore, balances from the old systems before the implementation of mSCOA and from older versions of mSCOA may not have information today to provide a breakdown of the balances.

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55. Segment information (continued)

2022

	Electricity	Waste Management	Infrastructure Services	Community & Public Safety	Development Planning	Unallocated Services	Total
Revenue							
Revenue from non-exchange transactions	28 473 250	3 570 000	51 023 000	2 649 443	21 851 000	292 037 641	399 604 334
Revenue from exchange transactions	37 957 696	4 201 925	-	1 310 643	150 144	25 112 379	68 732 787
Fair value adjustment	-	-	-	-	-	3 843 000	3 843 000
Total segment revenue	66 430 946	7 771 925	51 023 000	3 960 086	22 001 144	320 993 020	472 180 121
Entity's revenue							472 180 121
Expenditure							
Employee Costs	4 459 384	15 903 050	10 855 688	23 224 629	10 395 790	52 787 747	117 626 288
Remuneration of councillors	-	-	-	-	-	25 009 923	25 009 923
Other expense	6 170 252	20 709 807	9 762 438	4 655 683	2 651 641	34 654 859	78 604 680
Bulk purchases- Electricity	40 211 160	-	-	-	-	-	40 211 160
Depreciation and amortisation	637 916	-	29 656 095	6 065 194	2 810 578	4 948 583	44 118 366
Contracted Services	14 869 789	2 745 297	8 661 913	12 270 405	1 149 793	15 913 550	55 610 747
Loss on disposal	30 468 839	-	15 117 118	-	-	1 808 125	47 394 082
Total segment expenditure	96 817 340	39 358 154	74 053 252	46 215 911	17 007 802	135 122 787	408 575 246
Total segmental surplus/(deficit)	(30 386 394)	(31 586 229)	(23 030 252)	(42 255 825)	4 993 342	185 870 233	63 604 875
Assets							
Current assets	139 097 720	129 456	258 909 921	20 544 580	140 797	(37 851 753)	380 970 721
Non-current assets	27 321 808	7 653 729	233 379 413	8 503 109	2 043 870	530 771 224	809 673 153
Total segment assets	166 419 528	7 783 185	492 289 334	29 047 689	2 184 667	492 919 471	1 190 643 874
Total assets as per Statement of financial Position							1 190 643 874
Liabilities							
Current liabilities	284 713 178	1 740 937	715 381 815	71 478 703	10 516 484	(1 001 767 181)	82 063 936
Non-current liabilities	-	-	-	-	-	22 483 945	22 483 945
Total segment liabilities	284 713 178	1 740 937	715 381 815	71 478 703	10 516 484	(979 283 236)	104 547 881
Total liabilities as per Statement of financial Position							104 547 881

Winnie Madikizela-Mandela Local Municipality

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55. Segment information (continued)

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

Information about geographical areas

The municipality does not have economic activities anywhere else other than the Mbizana area and there has not been any changes on the geographic area and economic activities during any of the reporting periods.

2023

	External revenues from non-exchange transactions	External revenues from exchange transactions	Total expenditure
Ward 1 to 10	(19 198 177)	(48 676 713)	19 524 024
Ward 11 to 20	(45 457 760)	-	2 980 000
Ward 21 to 32	(16 400 000)	-	20 955 877
Whole of municipality	(383 229 270)	(31 064 397)	354 792 546
Total	(464 285 207)	(79 741 110)	398 252 447

2022

	External revenues from non-exchange transactions	External revenues from exchange transactions	Total expenditure	Non-current assets*
Ward 1 to 10	(40 314 883)	(40 935 382)	(36 806 757)	245 846 385
Ward 11 to 20	(14 538 156)	-	(7 235 565)	71 887 977
Ward 21 to 32	(24 157 386)	-	(4 217 790)	123 495 529
Whole of municipality	(323 343 751)	(23 532 292)	(357 616 761)	365 232 991
Total	(402 354 176)	(64 467 674)	(405 876 873)	806 462 882

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56. Events after the reporting date

The Whip of Council tendered a resignation as a Whip of Council on the 10th July 2023. The Council has subsequently appointed a replacement for the Whip of Council as Cllr M Mbhele.

- Non-adjusting

The running track that was purchased from Belgotex which was delivered between 29 May 2023 and 5 June 2023 was subsequently installed on the Mphuthumi Mafumbatha sport field during the month of July 2023. This installation paved the way for a official opening of the stadium which was on the 11 August 2023.

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57. Prior period errors

The following adjustments were made to the prior year financial statements due to errors which were identified during the current year reviews relating to prior periods financial statements:

Receivables from exchange transactions

During the year it was discovered that there was an overbilling in certain lease accounts account for 2017/18 financial year. The overbilling was identified in 2017/18 financial and was then reversed by the journals and credit note. The correction of the overbilling further resulted to a duplication on lease accounts. During the year it was discovered to correction that was done in 2017/18 did not rectify the overbilling but understated the lease accounts. The impact of this error resulted to an overstatement of R218 205 on receivable from exchanged transaction.

During the year the municipality entered in to a lease agreement with Cybromax. The terms of the contract was that the agreement will be effective when its registered. The registration took place in April 2021. Therefore the municipality was entitled to lease rental as from the date of registration. The receivables from exchange transactions were understated by R139 759.

During the year it was discovered that the municipality billed Acc no 6346 incorrectly in October 2015. The account was incorrect billed by R1 030 086.45. The incorrect billed was only done on electricity . During the year the municipality processed a credit note to correct an error for electricity that was billed incorrectly in October 2015.. The impact of this error resulted to an overstatement of receivable from exchange transaction of R1 030 086.45

The correction of this error resulted in a decrease in receivables from exchanges transactions of R1 048 768.

VAT Receivable

The municipality adopted and implemented GRAP 108 that became effective in 2019/20 financial year. The implementation of GRAP 108 resulted in receivables emanating from law or legislation being reclassified from VAT receivables to be disclosed separately as statutory receivables. The VAT receivables is reclassified to be statutory receivable of R12 783 5500

During the year it was discovered that the municipality billed Acc no 6346 incorrectly in October 2015. The incorrect billed was done on electricity . During the year the municipality processed a credit note to correct an error for electricity that was billed incorrectly in October 2015.. The impact of this error resulted to an overstatement of VAT receivable

The correction of this error resulted in a decrease in VAT receivables of R12 783 550.00.

Statutory Receivables

During the year it was also discovered that there was an invoice paid in the current year that relate to 2021/22 financial year. This was for the workshop held in June but the department responsible did not submit invoice for payment. The vat on invoice that was not paid was R6 490 which resulted to an understatement of VAT receivables.

The municipality adopted and implemented GRAP 108 that became effective in 2019/20 financial year. The implementation of GRAP 108 resulted in receivables emanating from law or legislation being reclassified from VAT receivables to be disclosed separately as statutory receivables. The VAT receivables is reclassified to be statutory receivable of R12 783 550.

The correction of this error resulted in a decrease in Statutory receivables of R12 783 550.

Operating lease asset

During the year the municipality entered in to a lease agreement with Cybromax. The terms of the contract was that the agreement will be effective when its registered. The registration took place in April 2021. Therefore the municipality was entitled to lease rental as from the date of registration. The operating lease asset was understated by R69 269.00

This correction resulted in a decrease on Work in Progress of R69 269.00

Investment Property

During the year it was discovered the municipality entered in to a lease agreement with Cybromax. The terms of the contract was that the agreement will be effective when its registered. The registration of the lease took place in April 2021. The investmnet property was not recognised previously . The impact of the error was an undestatement of Investment Properties by R 1 381 600.

Provisions

During the year it was discovered that the Leave Report used in June 2022 to calculate Provision for leave did not include number of leave days as at 30 June for Secretary to SM Community Services. The secretary contract was terminated on the system and the leves were supposed to be paid out but the Accounting Officer extended the contract, the leave days due to the secretaty were never paid out. The impact of this error resulted in an understatement of the Leave Provision by R41 100.93.

Winnie Madikizela-Mandela Local Municipality

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57. Prior period errors (continued)

During the year the 2021/22 performance for senior managers was assessed in line with their performance contracts and the local government municipal performance regulations for Municipal managers and managers directly accountable to the municipal manager, 2006. Regulation 32 of these makes a provision for a performance bonus ranging from 5% to 14% of the all inclusive remuneration package to be paid to the an employee in recognition of outstanding performance. A report on the assessments outcome was presented on council and the council resolved to pay performance bonuses to senior managers for their outstanding performance for the 2021/2022 financial year. The impact of this error resulted in an understatement of Bonus provision by R929 757.57

The correction of these error resulted to an increase of R970 859 in Provisions.

Payables from exchange transactions

During the year it was discovered that there were invoices relating to Genbiz Trading 1001 contract for the supply of printers and copiers of that were not debited in period 2019/20 financial year. This was due to delayed signing of the debit order authorisation form. The invoices totalled to R107 114.56. The impact of these transactions resulted to an understatement of Payables from exchange transactions.

During the year the municipality received a Gazette from COGTA with upper limits of public office bearers for 2021/22 financial year. The Gazette excluded the data allowance for public office bearers. COGTA issued an amended Gazette in November 2022 relating to 2021/22 upper limits which included the data allowance for public office bearers. The data allowance for public office bearers total to R227 700. The accruals for 2021/22 were understated by R227 700.

During the year it was also discovered that there was an invoice paid in the current year that relate to 2021/22 financial year. This was for the workshop held in June but the department responsible did not submit the invoice for payment. The invoice that was not paid was R210 216.75 which resulted to an understatement of Payables from exchange transactions.

During the year SARS conducted VAT Audit for prior years starting from 2017/07 to 2021/09. SARS was auditing compliance as per s17(2) of the Vat act which provides that inputs is denied on certain expenses even if they are incurred in the course of conducting an enterprise. Also, s16(2), 16(3), 17(1) and 20 input tax allowed. SARS had findings regarding VAT as the municipality was in contravention of s16(2), 16(3), 17(1) and 20, therefore SARS imposed an understatement penalty of 25% and interests in terms of s223(1) of the Tax administration Act. The payables from exchange transactions were understated by R5 032 611.6t of which an amount of R4 982 239.71 relates to periods before 2021/22 financial year and R50 371.97 relating to 2021/22 financial year.

The correction of these errors resulted in a increase in Payables from exchange transactions of R5 577 642

Interest expense

During the year SARS conducted VAT Audit for prior years starting from 2017/07 to 2021/09. SARS was auditing compliance as per s17(2) of the Vat act which provides that inputs is denied on certain expenses even if they are incurred in the course of conducting an enterprise. Also, s16(2), 16(3), 17(1) and 20 input tax allowed. SARS had findings regarding VAT as the municipality was in contravention of s16(2), 16(3), 17(1) and 20, therefore SARS imposed an understatement penalty of 25% and interests in terms of s223(1) of the Tax administration Act. The interest expense was understated by R50 372.00

The correction of this error resulted to an increase of R50 372.00.

Employee Related Cost

During the year it was discovered that the Leave Report used in June 2022 to calculate Provision for leave did not include number of leave days as at 30 June for Secretary to SM Community Services. The secretary contract was terminated on the system and the leaves due were supposed to be paid out but the Accounting Officer extended the contract, the leave days due to the secretary were never paid out. The impact of this error resulted in an understatement of the employee related cost by R41 100.93.

During the year the 2021/22 performance for senior managers was assessed in line with their performance contracts and the local government municipal performance regulations for Municipal managers and managers directly accountable to the municipal manager, 2006. Regulation 32 of these makes a provision for a performance bonus ranging from 5% to 14% of the all inclusive remuneration package to be paid to the an employee in recognition of outstanding performance. A report on the assessments outcome was presented on council and the council resolved to pay performance bonuses to senior managers for their outstanding performance for the 2021/2022 financial year. The impact of this error resulted in an understatement of the employee related cost by R929 757.57.

The correction of this error resulted in a net increase of R970 859

Remuneration of councillors

During the year the municipality received a Gazette from COGTA with upper limits of public office bearers for 2021/22 financial year. The Gazette excluded the data allowance for public office bearers. COGTA issued an amended Gazette in November 2022 relating to 2021/22 upper limits which included the data allowance for public office bearers. The data allowance for public office bearers total to R227 700. The remuneration of councillors were understated by R227 700.00.

Winnie Madikizela-Mandela Local Municipality

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57. Prior period errors (continued)

Contracted Services

During the year it was also discovered that there was an invoice paid in the current year that relate to 2021/22 financial year. This was for the workshop held in June but the department responsible did not submit the invoice for payment. The invoice that was not paid included contracted services amount of R96 000. The impact of this error resulted in an understatement of contracted services.

The correction of this error resulted in an increase of R1 460 739 on Contracted Services

General expenses

During the year it was also discovered that there was an invoice paid in the current year that relate to 2021/22 financial year. This was for the workshop held in June but the responsible department did not submit the invoice for payment. The invoice that was not paid included general expenses amounting to R111 645.00. The impact of this error resulted in an understatement of general expenses.

The correction of this error resulted in an increase of R111 645.00

Fines and penalties

During the year it was discovered the municipality entered in to a lease agreement with Cybromax. The terms of the contract was that the agreement will be effective when its registered. The registration of the lease took place in April 2021. The investment property was not recognised previously. The impact of the error was an understatement of Fair value adjustments by R 1 381 500.

The correction of this error resulted in an increase of R1 381 500.

Rental of facilities and equipment

During the year the municipality entered in to a lease agreement with Cybromax. The terms of the contract was that the agreement will be effective when its registered. The registration took place in April 2021. Therefore the municipality was entitled to lease rental as from the date of registration. The rental of facilities were understated by R171 579

The correction of this error resulted in an increase of R 171 579.00

Accumulated Surplus

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

An increase in Provision of R970 859 resulted to a decrease on Accumulated Surplus of R970 859.

The increase in Payables from exchange transactions resulted to a decrease in Accumulated Surplus of R427 814.56

The prior period error of penalties resulted to a decrease in Accumulated Surplus of R 5 032 611

The increase in Payables from exchange transactions, VAT receivables resulted to a decrease in Accumulated Surplus of R111 644

The increase in receivable from exchange transactions resulted to a decrease in accumulated surplus of R218 205.

The cumulative effect of all changes that have occurred resulted in a net decrease of R5 182 358 on Accumulated Surplus.

Commitments

As previously reported	-	68 402 449
Prior year corrections	-	(3 187 669)
Restated balance	-	65 214 779

Commitments categories as previously reported

Authorised capital expenditure

Already contracted for but not provided for

Infrastructure assets	-	4 296 993
Integrated electrification	-	6 992 641
Community assets	-	37 061 462
Other commitments	-	16 863 683
	-	65 214 779

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57. Prior period errors (continued)		
Revised commitments categories		
Authorised capital expenditure		
Already contracted for but not provided for		
Infrastructure assets	-	4 296 993
Integrated electrification	-	6 992 641
Community assets	-	37 061 462
Other assets	-	6 006 047
Authorised operational expenditure		
Already contracted for but not provided for		
Operational expenditure	-	10 857 636
	-	65 214 779

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

2022

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions		25 930 092	(1 048 768)	-	24 881 324
Statutory Receivables		37 726 703	69 269	12 783 550	50 579 522
VAT Receivables		12 783 550	-	(12 783 550)	-
Operating lease		11 662 045	69 479	-	11 731 524
Investment properties		39 090 183	1 381 600	-	40 471 783
Property, plant and equipment		766 068 656	1 828 668	-	767 897 324
Provisions		(20 307 659)	(970 859)	-	(21 278 518)
Payables from exchange transaction		(47 256 789)	(5 577 642)	-	(52 834 431)
Accumulated Surplus		(1 090 344 245)	4 248 253	-	(1 086 095 992)
		(264 647 464)	-	-	(264 647 464)

Statement of financial performance

2022

	Note	As previously reported	Correction of error	Restated
Employee related Cost		(116 655 429)	(970 859)	(117 626 288)
Depreciation		(44 097 214)	(21 152)	(44 118 366)
Contracted Services		(57 071 486)	1 460 739	(55 610 747)
Remuneration of councillors		(24 782 223)	(227 700)	(25 009 923)
General expenses		(64 170 451)	(111 645)	(64 282 096)
Interest and penalties		-	(50 372)	(50 372)
Loss on disposal		(46 551 292)	(842 790)	(47 394 082)
Fair value adjustments		2 461 400	1 381 600	3 843 000
Rental of facilities		7 510 508	171 579	7 682 087
Interest received		15 474 310	(88 386)	15 385 924
Other income		382 022	1 432 000	1 814 022
Surplus for the year		(327 499 855)	2 133 014	(325 366 841)

Cash flow statement

Winnie Madikizela-Mandela Local Municipality

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58. Prior-year adjustments (continued)				
2022				
	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services		72 096 778	24 144	72 120 922
Employee Cost		(141 437 652)	(1 198 559)	(142 636 211)
Suppliers		(145 594 774)	1 224 787	(144 369 987)
Finance cost		-	(50 373)	(50 373)
		(214 935 648)	(1)	(214 935 649)

59. Interest and penalties

Penalties		-	23 971
Interest paid		-	26 401
		-	50 372

During the year SARS conducted VAT Audit for prior years starting from 2017/07 to 2021/09. SARS was auditing compliance as per s17(2) of the Vat act which provides that inputs is denied on certain expenses even if they are incurred in the course of conducting an enterprise.

Also, s16(2),16(3),17(1) and 20 input tax allowed. SARS had findings regarding VAT as the municipality was in contravention of s16(2),16(3),17(1) and 20, therefore SARS imposed an understatement penalty of R23 971.19 and interests pf R26 400.78 in terms of s223(1) of the Tax administration Act.

60. 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 intangibles, movable and immovable assets with extensions to useful lives ranging between 1-24 years. The overall effect of this revision has been an increase in depreciation charges for the current year of 4 624 657) and an increase in future depreciation charges of R 4 624 656.84

This has resulted in a decrease in current year's carrying amounts of certain property, plant and equipment by R4 624 656.84 and a future increase in carrying amounts of certain property, plant and equipment of R4 624 656.84.

61. Budget differences

Material differences between budget and actual amounts

The municipality give an explanation on material variances that are more than 5% as per the MFMA Circular 71.

Statement of Financial Performance

Service charges

The excess actual revenue is due to an increase in customer base which resulted to an increase in electricity consumption

Rental of facilities and equipment

The excess actual revenue more than budget is due to smoothing of leased asset that was raised at year end.

Agency services

The actual revenue being less than the budget is due to decline in numbers of customers utilising the DLTC services .

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 and raising of new staff debts.

Provision reduction

Winnie Madikizela-Mandela Local Municipality

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61. Budget differences (continued)

The provision reduction was not budgeted for under Revenue. The budget was allocated under liabilities.

Other income

The actual revenue being less than the budget is due to a decline on adhoc advertising fees, vending hawking, building plans and funeral fees as more people prefer to use rural homestead burials than the grave yard in town.

Interest received

The excess actual revenue more than the budget is due to interest increase in the current year.

Licence and permit

The actual revenue being less than budget is due to a decrease on number of customer utilising the DLTC services.

Fines, penalties and forfeits

The fines were only recognised at year end due to reconciliation that needed to be done by the department responsible which resulted to the budget not being adjusted as there were no fines recorded during the year.

Fairvalue adjustment

The increase in investment property is due to fair value adjustments performed by the independent valuer at year end.

Government donations

The asset donations were not budgeted for as the municipality was not expecting any donation of an asset.

Remuneration of councillors

The actual expenditure is less than the budget due to the governemnt gazzete of upper limits that is not yet been issued. The municipality budgeted for the councillor upper limits.

Finance Cost

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

Lease rentals on operating lease

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

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, which resulted to underspending on depreciation.

Impairment losses

The actual expenditure being less than the budget is the result of the impairment assessment that was done at financial year end. The municipality did not budget for impairment losses separately but as part pf depreciation.

Debt Impairment

The actual exepnditure being less than the budget is due the implementation of credit control.

Bad debts written off

The municipality do not budget for bad debt written off as we anticipate to collect revenue.

Bulk purchases

The budget being less than the actual expenditure is due to an increase in customer base which resulted to an increase in electricity purchases.

Winnie Madikizela-Mandela Local Municipality

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61. Budget differences (continued)

Contracted services

The actuals expenditure being less than the budget is savings due to implementation of cost containment measures. This is as a result of slow spending during the first months of each financial year which is always experienced and the municipality finds it difficult to recover from.

Transfers and subsidies

The actual expenditure being less than budget is savings to the municipality is due to late procurement.

Loss on disposal of assets

The variance on loss on disposal is as the result of the municipality budgeting for certain Electrification projects that were going to be completed during the financial year and the roads that were disposed as they were badly damaged by the floods.

General expense

The actuals expenditure being less than the budget is savings due to implementation of cost containment measures. This might be as a result of the slow spending during the first months of each financial year which is always experienced.

Transfers recognised- capital expenditure

The actual expenditure being less than budget is due to the GBS grants that was budget for but was never received by the municipality.

Statement of Financial Position

Inventories

The actual expenditure being less than the budget is savings. The inventory that was issued out but available at year end, an adjustment was done accordingly during stock count.

Other receivables from exchange

The budget for operating lease, vat, prepayments and receivables from exchange transactions is budgeted under the other receivables from exchange transactions. The actual performance compared to the budget is as the result of increase on lease rentals, accrued income not received from service provider and increase on receivables from exchange transactions. The budget format has group these items together and are reported on budget formats as part of receivables from exchange transaction not as a separate line item.

Receivables from non exchange

The statutory receivables and receivables from non exchange transactions are reported as part of receivables from non exchange transactions on budget formats. The budget was based on audited figures from prior year.

Cash and Cash equivalent

The actual cash on hand as at 30 June 2023 was due to savings realised on increase on interest received, rental of facilities and equipment more than budget. Furthermore, the reduced spending on general expenditure, contracted services.

Investment Property

The increase in investment property is due to fair value adjustments performed by the independent valuer at year end.

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. The difference is the Library grant, GBS Grant and disaster recovery that was not fully spent during the year.

Payables from exchange transactions

The budget less than the actual payables is due to retention and accrual that were budgeted for relating to Disaster recovery grant that was received late in the financial year.

Provisions

The budget for provisions is based on the audited figures of 2022/23. The landfill provision is performed by an independent expert.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

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61. Budget differences (continued)

Cash flow statement

Rate payers and others

The difference is caused by an increase on property rates billing that has not been settled for the year on certain government and household accounts.

Interest income

The difference is caused by an unexpected interest rate hikes by the reserve bank which has resulted in more interest generated on investments as well an increase in the prime lending rate which has affected interest charged on debtors

Suppliers

The difference is due to savings on expenses.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2023

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2023											
Financial Performance											
Property rates	21 468 489	-	21 468 489	-	-	21 468 489	21 160 320	-	(308 169)	99 %	99 %
Service charges	36 679 585	4 667 689	41 347 274	-	-	41 347 274	45 326 090	-	3 978 816	110 %	124 %
Investment revenue	15 138 171	9 330 000	24 468 171	-	-	24 468 171	28 370 870	-	3 902 699	116 %	187 %
Transfers recognised - operational	338 351 500	12 572 200	350 923 700	-	-	350 923 700	345 067 599	-	(5 856 101)	98 %	102 %
Other own revenue	8 810 833	1 073 373	9 884 206	-	-	9 884 206	23 516 055	-	13 631 849	238 %	267 %
Total revenue (excluding capital transfers and contributions)	420 448 578	27 643 262	448 091 840	-	-	448 091 840	463 440 934	-	15 349 094	103 %	110 %
Employee costs	(124 799 443)	2 747 750	(122 051 693)	-	-	(122 051 693)	(125 614 323)	-	(3 562 630)	103 %	101 %
Remuneration of councillors	(27 047 160)	-	(27 047 160)	-	-	(27 047 160)	(26 320 579)	-	726 581	97 %	97 %
Depreciation and asset impairment	(49 735 160)	-	(49 735 160)	-	-	(49 735 160)	(41 761 779)	-	7 973 381	84 %	84 %
Finance charges	(100 000)	-	(100 000)	-	-	(100 000)	-	-	100 000	- %	- %
Bulk purchases	(40 005 406)	-	(40 005 406)	-	-	(40 005 406)	(42 241 255)	-	(2 235 849)	106 %	106 %
Transfers and grants	(3 200 000)	(149 200)	(3 349 200)	-	-	(3 349 200)	(2 593 275)	-	755 925	77 %	81 %
Other expenditure	(186 431 070)	(53 246 228)	(239 677 298)	-	-	(239 677 298)	(148 278 594)	-	91 398 704	62 %	80 %
Total expenditure	(431 318 239)	(50 647 678)	(481 965 917)	-	-	(481 965 917)	(386 809 805)	-	95 156 112	80 %	90 %
Surplus/(Deficit)	(10 869 661)	(23 004 416)	(33 874 077)	-	-	(33 874 077)	76 631 129	-	110 505 206	(226)%	(705)%

Winnie Madikizela-Mandela Local Municipality

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	82 287 958	24 927 408	107 215 366	-		107 215 366	93 671 117		(13 544 249)	87 %	114 %
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-		-	479 356		479 356	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	71 418 297	1 922 992	73 341 289	-		73 341 289	170 781 602		97 440 313	233 %	239 %
Surplus/(Deficit) for the year	71 418 297	1 922 992	73 341 289	-		73 341 289	170 781 602		97 440 313	233 %	239 %
Capital expenditure and funds sources											
Total capital expenditure	108 048 252	42 775 461	150 823 713	-		150 823 713	119 070 711		(31 753 002)	79 %	110 %
Sources of capital funds											
Transfers recognised - capital	69 944 764	23 110 421	93 055 185	-		93 055 185	81 554 684		(11 500 501)	88 %	117 %
Internally generated funds	38 103 488	19 665 040	57 768 528	-		57 768 528	37 516 026		(20 252 502)	65 %	98 %
Total sources of capital funds	108 048 252	42 775 461	150 823 713	-		150 823 713	119 070 710		(31 753 003)	79 %	110 %

Winnie Madikizela-Mandela Local Municipality

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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
Cash flows											
Net cash from (used) operating	178 443 595	59 105 139	237 548 734	-		237 548 734	201 837 487		(35 711 247)	85 %	113 %
Net cash from (used) investing	(129 967 956)	(41 278 173)	(171 246 129)	-		(171 246 129)	(118 932 914)		52 313 215	69 %	92 %
Net increase/(decrease) in cash and cash equivalents	48 475 639	17 826 966	66 302 605	-		66 302 605	82 904 573		16 601 968	125 %	171 %
Cash and cash equivalents at the beginning of the year	336 826 809	(59 717 986)	277 108 823	-		277 108 823	277 108 823		-	100 %	82 %
Cash and cash equivalents at year end	385 302 448	(41 891 020)	343 411 428	-		343 411 428	360 013 396		(16 601 968)	105 %	93 %

Winnie Madikizela-Mandela Local Municipality

Appendix D

June 2023

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					
822 012	58 579 678	(57 757 666)	-	63 333 350	(63 333 350)
339 902 123	93 262 025	246 640 098	394 998 569	102 238 452	292 760 117
837 950	24 878 584	(24 040 634)	6 859 161	24 385 367	(17 526 206)
192 521	9 955 337	(9 762 816)	1 596 647	8 067 419	(6 470 772)
-	818 071	(818 071)	-	1 055 800	(1 055 800)
3 767 566	13 617 467	(9 849 901)	4 728 388	14 133 202	(9 404 814)
-	2 404 187	(2 404 187)	-	1 976 525	(1 976 525)
-	2 158 644	(2 158 644)	-	2 236 425	(2 236 425)
7 771 924	14 572 952	(6 801 028)	19 164 472	26 409 210	(7 244 738)
51 022 999	89 182 625	(38 159 626)	73 192 331	46 519 453	26 672 878
67 862 946	96 124 543	(28 261 597)	57 288 025	94 197 397	(36 909 372)
-	3 021 131	(3 021 131)	-	3 302 706	(3 302 706)
472 180 041	408 575 244	63 604 797	557 827 593	387 855 306	169 972 287

Winnie Madikizela-Mandela Local Municipality

Appendix E(1)

June 2023

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2023

	Current year 2022 Act. Bal.	Current year 2022 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
Revenue					
Service charges	45 326 090	41 347 274	3 978 816	9.6	
Rental of facilities and equipment	7 575 950	4 498 452	3 077 498	68.4	
Agency services	1 360 653	1 520 874	(160 221)	(10.5)	
Commissions received	164 806	163 726	1 080	0.7	
Recoveries	78 500	-	78 500	-	
Other income - (rollup)	10 942 529	704 641	10 237 888	452.9	
Interest received - investment	28 370 870	24 468 171	3 902 699	16.0	
	93 819 398	72 703 138	21 116 260	29.0	
Expenses					
Personnel	(125 614 323)	(122 051 693)	(3 562 630)	2.9	
Remuneration of councillors	(26 320 579)	(27 047 160)	726 581	(2.7)	
Depreciation	(41 815 777)	(49 735 160)	7 919 383	(15.9)	
Impairment	(991 512)	-	(991 512)	-	
Finance costs	-	(100 000)	100 000	(100.0)	
Debt Impairment	(1 404 083)	(9 600 000)	8 195 917	(85.4)	
Bulk purchases	(42 241 255)	(40 005 406)	(2 235 849)	5.6	
Contracted Services	(43 804 603)	(99 474 653)	55 670 050	(56.0)	
Transfers and Subsidies	(2 593 275)	(3 349 200)	755 925	(22.6)	
General Expenses	(100 810 882)	(130 602 645)	29 791 763	(22.8)	
	(385 596 289)	(481 965 917)	96 369 628	(20.0)	
Other revenue and costs					
Net surplus/ (deficit) for the year	(291 776 891)	(409 262 779)	117 485 888	(28.7)	

Winnie Madikizela-Mandela Local Municipality

Appendix E(2)

June 2023

Budget Analysis of Capital Expenditure as at 30 June 2022

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Finance & Admin/Finance	6 593 735	9 777 917	3 184 182	33	Savings on procurement or construction of landfill
Planning and Development/Economic Development/Plan	19 777 054	42 703 332	22 926 278	54	Savings due to delays on construction of Manufacturing Hubs
Comm. & Social/Libraries and archives	1 472 724	1 710 000	237 276	14	savings on fencing of recreational facilities
Sport and Recreation	134 200	185 435	51 235	28	Savings on grass cutting machines
Waste Management	2 454 064	2 991 305	537 241	18	Savings due to non construction of landfill.
Road Transport/Roads	75 748 647	77 190 506	1 441 859	2	ts
Electricity /Electricity Distribution	15 520 984	16 265 218	744 234	5	
	121 701 408	150 823 713	29 122 305	19	

Winnie Madikizela-Mandela Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by functional classification) for the year ended 30 June 2023

	2023/2022							2022/2021							
	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 - Functional															
Municipal governance and administration	362 794 086	23 123 373	385 917 459	-		385 917 459	394 998 569		9 081 110	102 %	109 %				336 797 942
Finance and administration	362 794 086	23 123 373	385 917 459	-		385 917 459	394 998 569		9 081 110	102 %	109 %				335 975 930
Community and public safety	4 966 389	120 000	5 086 389	-		5 086 389	6 325 035		1 238 646	124 %	127 %				3 960 087
Community and social services	622 888	-	622 888	-		622 888	1 596 647		973 759	256 %	256 %				192 521
Public safety	4 343 501	120 000	4 463 501	-		4 463 501	4 728 388		264 887	106 %	109 %				3 767 566
Economic and environmental services	78 100 460	24 659 608	102 760 068	-		102 760 068	80 051 493		(22 708 575)	78 %	102 %				51 860 949
Planning and development	23 062 460	(50 000)	23 012 460	-		23 012 460	6 859 162		(16 153 298)	30 %	30 %				837 950
Road transport	55 038 000	24 709 608	79 747 608	-		79 747 608	73 192 331		(6 555 277)	92 %	133 %				51 022 999
Trading services	56 875 601	4 667 689	61 543 290	-		61 543 290	76 216 310		14 673 020	124 %	134 %				75 634 870
Energy sources	47 325 308	6 000 000	53 325 308	-		53 325 308	57 288 026		3 962 718	107 %	121 %				67 862 946
Waste management	9 550 293	(1 332 311)	8 217 982	-		8 217 982	18 928 284		10 710 302	230 %	198 %				7 771 924
Total Revenue - Functional	502 736 536	52 570 670	555 307 206	-		555 307 206	557 591 407		2 284 201	100 %	111 %				468 253 848

Winnie Madikizela-Mandela Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by functional classification) for the year ended 30 June 2023

	2023/2022							2022/2021							
	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	201 619 897	1 324 789	202 944 686	-	-	202 944 686	165 571 801	-	(37 372 885)	82 %	82 %	-	-	-	149 218 286
Executive and council	64 094 421	544 994	64 639 415	-	-	64 639 415	59 349 828	-	(5 289 587)	92 %	93 %	-	-	-	54 785 378
Finance and administration	132 843 856	1 279 795	134 123 651	-	-	134 123 651	102 238 452	-	(31 885 199)	76 %	77 %	-	-	-	90 856 366
Internal audit	4 681 620	(500 000)	4 181 620	-	-	4 181 620	3 983 521	-	(198 099)	95 %	85 %	-	-	-	3 576 542
Community and public safety	32 667 442	(889 606)	31 777 836	-	-	31 777 836	25 232 946	-	(6 544 890)	79 %	77 %	-	-	-	26 332 963
Community and social services	12 936 046	(110 000)	12 826 046	-	-	12 826 046	8 067 418	-	(4 758 628)	63 %	62 %	-	-	-	9 955 337
Sport and recreation	2 728 743	(460 000)	2 268 743	-	-	2 268 743	1 976 525	-	(292 218)	87 %	72 %	-	-	-	2 404 187
Public safety	15 956 496	(337 606)	15 618 890	-	-	15 618 890	14 133 203	-	(1 485 687)	90 %	89 %	-	-	-	13 155 368
Housing	1 046 157	18 000	1 064 157	-	-	1 064 157	1 055 800	-	(8 357)	99 %	101 %	-	-	-	818 071
Economic and environmental services	102 587 806	26 925 099	129 512 905	-	-	129 512 905	74 234 603	-	(55 278 302)	57 %	72 %	-	-	-	115 863 853
Planning and development	37 697 052	64 477	37 761 529	-	-	37 761 529	24 385 367	-	(13 376 162)	65 %	65 %	-	-	-	24 700 585
Road transport	62 239 554	27 093 623	89 333 177	-	-	89 333 177	47 612 811	-	(41 720 366)	53 %	76 %	-	-	-	89 004 624
Environmental protection	2 651 200	(233 001)	2 418 199	-	-	2 418 199	2 236 425	-	(181 774)	92 %	84 %	-	-	-	2 158 644
Trading services	90 304 496	23 299 984	113 604 480	-	-	113 604 480	119 513 259	-	5 908 779	105 %	132 %	-	-	-	111 390 291
Energy sources	63 408 354	24 024 984	87 433 338	-	-	87 433 338	94 197 397	-	6 764 059	108 %	149 %	-	-	-	96 817 339
Waste management	26 896 142	(725 000)	26 171 142	-	-	26 171 142	25 315 862	-	(855 280)	97 %	94 %	-	-	-	14 572 952
Other	4 138 598	(12 600)	4 125 998	-	-	4 125 998	3 302 706	-	(823 292)	80 %	80 %	-	-	-	-
Other	4 138 598	(12 600)	4 125 998	-	-	4 125 998	3 302 706	-	(823 292)	80 %	80 %	-	-	-	3 021 118
Total Expenditure - Functional	431 318 239	50 647 666	481 965 905	-	-	481 965 905	387 855 315	-	(94 110 590)	80 %	90 %	-	-	-	405 826 511
Surplus/(Deficit) for the year	71 418 297	1 923 004	73 341 301	-		73 341 301	169 736 092		96 394 791	231 %	238 %				62 427 337

Winnie Madikizela-Mandela Local Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2023

	2023/2022							2022/2021						
	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	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
Revenue by Vote														
Budget and Treasury	341 188 871	22 751 000	363 939 871	-		363 939 871	373 244 835	9 304 964	103 %	109 %				315 151 365
Corporate Services	136 726	372 373	509 099	-		509 099	575 685	66 586	113 %	421 %				483 383
Development and Planning	44 530 949	(50 000)	44 480 949	-		44 480 949	22 795 240	(21 685 709)	51 %	51 %				22 001 144
Community and Social Services	14 516 682	(1 212 311)	13 304 371	-		13 304 371	25 271 049	11 966 678	190 %	174 %				11 732 010
Engineering services	102 366 308	30 709 308	133 075 616	-		133 075 616	135 704 598	2 628 982	102 %	133 %				56 381 194
Total Revenue by Vote	502 739 536	52 570 370	555 309 906	-		555 309 906	557 591 407	2 281 501	100 %	111 %				472 180 043
Expenditure by Vote to be appropriated														
Mayor and Council	45 758 416	618 994	46 377 410	-		46 377 410	42 992 017	(3 385 393)	93 %	94 %	-	-	-	40 423 976
Municipal Manager	38 632 660	(824 000)	37 808 660	-		37 808 660	35 553 108	(2 255 552)	94 %	92 %	-	-	-	31 242 880
Budget and Treasury	41 521 121	2 250 000	43 771 121	-		43 771 121	29 088 177	(14 682 944)	66 %	70 %	-	-	-	21 789 248
Corporate Services	59 772 313	(1 786 005)	57 986 308	-		57 986 308	40 570 094	(17 416 214)	70 %	68 %	-	-	-	38 758 339
Development and Planning	36 131 249	401 277	36 532 526	-		36 532 526	21 916 367	(14 616 159)	60 %	61 %	-	-	-	17 007 805
Community and Social Services	79 011 590	(913 605)	78 097 985	-		78 097 985	71 980 605	(6 117 380)	92 %	91 %	-	-	-	60 969 621
Engineering services	130 490 890	50 901 007	181 391 897	-		181 391 897	145 754 947	(35 636 950)	80 %	112 %	-	-	-	101 566 038
Total Expenditure by Vote	431 318 239	50 647 668	481 965 907	-		481 965 907	387 855 315	(94 110 592)	80 %	90 %	-	-	-	408 575 246
Surplus/(Deficit) for the year	71 421 297	1 922 702	73 343 999	-		73 343 999	169 736 092	96 392 093	231 %	238 %				63 604 797