



Winnie Madikizela-Mandela Local Municipality
Audited Annual Financial Statements
for the year ended 30 June 2024

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

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.Mbele
Executive Committee	N. Madikizela L. Makholosa Y. Govana N. Dlamini N.E. Cengimbo P.B. Majavu N. Langasiki L.G. Mcambalala N.M. Njomi

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

General Information

Councillors

N. Kwelemtini
E. Voko
B. Luwele
F.N. Sobazile
B. Matshoba
N. Mgolozana
N. Sikibi
S.P. Madikizela
K. Zinya
N. Madikizela
R. F. Madikizela
S. Mphoswa
M. C. Mphetshwa
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. Tsethe
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. Sabuka
N. Madikizela
N. L. Xhalabile
Z.L. Nelisi-Makiva
Z. Moya/ M. S. Khambile
L.V. Nomaqhiza
B.W. Mangqalaza
P. Siramza
L. Silangwe
N. Nxasana
F. Siramza
P. Nophinga

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

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- Seperdadh Attorneys
Auditors	Auditor General of South Africa Registered Auditors

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

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

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Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

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Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
DORA	Division Of Revenue Act
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MIG	Municipal Infrastructure Grant
DSRAC	Department of Sport, Recreation, Arts and Culture
INEP	Integrated National Electrification Programme
ASB	Accounting Standards Board
MPAC	Municipal Public Accounts Committee
MSIG	Municipal Systems Infrastructure Grant
SCM	Supply Chain Management
MSA	Municipal Systems Act
MSA	Municipal Structures Act

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

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 35 and 36 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.

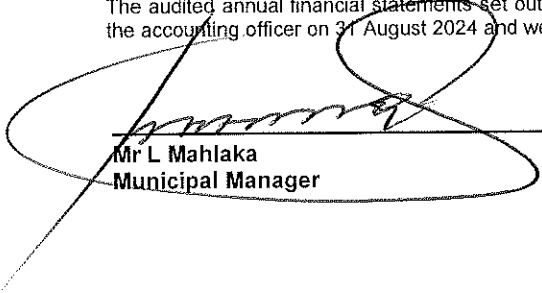
The audited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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 the accounting officer 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 June 30, 2025 and, in the light of this review and the current financial position, I am satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The audited annual financial statements set out on pages 7 to 111, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 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 June 30, 2024

Statement of Financial Position as at June 30, 2024

Figures in Rand	Note(s)	2024	2023 Restated*
Assets			
Current Assets			
Inventories	7	786,196	1,383,544
Operating lease asset	8	18,841,946	15,435,571
Other Receivables from exchange transactions	9	1,401,568	1,772,378
Receivables from non-exchange transactions	10	4,088,994	2,226,890
Statutory receivables	11	48,725,424	43,178,790
Prepayments	12	2,740,429	4,603,155
Receivables from exchange transactions	13	31,776,608	22,119,133
Cash and cash equivalents	14	460,788,282	360,015,400
		569,149,447	450,734,861
Non-Current Assets			
Investment property	3	49,294,199	42,209,500
Property, plant and equipment	4	892,081,735	822,179,852
Intangible assets	5	502,827	631,421
Heritage assets	6	1,260,799	1,260,799
		943,139,560	866,281,572
Total Assets		1,512,289,007	1,317,016,433
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	75,985,108	54,789,420
VAT payable	16	2,513,926	-
Consumer deposits	17	496,603	497,247
Employee benefits obligation	18	20,864,352	17,808,245
Unspent conditional grants and receipts	19	14,409,451	8,198,501
Provisions	20	1,067,164	2,082,219
		115,336,604	83,375,632
Non-Current Liabilities			
Provisions	20	11,950,306	10,632,303
Total Liabilities		127,286,910	94,007,935
Net Assets		1,385,002,097	1,223,008,498
Accumulated surplus		1,385,002,097	1,223,008,498
Total Net Assets		1,385,002,097	1,223,008,498

WINNIE MADIKIZELA-MANDELA
LOCAL MUNICIPALITY
CHIEF FINANCIAL OFFICER

30 NOV 2024

PO BOX 12 BAYANA 4830
TEL: 033 251 0220

SIGNATURE

WINNIE MADIKIZELA-MANDELA
LOCAL MUNICIPALITY
PO BOX 12 BAYANA 4830

2024-11-30

OFFICE OF THE MUNICIPAL MANAGER
TEL: 033 251 0220
FAX: 033 251 0007

* See Note 64 & 63

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	53,841,401	45,326,090
Construction contracts	24	14,066,835	14,432,149
Rental of facilities and equipment	25	7,969,863	7,575,950
Interest received from receivables	26	3,794,988	2,443,815
Agency services	27	1,298,390	1,360,653
Commissions received	28	188,290	164,806
Recoveries	28	735,339	78,500
Provision reduction	28	-	11,678,705
Other income	28	281,585	179,573
Interest received from current and non current assets	29	34,468,001	21,920,440
Total revenue from exchange transactions		116,644,692	105,160,681
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	21,713,167	21,160,320
Fines, penalties and Forfeits	31	1,285,810	1,224,575
Licences and Permits	32	2,102,291	2,169,042
Interest received (non exchange)	33	5,200,308	3,961,083
Transfer revenue			
Government grants & subsidies	34	421,102,369	420,600,999
Government donations	35	-	479,356
Total revenue from non-exchange transactions		451,403,945	449,595,375
Total revenue	22	568,048,637	554,756,056
Expenditure			
Employee related costs	36	(139,601,412)	(126,273,180)
Remuneration of councillors	37	(26,454,463)	(26,577,017)
Depreciation and amortisation	38	(32,417,463)	(41,502,300)
Impairment of Property, plant and equipment	39	(9,252,340)	(1,920,996)
Interest and penalties	40	(50,162)	-
Lease rentals on operating lease	41	(5,723,859)	(4,736,656)
Debt Impairment	42	(2,273,866)	(1,404,083)
Bulk purchases	43	(43,466,987)	(42,241,255)
Contracted services	44	(82,810,742)	(58,236,918)
Transfers and Subsidies	45	(2,805,345)	(2,593,275)
General Expenses	46	(58,913,298)	(58,422,552)
Total expenditure		(403,769,937)	(363,908,232)
Operating Surplus (deficit)		164,278,700	190,847,824
Loss on disposal of assets and liabilities	47	(9,369,808)	(1,458,339)
Fair value adjustments	48	7,084,700	1,737,717
		(2,285,108)	279,378
Surplus for the year		161,993,592	191,127,202

WINNIE MADIKIZELA-MANDELA
LOCAL MUNICIPALITY
CHIEF FINANCIAL OFFICER

30 NOV 2024

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WINNIE MADIKIZELA-MANDELA
LOCAL MUNICIPALITY
MAYOR

2024 -11- 30

OFFICE OF THE MUNICIPAL MANAGER
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FAX: 039 251 0917

* See Note 64 & 63

Winnie Madikizela-Mandela Local Municipality

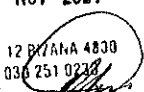
Audited Annual Financial Statements for the year ended June 30, 2024

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / (deficit)	Total net assets
Opening balance as previously reported	1,086,096,327	1,086,096,327
Adjustments		
Prior year adjustments 64	(54,215,031)	(54,215,031)
Balance at July 1, 2022 as restated*	1,031,881,296	1,031,881,296
Surplus/(Deficit) for the year	191,127,202	191,127,202
Total changes	191,127,202	191,127,202
Opening balance as previously reported	1,223,008,505	1,223,008,505
Restated* Balance at July 1, 2023 as restated*	1,223,008,505	1,223,008,505
Surplus/(Deficit) for the year	161,993,592	161,993,592
Total changes	161,993,592	161,993,592
Balance at June 30, 2024	1,385,002,097	1,385,002,097
Note(s)		

WINNIE MADIKIZELA-MANDELA
LOCAL MUNICIPALITY
CHIEF FINANCIAL OFFICER

30 NOV 2024

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* See Note 64 & 63

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		81,107,323	94,401,777
Grants		427,313,317	421,354,390
Interest income		43,463,297	28,325,338
		<u>551,883,937</u>	<u>544,081,505</u>
Payments			
Employee costs		(162,999,768)	(151,498,508)
Suppliers		(167,248,224)	(174,885,967)
Interest and penalties		(50,162)	-
		<u>(330,298,154)</u>	<u>(326,384,475)</u>
Net cash flows from operating activities	50	<u>221,585,783</u>	<u>217,697,030</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(120,812,901)	(134,190,453)
Purchase of other intangible assets	5	-	(600,000)
		<u>(120,812,901)</u>	<u>(134,790,453)</u>
Net cash flows from investing activities			
Net increase/(decrease) in cash and cash equivalents		<u>100,772,882</u>	<u>82,906,577</u>
Cash and cash equivalents at the beginning of the year		360,015,400	277,108,823
Cash and cash equivalents at the end of the year	14	<u>460,788,282</u>	<u>360,015,400</u>

The accounting policies on pages 14 to 45 and the notes on pages 46 to 111 form an integral part of the audited annual financial statements.

WINNIE MADIKIZELA-MANDELA
LOCAL MUNICIPALITY
CHIEF FINANCIAL OFFICER

30 NOV 2024

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WINNIE MADIKIZELA-MANDELA
LOCAL MUNICIPALITY
B.Eng. (Economics) 1999

2024 -11- 30

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* See Note 64 & 63

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand Approved budget Adjustments Final Budget Actual amounts Difference Note Reference

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of goods	201,086	20,000	221,086	248,688	27,602	64
Service charges	37,904,200	11,206,933	49,111,133	53,841,401	4,730,268	64
Construction contracts	-	-	-	14,066,835	14,066,835	64
Rental of facilities and equipment	5,282,238	119,994	5,402,232	7,969,863	2,567,631	64
Interest received from receivables	3,389,530	400,000	3,789,530	3,794,988	5,458	64
Agency services	1,266,201	147,991	1,414,192	1,298,390	(115,802)	64
Commissions received	152,484	-	152,484	188,290	35,806	64
Recoveries	-	104,540	104,540	735,339	630,799	64
Other income - (rollup)	318,978	(288,981)	29,997	32,897	2,900	64
Interest received from current assets	15,890,233	15,999,999	31,890,232	34,468,001	2,577,769	64
Total revenue from exchange transactions	64,404,950	27,710,476	92,115,426	116,644,692	24,529,266	

Revenue from non-exchange transactions

Taxation revenue

Property rates	21,249,948	-	21,249,948	21,713,167	463,219	64
Fines, penalties and forfeits	225,000	-	225,000	1,285,810	1,060,810	64
Licences and Permits (Non-exchange)	2,537,200	-	2,537,200	2,102,291	(434,909)	64
Interest received(non- exchange)	1,779,872	3,600,000	5,379,872	5,200,308	(179,564)	64

Transfer revenue

Government grants & subsidies	349,897,300	7,163,133	357,060,433	352,620,578	(4,439,855)	64
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Total revenue from non-exchange transactions	375,689,320	10,763,133	386,452,453	382,922,154	(3,530,299)	
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Total revenue	440,094,270	38,473,609	478,567,879	499,566,846	20,998,967	
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Expenditure

Employee related cost	(139,934,028)	51,145	(139,882,883)	(139,601,412)	281,471	64
Remuneration of councillors	(28,480,421)	-	(28,480,421)	(26,454,463)	2,025,958	64
Depreciation and amortisation	(54,370,824)	(10,165,000)	(64,535,824)	(32,417,463)	32,118,361	64
Impairment loss	-	-	-	(9,252,340)	(9,252,340)	64
Interest and Penalties	(99,984)	-	(99,984)	(50,162)	49,822	64
Lease rentals on operating lease	(5,472,264)	(597,650)	(6,069,914)	(5,723,859)	346,055	64
Debt Impairment	(10,108,776)	-	(10,108,776)	(2,273,866)	7,834,910	64
Bulk purchases	(47,730,636)	-	(47,730,636)	(43,466,987)	4,263,649	64
Contracted Services	(78,322,728)	(45,185,813)	(123,508,541)	(82,810,742)	40,697,799	64
Transfers and Subsidies	(3,430,745)	150,017	(3,280,728)	(2,805,345)	475,383	64
Inventory	(7,485,164)	(98,764)	(7,583,928)	(5,761,353)	1,822,575	64
Loss on disposal of assets	-	(22,432,320)	(22,432,320)	(9,369,806)	13,062,514	64
General Expenses	(72,261,684)	(1,077,628)	(73,339,312)	(53,151,945)	20,187,367	64

Total expenditure	(447,697,254)	(79,356,013)	(527,053,267)	(413,139,743)	113,913,524	
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Operating surplus	(7,602,984)	(40,882,404)	(48,485,388)	86,427,103	134,912,491	
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Transfer recognised- capital contribution	76,295,084	17,744,442	94,039,526	68,481,789	(25,557,737)	64
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Fair value adjustments	-	-	-	7,084,700	7,084,700	64
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	76,295,084	17,744,442	94,039,526	75,566,489	(18,473,037)	
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Surplus before taxation	68,692,100	(23,137,962)	45,554,138	161,993,592	116,439,454	
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	68,692,100	(23,137,962)	45,554,138	161,993,592	116,439,454	
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Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Difference	Note Reference
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Statement of Financial Position

Assets

Current Assets

Inventories	449,895	1,333,733	1,783,628	786,196	(997,432)	64
Operating lease asset	15,763,094	3,084,195	18,847,289	18,841,946	(5,343)	64
Other Receivables from exchange transactions	-	-	-	1,401,568	1,401,568	64
Receivables from non-exchange transactions	25,808,552	8,340,956	34,149,508	4,088,994	(30,060,514)	64
Statutory receivables	18,041,926	4,837,584	22,879,510	48,725,424	25,845,914	64
Prepayments	-	-	-	2,740,429	2,740,429	64
Receivables from exchange transactions	46,746,093	(6,971,392)	39,774,701	31,776,608	(7,998,093)	64
Cash and cash equivalents	306,560,270	55,158,233	361,718,503	460,788,282	99,069,779	64
	413,369,830	65,783,309	479,153,139	569,149,447	89,996,308	

Non-Current Assets

Investment property	39,090,185	3,119,314	42,209,499	49,294,199	7,084,700	64
Property, plant and equipment	834,980,073	70,886,017	905,866,090	892,081,735	(13,784,355)	64
Intangible assets	43,247	423,175	466,422	502,827	36,405	64
Heritage assets	1,260,799	-	1,260,799	1,260,799	-	64
	875,374,304	74,428,506	949,802,810	943,139,560	(6,663,250)	

Total Assets

1,288,744,134	140,211,815	1,428,955,949	1,512,289,007	83,333,058	
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Liabilities

Current Liabilities

Payables from exchange transactions	74,018,717	13,531,197	87,549,914	75,985,108	(11,564,806)	64
VAT payable	4,946,616	-	4,946,616	2,513,926	(2,432,690)	64
Consumer deposits	505,877	(8,630)	497,247	496,603	(644)	64
Employee benefits obligation	-	-	-	20,864,352	20,864,352	64
Unspent conditional grants and receipts	-	2,127,007	2,127,007	14,409,451	12,282,444	64
Provisions	20,307,659	(389,158)	19,918,501	1,067,164	(18,851,337)	64
	99,778,869	15,260,416	115,039,285	115,336,604	297,319	

Non-Current Liabilities

Provisions	22,483,946	(10,999,147)	11,484,799	11,950,306	465,507	64
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Total Liabilities

122,262,815	4,261,269	126,524,084	127,286,910	762,826	
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Net Assets

1,166,481,319	135,950,546	1,302,431,865	1,385,002,097	82,570,232	
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	1,166,481,319	135,950,546	1,302,431,865	1,385,002,097	82,570,232	64
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Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Difference	Note Reference
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Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	114,203,088	10,537,882	124,740,970	81,107,323	(43,633,647)	64
Grants	421,451,984	23,576,564	445,028,548	427,313,317	(17,715,231)	64
Interest income	15,890,232	16,000,000	31,890,232	43,463,297	11,573,065	64
	551,545,304	50,114,446	601,659,750	551,883,937	(49,775,813)	

Payments

Employee costs	(158,692,457)	171,145	(158,521,312)	(162,999,768)	(4,478,456)	64
Suppliers	(221,925,187)	(50,897,896)	(272,823,083)	(16,748,224)	256,074,859	64
Interest and penalties	(99,984)	-	(99,984)	(50,162)	49,822	64
	(380,717,628)	(50,726,751)	(431,444,379)	(179,798,154)	251,646,225	

Net cash flows from operating activities

	170,827,676	(612,305)	170,215,371	372,085,783	201,870,412	
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Cash flows from investing activities

Purchase of property, plant and equipment	(141,376,228)	(27,136,043)	(168,512,271)	(120,812,901)	47,699,370	64
Net increase/(decrease) in cash and cash equivalents	29,451,448	(27,748,348)	1,703,100	251,272,882	249,569,782	
Cash and cash equivalents at the beginning of the year	277,108,822	82,906,578	360,015,400	360,015,400	-	
Cash and cash equivalents at the end of the year	306,560,270	55,158,230	361,718,500	611,288,282	249,569,782	

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Significant Accounting Policies

1. Presentation of Audited Annual Financial Statements

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

1.1 Basis of preparation

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 No. 56 of 2003).

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

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, except for the accounting policy on construction contracts that was previously not included.

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.

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 20 - Provisions.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors, an impairment loss is recognised in surplus or 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 51 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.

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.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Significant Accounting Policies

1.5 Investment property (continued)

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

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

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Significant 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, its 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	Indefinite
Buildings	Straight line	5 - 100 years
Furniture and fixtures	Straight line	2 - 26 years
Motor vehicles	Straight line	3 - 15 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 site		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

Audited Annual Financial Statements for the year ended June 30, 2024

Significant 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.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Significant 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	Amortization 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

Audited Annual Financial Statements for the year ended June 30, 2024

Significant 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 a municipality 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 the municipality's statement of financial position.

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality 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 municipality 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 municipality 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

Audited Annual Financial Statements for the year ended June 30, 2024

Significant 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 the municipality after deducting all of its liabilities. A residual interest includes contributions from other stakeholder, 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 a municipality'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 a municipality.

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
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 and receipts	Financial liability measured at amortised cost
Consumer deposits	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

Audited Annual Financial Statements for the year ended June 30, 2024

Significant 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

Audited Annual Financial Statements for the year ended June 30, 2024

Significant 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).

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Significant 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 using another systematic basis that is more representative of the time pattern.. The other systematic basis is monthly billing as per rental agreements as these are more representative of the time pattern of the municipality's benefit.

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 would incur 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.

Winnie Madikizela-Mandela Local Municipality

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Significant Accounting Policies

1.10 Inventories (continued)

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.

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

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

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Significant 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 municipality 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.

Winnie Madikizela-Mandela Local Municipality

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Significant Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

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Significant Accounting Policies

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.

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 (amortisation) 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.

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Significant Accounting Policies

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

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 overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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.

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.

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Significant Accounting Policies

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

Reversal of an impairment loss

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

1.13 Employee benefits

Identification

Employee benefits

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

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.

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Significant Accounting Policies

1.13 Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.
- As an expense, unless another Standard of GRAP 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 recognises 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.

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:

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

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Significant Accounting Policies

1.13 Employee benefits (continued)

Annual Bonuses

The municipality recognises 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.

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.

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Significant Accounting Policies

1.14 Provisions and contingencies (continued)

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 52.

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 breach 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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Significant 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

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Significant 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, a 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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Significant 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 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.

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

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.

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.

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Significant Accounting Policies

1.19 Comparative figures (continued)

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 62** 'Prior Period Errors' and **note 63** 'Prior period year adjustments' 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 and wasteful 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 (Act No. 32 of 2000), 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 Local municipality 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 year and which was written-off before year end and/or before finalisation of the annual financial statements is also 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 is recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

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

Winnie Madikizela-Mandela Local Municipality

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Significant Accounting Policies

1.22 Irregular expenditure (continued)

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 is 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 are thereafter 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 is also updated accordingly. If the irregular expenditure has not been condoned/written-off and no person is liable in law, the expenditure related thereto remains 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 effected 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 63 of the financial statements where applicable.

1.26 Budget information

Municipality is 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 01-Jul-23 to 30-Jun-24.

The Statement of comparative of budget and actual amount 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.

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Significant Accounting Policies

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

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.

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Significant Accounting Policies

1.31 Prepayments (continued)

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.

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.

Winnie Madikizela-Mandela Local Municipality

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Significant Accounting Policies

1.32 Heritage assets (continued)

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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Significant 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

Audited Annual Financial Statements for the year ended June 30, 2024

Significant 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 municipality:
 - 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

Audited Annual Financial Statements for the year ended June 30, 2024

Significant 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.

1.36 Construction contracts and payables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised as per work done during the project, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Contract costs

Contract costs shall comprise:

- (a) costs that relate directly to the specific contract; (e.g labour, materials, supervision costs
- (b) costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- (c) such other costs as are specifically chargeable to the customer under the terms of the contracts.

Recognition

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Significant Accounting Policies

1.36 Construction contracts and payables (continued)

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date. An expected deficit on a construction contract to which paragraph .49 applies shall be recognised as an expense immediately in accordance with paragraph. 49.

In the case of a fixed price contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- total contract revenue, if any, can be measured reliably;
- it is probable that the economic benefits or service potential associated with the contract will flow to the entity;
- both the contract costs to complete the contract and the stage of contract completion at the reporting date can be measured reliably; and
- the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

Measurement

In the case of a cost plus or cost based contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- it is probable that the economic benefits or service potential associated with the contract will flow to the entity; and
- the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

Disclosure

The municipality discloses:

- the amount of contract revenue recognised as revenue in the period;
- the methods used to determine the contract revenue recognised in the period; and
- the methods used to determine the stage of completion of contracts in progress.

The municipality shall disclose each of the following for contracts in progress at the reporting date:

- the aggregate amount of costs incurred and recognised surpluses (less recognised deficits) to date;
- the amount of advances received; and
- the amount of retentions.

The municipality presents

- the gross amount due from customers for contract work as an asset; and
- the gross amount due to customers for contract work as a liability.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">iGRAP 21: The Effect of Past Decisions on Materiality	April 1, 2023	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 25 (as revised): Employee Benefits	April 1, 2023	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	April 1, 2023	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 2020: Improvements to the Standards of GRAP 2020	April 1, 2023	Unlikely there will be a material impact
<ul style="list-style-type: none">Guideline: Guideline on Accounting for Landfill Sites	April 1, 2023	Not expected to impact results but may result in additional disclosure
<ul style="list-style-type: none">GRAP 1 (amended): Presentation of Financial Statements (Materiality)	April 1, 2023	Unlikely there will be a material impact

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 2023 Improvements to the Standards of GRAP 2023	April 1, 2099	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	April 1, 2099	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 103 (as revised): Heritage Assets	April 1, 2099	Unlikely there will be a material impact
<ul style="list-style-type: none">iGRAP 22 Foreign Currency Transactions and Advance Consideration	April 1, 2025	Unlikely there will be a material impact
<ul style="list-style-type: none">GRAP 104 (as revised): Financial Instruments	April 1, 2025	Unlikely there will be a material impact

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2024 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">GRAP 107 Mergers	April 1, 2023	Not relevant to the municipality's operations
<ul style="list-style-type: none">GRAP 106 Transfer of Functions Between Entities Not Under Common Control	April 1, 2023	Not relevant to the municipality's operations
<ul style="list-style-type: none">GRAP 105 Transfer of Functions Between Entities Under Common Control	April 1, 2023	Not relevant to the municipality's operations

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand

3. Investment property

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	49,294,199	-	49,294,199	42,209,500	-	42,209,500

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustments	Total
Investment property	42,209,500	7,084,699	49,294,199

Reconciliation of investment property - 2023

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

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 June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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3. Investment property (continued)

Details of valuation

The effective date of the revaluations was Sunday, June 30, 2024. 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 has recent experience in location and category of the investment property being valued.

The valuation method deemed appropriate and adopted was discounted cash flows.

For investment property, totalling R 49,294,199 (2023: R 42,209,500), where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptions were used:

Discount rate 9.9%

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	4,672,960	4,319,951
Smoothing amounts	2,962,065	3,220,910
	7,635,025	7,540,861

The review of the audited Annual Financial Statements of 2022/23 financial year revealed that the figure included hall hire fees.

The correction of this resulted in the comparative figure being revised by R35 088.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3,098,628	-	3,098,628	3,098,628	-	3,098,628
Buildings	29,027,217	(6,251,114)	22,776,103	28,564,476	(5,576,041)	22,988,435
Plant and machinery	25,247,109	(17,855,534)	7,391,575	25,049,766	(17,001,630)	8,048,136
Furniture and fixtures	30,203,157	(22,245,370)	7,957,787	28,336,609	(21,513,955)	6,822,654
Motor vehicles	22,016,985	(8,871,702)	13,145,283	16,888,020	(7,711,872)	9,176,148
Infrastructure	803,154,860	(303,265,952)	499,888,908	743,451,509	(296,028,410)	447,423,099
Community	228,371,454	(34,860,130)	193,511,324	210,860,243	(29,138,470)	181,721,773
Work in progress	144,312,127	-	144,312,127	142,900,979	-	142,900,979
Total	1,285,431,537	(393,349,802)	892,081,735	1,199,150,230	(376,970,378)	822,179,852

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	3,098,628	-	-	-	-	-	3,098,628
Buildings	22,988,435	-	-	462,741	(675,073)	-	22,776,103
Plant and machinery	8,048,136	183,149	-	32,313	(864,751)	(7,272)	7,391,575
Furniture and fixtures	6,822,654	3,602,762	(82,138)	-	(2,111,130)	(274,361)	7,957,787
Motor vehicles	9,176,148	5,297,810	(68,409)	-	(1,087,032)	(173,234)	13,145,283
Infrastructure	447,423,099	70,574,403	(9,125,659)	13,491,814	(21,876,496)	(598,253)	499,888,908
Community	181,721,773	8,952,186	(84,537)	8,704,026	(5,674,387)	(107,737)	193,511,324
Work in progress	142,900,979	32,202,591	-	(22,690,894)	-	(8,100,549)	144,312,127
	822,179,852	120,812,901	(9,360,743)	-	(32,288,869)	(9,261,406)	892,081,735

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	3,118,628	-	(20,000)	-	-	-	-	3,098,628
Buildings	22,885,383	748,441	-	-	-	(645,389)	-	22,988,435
Plant and machinery	9,478,509	168,114	-	-	-	(1,580,368)	(18,119)	8,048,136
Furniture and fixtures	6,407,143	3,120,966	(91,735)	79,700	-	(2,522,972)	(170,448)	6,822,654
Motor vehicles	6,249,884	4,457,473	(775,328)	399,656	-	(1,155,537)	-	9,176,148
Infrastructure	398,640,341	70,606,264	(1,309,539)	-	12,121,506	(30,903,044)	(1,732,429)	447,423,099
Community	102,552,801	5,925,763	-	-	77,926,378	(4,683,169)	-	181,721,773
Work in progress	183,785,441	49,163,422	-	-	(90,047,884)	-	-	142,900,979
	733,118,130	134,190,443	(2,196,602)	479,356	-	(41,490,479)	(1,920,996)	822,179,852

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 - 15 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	7 - 30 years

Fixed asset register review process

The municipality reviews its fixed assets register at each reporting date where the following activities are carried out:

- Addition of new assets acquired during the year
- Conditional assessment of existing assets to identify impairment indicators and process necessary impairments where such is found

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

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4. Property, plant and equipment (continued)

- Review of useful lives and residual values to ensure assets are correctly valued

The results of these are therefore presented in the relevant notes to these annual financial statements.

Capitalised expenditure

Buildings	-	748,440
Plant and machinery	183,149	168,114
Furniture and fixtures	3,602,762	3,120,966
Motor vehicles	5,297,810	4,457,473
Infrastructure	70,574,403	70,606,263
Community	8,952,186	5,925,764
Work in progress	32,496,754	49,163,422
	121,107,064	134,190,442

Compensation received for losses on property, plant and equipment

IT equipment	80,515	25,550
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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	5,806,312	6,301,365
Infrastructure	48,027,629	50,239,338
Community	90,478,186	86,360,277
	144,312,127	142,900,980

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

Community Assets-Bizana Sportfield	6,725,969	58,470,995
Bizana Sport field was previously delayed due to lack of funding, the municipality availed funding to complete the project, however by 30 June 2023 there running track and comby court were still in progress.		
Community Asset- Mbizana Civic Centre(Town hall)	92,005,938	79,313,878
Mbizana Civic centre was delayed due to a dispute that arose between an appointed consultant and contractor.		
Road Infrastructure- Sidanga Access Road	25,841,053	25,285,121
Sidanga Access Road delayed due to the fine that the municipality received from DEDEA for working without the ORD.		
Road infrastructure- Mqonjwana to Greenville Access Road	8,529,920	8,217,099
Mqonjwana to greenville Access road delayed due to a service provider that abonded the site and therefore the municipality terminated the contract		
	133,102,880	171,287,093

Reconciliation of Work-in-Progress 2024

	Infrastructure	Community	Other PPE	Total
Opening balance	50,270,114	86,360,277	6,301,365	142,931,756
Additions/capital expenditure	21,134,878	12,821,935	-	33,956,813
Impairment	(8,100,549)	-	-	(8,100,549)
Transferred to completed items	(15,276,814)	(8,704,026)	(495,053)	(24,475,893)
	48,027,629	90,478,186	5,806,312	144,312,127

Reconciliation of Work-in-Progress 2023

	Infrastructure	Community	Other PPE	Total
Opening balance	28,926,478	150,049,647	4,809,317	183,785,442
Additions/capital expenditure	33,434,366	14,237,008	1,492,048	49,163,422
Transferred to completed items	(12,121,506)	(77,926,378)	-	(90,047,884)
	50,239,338	86,360,277	6,301,365	142,900,980

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

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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	7,510,015	5,782,340
Contracted services	21,305,806	11,478,859
General expenses	52,210	6,817
	28,868,031	17,268,016

PPE Funding re-allocation

Infrastructure assets

Municipal Infrastructure Grant was previously disclosed as R14 167 227 which excluded an amount of R6 679 990 relating to Tshuze to Philisweni that was disclosed as internally generated funds project

Disaster Response Grant and Disaster Recovery Grant were consolidated as one grant to the value of R27 975 265 and they have been disclosed separately in the current year as R12 015 319 and R16 425 437 respectively.

Disaster projects were co-funded by a grant and internally generated funds (own funding) and R465 491 was previously disclosed as own funding.

Internally generated funds were previously disclosed as R22 479 507. This amount was reduced by R6 679 990 for MIG project, a R465 491 for disaster projects totalling to R15 334 026. The difference of R5 953 460 relates to prior period adjustments.

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 June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand

5. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2,650,773	(2,147,946)	502,827	2,650,773	(2,019,352)	631,421

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software, other	631,421	(128,594)	502,827

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software, other	43,247	600,000	(11,826)	631,421

Pledged as security

There are no intangible assets pledged as security:

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand

6. Heritage assets

	2024			2023		
	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 2024

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

Reconciliation of heritage assets 2023

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

Age and/or condition of heritage assets

The municipality reviewed the type of heritage assets it has to verify when there is no need to revise their useful lives and confirmed that the useful lives used are relevant to the nature of the heritage assets the municipality possesses.

A conditional assessment was also conducted to identify whether any indications of impairment existed which confirmed no impairment was necessary.

Restrictions on heritage assets

There are no restrictions on heritage assets:

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

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6. Heritage assets (continued)

Pledged as security

There are no heritage assets pledged as security:

7. Inventories

Inventories	786,196	1,401,273
Inventories (write-downs)	786,196	1,401,273
	-	(17,729)
	786,196	1,383,544

Inventory pledged as security

There is no Inventory pledged as security.

8. Operating lease asset

Current assets	18,841,946	15,435,571
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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 rental receivables. The operating lease asset arose as a result of straight lining the lease rentals per requirement of GRAP 13.

9. Other receivables from exchange transactions

Trade debtors	1,046,327	1,417,137
Consumer debtors - Electricity	355,241	355,241
	1,401,568	1,772,378

Details of other receivables from exchange transactions

Trade Debtors	1,046,327	1,417,137
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)	(601,216)
	1,401,568	1,772,378

Financial asset receivables included in other receivables from exchange transactions above

	-	-
Total other receivables from exchange transactions	1,401,568	1,772,378

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

Fair value of other receivables from exchange transactions

Other receivables from exchange transactions	1,401,568	1,772,378
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Other receivables from exchange transactions past due but not impaired

Other receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. There were no other receivables less than 3 months past due and not considered to be impaired at 30 June 2024.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

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9. Other receivables from exchange transactions (continued)

Other receivables from exchange transactions impaired

As of June 30, 2024, other receivables from exchange transactions of R 1,166,487 (2023: R 1,166,487) were impaired and provided for.

The amount of the provision was R (811,246) of June 30, 2024 (2023: R 811,246).

The ageing of these amounts is as follows:

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

Contractor receivables	1,083,619	1,083,620
Recoveries	833,390	375,856
Staff debts	152,270	99,044
Payroll debtors	1,550,744	182,839
Overpayment - Councillors remuneration	468,971	485,531
	4,088,994	2,226,890

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

Receivables from non-exchange transactions	4,088,993	2,226,890
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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 June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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	3,168,655	2,637,434
These are receivables as a result of transgressions of laws and by-laws		
Fines impairment	(1,899,884)	(1,122,440)
This is impairment based on past experience and assessment of the category of debtors terms of the policy on debt impairment		
Property Rates	53,537,242	46,577,164
These are receivables arising from the Municipal Property Rates Act		
Property Rates Impairment	(6,080,589)	(5,424,491)
This is impairment based on past experience and assessment of the individual debtors performance in terms of the policy on debt impairment		
VAT Receivables	-	511,123
These are recivables arising from the VAT Act 89 of 1991		
	48,725,424	43,178,790
Current assets	48,725,424	43,178,790

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 50 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 furtheance 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)

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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11. Statutory receivables (continued)

Calculations of Electricity fines

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

VAT Receivables

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.

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 score.

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 the 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.

A score is allocated 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 June 30, 2024, R3,208,123 (2023: R1,680,428) were past due but not impaired.

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

1 month past due	1,536,895	982,642
2 months past due	130,850	352,007
3 months past due	1,540,378	345,779

Factors the municipality 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 June 30, 2024, Statutory receivables of R53,474,933 (2023: R47,193,250) were impaired and provided for.

The amount of the Allowance for doubtful debts was R7,980,473 as of June 30, 2024 (2023: R6,678,471).

The ageing of these receivables is as follows:

1 to 6 months	4,069,118	3,645,456
Over 6 months	49,405,814	43,547,794

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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11. Statutory receivables (continued)

Factors the municipality considered in assessing statutory receivables impaired

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 impaired.

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	(6,678,471)	(5,878,605)
Bad debts written off	80,651	117,601
Allowance for doubtful debts	(1,382,653)	(917,467)
	(7,980,473)	(6,678,471)

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.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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12. Prepayments

Prepayments

Prepayments	2,740,429	4,603,155
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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 suppliers' requirements as they require payment before services or goods can be rendered or delivered. The suppliers are:

Suppliers

Belgotex Floor Covering	-	2,869,864
SALGA levies	1,598,039	1,542,082
SAGE VIP	-	190,875
South African Post Office	-	335
Munsoft (Pty) Ltd	506,008	-
Ndzila Investments	636,383	-
	2,740,430	4,603,156

Belgotex Floor Covering prepayment was for material that was needed for the Mputhumi Mafumbatha Stadium, that was constructed.

Ndzila Investments for municipal assets' annual insurance premium for 2024/25 financial year.

Munsoft (Pty) Ltd annual licence fees for 2024/25 financial year.

SALGA Levies for period 2024/25 were settled in advance in order for the municipality to benefit from the 5% discount being offered for early settlement.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
13. Receivables from exchange transactions		
Gross balances		
Receivables-service charges	49,746,511	39,572,393
Less: Allowance for impairment		
Allowance for doubtful debts	(17,969,903)	(17,453,260)
Net balance		
Receivables-service charges	31,776,608	22,119,133
Gross service charges		
Current (0- 30 days)	4,772,434	4,194,437
31 - 60 days	2,366,754	2,692,410
61 -90 days	2,357,801	2,392,680
91 -120 days	2,252,806	1,889,520
121 - 365 days	15,472,665	13,003,786
> 365 days	22,524,050	15,569,359
	49,746,510	39,742,192
Gross balance	49,746,510	39,742,192
Net Balance service charges		
Current (0 -30 days)	4,772,434	4,194,436
31 - 60 days	1,296,441	1,750,983
61 - 90 days	1,293,329	1,484,888
91 - 120 days	1,161,463	920,793
121 - 365 days	9,269,399	6,895,382
> 365 days	13,933,774	6,285,648
Bad debt written off	49,768	587,003
	31,776,608	22,119,133
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	250,132	213,768
31 - 60 days	204,572	195,829
61 - 90 days	249,968	185,863
91 - 120 days	171,801	183,404
121 - 365 days	1,415,868	1,406,741
> 365 days	8,282,198	7,034,480
	10,574,539	9,220,085
Less: Allowance for doubtful debts	(4,768,005)	(6,504,498)
	5,806,534	2,715,587
Industrial/ commercial		
Current (0 -30 days)	3,691,673	3,263,910
31 - 60 days	1,406,774	1,903,154
61 - 90 days	1,330,151	1,169,456
91 - 120 days	1,357,954	1,204,296
121 - 365 days	8,555,910	8,020,044
> 365 days	10,913,014	6,396,365
	27,255,476	21,957,225
Less: Allowance for doubtful debts	(13,201,898)	(11,536,095)
	14,053,578	10,421,130
National and provincial government		
Current (0 -30 days)	830,629	716,759
31 - 60 days	755,408	593,428
61 - 90 days	777,682	1,037,362

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
13. Receivables from exchange transactions (continued)		
91 - 120 days	723,052	501,820
121 - 365 days	5,500,887	3,577,002
> 365 days	3,328,838	2,138,515
	11,916,496	8,564,886
Total		
Current (0 -30 days)	4,772,434	4,194,436
31 - 60 days	2,366,754	2,692,410
61 - 90 days	2,357,801	2,392,680
91 - 120 days	2,252,806	1,889,520
121 - 365 days	15,472,665	13,003,786
> 365 days	22,524,051	15,399,560
	49,746,511	39,572,392
Less: Allowance for doubtful debts	(18,089,512)	(18,040,594)
Bad debt written off	119,609	587,335
	31,776,608	22,119,133
Less: Allowance for doubtful debts		
Current (0 -30 days)	-	-
31 - 60 days	(1,070,313)	(941,427)
61 - 90 days	(1,064,472)	(907,792)
91 - 120 days	(1,091,343)	(968,727)
121 - 365 days	(6,203,266)	(6,108,404)
> 365 days	(8,660,118)	(9,114,244)
Bad debt written off	119,609	587,334
	(17,969,903)	(17,453,260)
Reconciliation of allowance for doubtful debts		
Balance at beginning of the year	(17,453,260)	(17,902,368)
Bad debts written off	119,609	587,334
Allowance for doubtful debts	(636,252)	(138,226)
	(17,969,903)	(17,453,260)

Consumer debtors pledged as security

There were no consumer debtors that were pledged as security in the 2023/24 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	31,776,608	22,288,932
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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 June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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 June 30, 2024, R 15,509,276 (2023: R 6,327,046) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	4,772,434	4,787,864
2 months past due	755,508	1,037,362
3 months past due	10,330,459	501,820
Consumer debtors impaired		
As of June 30, 2024, consumer debtors of R 15,858,302 (2023: R 24,706,170) were impaired and allowed for.		
The amount of the allowance for doubtful debts was R 17,969,903 as of June 30, 2024 (2023: R 19,080,052).		
The ageing of these receivables are as follows:		
3 to 6 months	11,501,532	5,499,397
Over 6 months	19,195,212	19,206,773
Reconciliation of allowance for doubtful debts of consumer debtor		
Opening balance	(17,453,260)	(17,902,368)
Bad debt written off	119,609	587,334
Allowance for doubtful debt	(636,252)	(138,226)
	(17,969,903)	(17,453,260)

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

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14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4	4
Bank balances	12,930,041	956,930
Short-term deposits	447,858,237	359,058,466
	460,788,282	360,015,400

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2024	June 30, 2023	June 30, 2022
FNB BANK - Public Sector- Cheque account-57104922107	12,866,680	902,583	2,940,039	12,930,041	956,929	2,951,487
FNB BANK - Business Call Account - 62852108531	10,956,621	4,824,046	206	10,956,629	4,824,047	-
FNB BANK - Business Call Account - 62816773073	12	33	19	12	33	19
FNB BANK - Business Call Account - 62816769220	141,607	348,619	357,312	141,607	348,618	357,312
FNB BANK - Business Call Account - 62028477992	427,394,115	351,690,116	267,495,116	427,394,115	351,690,116	267,495,116
FNB BANK - Business Call Account - 62896110170	7,862,289	2,195,648	6,304,880	7,862,289	2,195,571	6,304,880
FNB BANK - Business Call Account - 62459758078	1,503,589	-	-	1,503,589	-	-
Total	460,724,913	359,961,045	277,097,572	460,788,282	360,015,314	277,108,814

15. Payables from exchange transactions

Trade payables	35,998,265	3,002,177
Payments received in advanced	1,526,153	1,420,839
Retention and surety	22,701,946	25,026,021
Accruals	13,298,021	23,081,221
Workmen's Compensation	297,876	265,724
Unallocated receipts	1,517,870	1,517,870
Payroll Creditors	644,977	475,568
	75,985,108	54,789,420

Fair value of trade and other payables

Trade payables	75,985,108	54,789,420
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16. VAT payable

VAT Payable	2,513,926	-
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17. Consumer deposits

Electricity	111,597	114,597
Hall Hire	385,006	382,650
	496,603	497,247

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

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17. Consumer deposits (continued)

The carrying value of consumer deposits approximates their fair value.

18. Employee benefits obligation

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

Carrying value		
Opening balance	(17,808,245)	(18,977,260)
Additions during the year	(20,864,354)	(17,808,244)
Utilised during the year	4,316,028	5,551,703
Reversed during the year	13,492,219	13,425,556
	(20,864,352)	(17,808,245)

The employee benefits obligation consist of the following:

Bonus

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

Bonus		
Opening Balance	3,591,686	3,282,309
Utilised during the year	(2,489,780)	(3,282,309)
Additions	3,850,183	3,617,414
Reversed	(1,127,634)	-
	3,824,455	3,617,414

Staff leave

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.

Staff Leave		
Opening Balance	13,425,875	15,084,149
Utilised during the year	(1,460,580)	(1,982,704)
Additions	15,799,580	13,425,875
Reversed	(11,965,295)	(13,101,446)
	15,799,580	13,425,874

Long service award

The municipal employees are entitled to a cash payout and leave days when they reach a certain milestone as per the SALGBC agreement.

Long service award		
Opening balance	764,958	610,802
Utilised during the year	(365,667)	(286,690)
Additions	1,214,592	764,957
Reversed	(399,291)	(324,111)
	1,214,592	764,958

19. 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.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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19. Unspent conditional grants and receipts (continued)

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

DSRAC: Library Grant	139,377	-
EPWP Grant	4	4
Disaster Recovery Grant	1,400,297	6,071,429
GIS Grant - Alfred Nzo	100,000	100,000
Municipal Infrastructure Grant	2	(2)
General Budget Support Grant	6,634,045	2,015,384
Disaster Response Grant	5,924,040	-
Greenest Municipality Grant	211,686	11,686
	14,409,451	8,198,501

Movement during the year

Balance at the beginning of the year	8,198,501	7,445,110
Additions during the year	87,784,825	103,565,000
Income recognition during the year	(79,558,515)	(100,095,119)
Surrendered to National revenue fund during the year	(2,015,360)	(2,716,490)
	14,409,451	8,198,501

20. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation	12,714,522	13,017,472	(2,082,221)	(10,632,303)	13,017,470

Reconciliation of provisions - 2023

	Opening Balance	Utilised during the year	Reduction due to re-measurement	Total
Environmental rehabilitation	24,785,204	(391,977)	(11,678,705)	12,714,522
Non-current liabilities			11,950,306	10,632,303
Current liabilities			1,067,164	2,082,219
			13,017,470	12,714,522

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 2024 taking into account price escalation of 5.1% and 8.84 discount rate.

A valuation of the rehabilitation was conducted by an independent valuer (Ziinzame Consulting Engineers) 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.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

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21. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	33,178,176	33,178,176
Receivables from non-exchange transactions	4,088,994	4,088,994
Cash and cash equivalents	460,788,282	460,788,282
	498,055,452	498,055,452

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	75,985,108	75,985,108
Unspent conditional grants and receipts	14,409,451	14,409,451
Consumer Deposits	496,603	496,603
	90,891,162	90,891,162

2023

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	23,891,511	23,891,511
Receivables from non-exchange transactions	2,226,890	2,226,890
Cash and cash equivalents	360,015,400	360,015,400
	386,133,801	386,133,801

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	54,789,420	54,789,420
Unspent conditional grants and receipts	8,198,501	8,198,501
Consumer Deposits	497,247	497,247
	63,485,168	63,485,168

Financial instruments in Statement of financial performance

2024

	At amortised cost	Total
Interest income for financial instruments at amortised cost	21,736,882	21,736,882

2023

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

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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22. Revenue

Service charges	53,841,401	45,326,090
Construction contracts	14,066,835	14,432,149
Rental of facilities and equipment	7,969,863	7,575,950
Interest received from receivables	3,794,988	2,443,815
Agency services	1,298,390	1,360,653
Licences and Permits (Non-exchange)	2,102,291	2,169,042
Commissions received	188,290	164,806
Recoveries	735,339	78,500
Provision reduction	-	11,678,705
Other income - (rollup)	281,585	179,573
Interest received from current and non current assets	34,468,001	21,920,440
Property rates	21,713,167	21,160,320
Fines, penalties and forfeits	1,285,810	1,224,575
Interest received (non exchange)	5,200,308	3,961,083
Government grants & subsidies	421,102,369	420,600,999
Public contributions and donations	-	479,356
	568,048,637	554,756,056

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

Service charges	53,841,401	45,326,090
Construction contracts	14,066,835	14,432,149
Rental of facilities and equipment	7,969,863	7,575,950
Interest received (trading)	3,794,988	2,443,815
Agency services	1,298,390	1,360,653
Commissions received	188,290	164,806
Recoveries	735,339	78,500
Provision reduction	-	11,678,705
Other income - (rollup)	281,585	179,573
Interest received	34,468,001	21,920,440
	116,644,692	105,160,681

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

Taxation revenue		
Property rates	21,713,167	21,160,320
Fines, penalties and forfeits	1,285,810	1,224,575
Licences or permits	2,102,291	2,169,042
Interest on non- exchange transactions	5,200,308	3,961,083
Transfer revenue		
Government grants & subsidies	421,102,369	420,600,999
Public contributions and donations	-	479,356
	451,403,945	449,595,375

23. Service charges

Sale of electricity	49,713,306	40,847,763
Solid waste	4,128,095	4,478,327
	53,841,401	45,326,090

24. Construction contracts and payables

The municipality receives an INEP allocation in terms of Schedule 5B of DORA.

This allocation is used to construct electricity infrastructure in arrears where Eskom is currently the distributor of electricity.

Therefore, upon completion, the infrastructure is hand-over to Eskom for operation and maintenance.

At June 30, 2024, retention of contracts in progress are R 3 395 525 (2023: R 1 313 138.57).

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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24. Construction contracts and payables (continued)

Revenue

Redoubt/Lower Ethridge electrification	-	2,746,343
Nomlacu electrification	-	2,434,759
Msarhweni electrification	-	5,739,188
Zizityaneni electrification	4,116,052	3,512,026
Redoubt electrification phase 2	2,533,467	-
Nomlacu electrification phase 2	5,183,696	-
Msarhweni electrification phase 2	2,233,620	-
VAT (Output)	1,933,165	1,967,684
	16,000,000	16,400,000

Expenditure (INEP)

Redoubt /Lower Ethridge electrification	-	2,746,343
Nomlacu electrification	-	2,434,759
Msarhweni electrification	-	5,739,188
Zizityaneni electrification	4,116,052	3,512,026
Redoubt electrification phase 2	2,533,467	-
Nomlacu electrification phase 2	5,183,696	-
Msarhweni electrification phase 2	2,233,620	-
VAT (Input)	1,933,165	1,967,684
	16,000,000	16,400,000

Expenditure (Internally generated funds)

Redoubt electrification	2,685,363	-
Nomlacu electrification	3,971,435	-
Msarhweni electrification	2,292,006	-
	8,948,804	-

Agreements that meet all the criteria in paragraph .29 of GRAP9

The municipality recognise revenue using the percentage of completion method for agreements that meet all the criteria in paragraph .29 of GRAP9 (Revenue from Exchange Transactions), continuously as construction progresses.

The municipality determines which agreements meet all the criteria in paragraph .29 of the Standard of GRAP on Revenue from Exchange Transactions continuously as construction progresses in the following manner:

The amount of revenue arising from such agreements in the period	14,066,835	14,432,149
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The office of the accountant general issued guidelines to municipalities on how to account for the revenue and expenditure incurred on the construction of infrastructure that will then be handed over to Eskom once completed which brought changes to how municipalities have been accounting for the transactions related to the INEP grant allocations municipalities receive.

In compliance with the requirements of the guidelines the municipality has had to separately disclose revenue recognised from the allocation related to work performed where the resulting infrastructure will not belong to the municipality as construction contracts revenue to reflect the nature of activity carried out for the revenue to be recognised than the source of the fund which has always been the case.

This change was deemed necessary to comply with the requirements of the guidelines issued by the Office of the Accountant General.

Engagements with National and Provincial Treasuries were held during the year to discuss the implications of the guidelines on a number of issues but, by the time these annual financial statements were finalised for approval and submission for auditing there had been no conclusion on the matters raised in the discussions.

25. Rental of facilities and equipment

Facilities and equipment

Leasehold fees	7,635,025	7,540,862
Rental of recreational facilities	334,838	35,088
	7,969,863	7,575,950

Included in the above rentals are operating lease rentals at straight-lined amounts of R 2,962,065 (2023: R 3,220,910) .

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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25. Rental of facilities and equipment (continued)

Minimum lease payments receivables

Within one year	1,003,952	953,422
In second to fifth year inclusive	4,588,020	4,357,094
Over five years	2,207,320	3,449,606
	7,799,292	8,760,122

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	803,452	743,937
In second to fifth year inclusive	3,910,082	3,620,446
Over five years	21,437,974	22,531,062
	26,151,508	26,895,445

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
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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	2,583,500	2,414,486
In second to fifth year inclusive	12,273,536	11,470,594
Over five years	87,798,371	91,184,813
	102,655,407	105,069,893

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	151,190	139,990
In second to fifth year inclusive	735,780	681,277
Over five years	419,449	625,141
	1,306,419	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	96,704	13,991
In second to fifth year inclusive	256,827	-
	353,531	13,991

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.

26. Interest received from receivables

Interest received from receivables	3,794,988	2,443,815
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27. Agency services

Driver's Licenses	1,298,390	1,360,653
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Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
28. Other income		
Commissions received	188,290	164,806
Losses recovered	80,515	25,550
Municipal debt recoveries	654,824	52,950
Provision reduction	-	11,678,705
Other income - (rollup)	281,585	179,573
	1,205,214	12,101,584
The amount included in other revenue arising from exchanges of goods or services are as follows:		
Sundry Income	104,772	33,498
Building plans	76,755	62,458
Advertising	92,467	70,260
Funeral fees	7,591	13,357
	281,585	179,573
29. Interest received from current and non current assets		
Interest revenue		
Bank	34,468,001	21,920,440

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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30. Property rates

Rates income

Rates levied	21,713,167	21,160,320
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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 Saturday, September 30, 2023 for annual payment. Interest at prime plus 1% per annum (2023: 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.

31. Fines, Penalties and Forfeits

Illegal connections fines	-	18,500
Law enforcement	13,700	-
Pound fines	30,710	29,675
Municipal traffic fines	1,241,400	1,176,400
	1,285,810	1,224,575

32. Licences and permits (non-exchange)

Trading	7,149	7,382
Road and Transport	2,095,142	2,161,660
	2,102,291	2,169,042

33. Interest received (non exchange)

Interest - non exchange	5,200,308	3,961,083
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34. Government grants & subsidies

Operating grants

Equitable share	341,204,000	320,095,000
IDP Grant	100,000	-
MIG Operational	2,679,125	2,534,100
Financial Management Grant	2,100,000	2,100,000
Expanded Public Works Programme Grant	3,042,000	3,687,000
LGSET / Skills Development Grant	239,856	410,879
Dept Sport & Culture - Library	360,623	1,548,203
Disaster Relief /response Grant	2,894,976	12,790,000
	352,620,580	343,165,182

Capital grants

Municipal Infrastructure Grant	50,905,871	48,147,902
Disaster Recovery Grant	4,671,132	27,734,571
Disaster Response grant	10,370,985	-
General Budget Support Grant	2,533,801	1,553,344

Winnie Madikizela-Mandela Local Municipality

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34. Government grants & subsidies (continued)

68,481,789	77,435,817
421,102,369	420,600,999

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	87,784,822	103,565,000
Unconditional grants received	341,543,856	320,505,879
	429,328,678	424,070,879

Equitable Share

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

All registered indigents receive a monthly subsidy of R 3,598,342 (2023: R 5,567,256), which is funded from the grant.

Equitable Share

Current-year receipts	341,204,000	320,095,000
Conditions met - transferred to revenue	(341,204,000)	(320,095,000)
	-	-

DSRAC Library Grant

Balance unspent at beginning of year	-	1,048,203
Current-year receipts	500,000	500,000
Conditions met - transferred to revenue	(360,623)	(1,548,203)
	139,377	-

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

LGSETA / Skills Development Grant

Current-year receipts	239,855	410,879
Conditions met - transferred to revenue	(239,855)	(410,879)
	-	-

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	3,042,000	3,687,000
Conditions met - transferred to revenue	(3,042,000)	(3,687,000)
	4	4

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

Financial Management Grant

Current-year receipts	2,100,000	2,100,000
Conditions met - transferred to revenue	(2,100,000)	(2,100,000)
	-	-

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

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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34. Government grants & subsidies (continued)

Disaster Recovery Grant

Balance unspent at beginning of year	6,071,429	-
Current-year receipts	-	33,806,000
Conditions met - transferred to revenue	(4,671,132)	(27,734,571)
	1,400,297	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 19).

District IDP Grant

Current-year receipts	100,000	-
Conditions met - transferred to revenue	(100,000)	-
	-	-

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

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 19).

Municipal Infrastructure Grant

Balance unspent at beginning of year	(2)	-
Current-year receipts	53,585,000	50,682,000
Conditions met - transferred to revenue	(53,584,996)	(50,682,002)
	2	(2)

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

General Budget Support Grant

Balance unspent at beginning of year	2,015,384	6,285,217
Current-year receipts	9,167,822	-
Conditions met - transferred to revenue	(2,533,800)	(1,553,344)
Surrendered to the National revenue fund	(2,015,361)	(2,716,489)
	6,634,045	2,015,384

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 19).

Disaster Response Grant

Current-year receipts	19,190,000	12,790,000
Conditions met - transferred to revenue	(13,265,960)	(12,790,000)
	5,924,040	-

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

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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34. Government grants & subsidies (continued)

Greenest Municipality Grant

Balance unspent at beginning of year	11,686	11,686
Current-year receipts	200,000	-
	211,686	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 19).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (B2 of 2023), an average increase of about 6% in the level of government grant funding are expected over the forthcoming 3 financial years.

35. Government donations

District Donations	-	479,356
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Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
36. Employee related costs		
Basic	87,886,489	81,886,864
Bonus	6,527,990	6,956,469
Medical aid - company contributions	6,454,289	5,707,630
UIF	571,755	544,570
SDL	1,285,989	1,197,723
Provision for leave	3,834,284	324,431
Cellphone allowance	691,938	731,439
Pension fund contribution	11,947,998	10,900,147
Bargaining council contribution	35,858	33,340
Overtime payments	1,674,514	634,967
Long-service awards	815,302	440,849
Car allowance	9,789,484	9,138,560
Housing benefits and allowances	4,377,817	4,165,362
Other allowances	1,542,082	1,597,397
Shift Allowance	821,612	752,331
Standby and Uniform Allowance	1,344,011	1,261,101
	139,601,412	126,273,180
Remuneration of Municipal Manager		
Annual remuneration	1,074,449	1,073,595
Car Allowance	400,870	400,519
Other	396,111	251,047
	1,871,430	1,725,161
Remuneration of Senior Manager: Chief Financial Officer		
Annual remuneration	836,337	823,481
Car Allowance	322,692	317,399
Other	387,164	290,925
	1,546,193	1,431,805
Remuneration of Senior Manager: Corporate Services		
Annual remuneration	913,585	983,630
Car Allowance	222,953	222,758
Other	341,480	204,180
	1,478,018	1,410,568
Remuneration of Senior Manager: Community Services		
Annual remuneration	839,069	557,232
Car Allowance	172,419	95,545
Other	359,865	188,113
	1,371,353	840,890
Remuneration of Senior Manager: Engineering Services		
Annual remuneration	873,435	825,059
Car Allowance	358,283	254,286
Other	145,514	379,173
	1,377,232	1,458,518
Remuneration of Senior Manager: Planning and Development		
Annual remuneration	910,553	909,866
Car Allowance	222,952	222,758
Other	318,652	204,180
	1,452,157	1,336,804

Winnie Madikizela-Mandela Local Municipality

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Figures in Rand	2024	2023
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37. Remuneration of councillors

Cellphone Allowance	3,002,947	3,005,615
Public Office Allowance	1,172,598	1,178,550
Car Allowance	5,786,966	5,817,547
Annual remuneration	16,491,952	16,575,305
	26,454,463	26,577,017

38. Depreciation and amortisation

Property, plant and equipment	32,288,869	41,490,479
Intangible assets	128,594	11,821
	32,417,463	41,502,300

39. Impairment loss

Impairments

Property, plant and equipment	9,252,340	1,920,996
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Mbizana was affected by heavy rains in December 2023 and January 2024 which caused severe damages in various arears of Mbizana.

The municipality performed an assessment of infrastructure where in Mqonjwana to Greenville access road that was still under construction was badly damaged.

An investigation with the constructing department revealed that the project was one of the projects that were taking longer to complete than expected due to contractor disputes which led to construction being stopped.

The expenditure on the project was R8 217 099.03 of which only R116 550 consisting of a concrete slab was deemed recoverable since the road was completely washed away

In addition to Mqonjwana to Greenville access road, Ntinge access road was also identified to have been impaired

Other classes of assets which were also assessed for impairment resulted in some assets being impaired.

The impaired amount was:

Infrastructure Assets	R8 692 483.06
Community assets	R 107 736.95
Furniture and Office equipment	R 271 614.32
Machinery and equipment	R 7 272.09
Transport	R 173 233.89

During the impairment assessment, the municipality identified assets that need to impaired due to their condition.

40. Interest and penalties

Penalties	9,607	-
Interest paid	40,555	-
	50,162	-

41. Lease rentals on operating lease

Equipment

Contractual amounts	5,723,859	4,736,656
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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.

Winnie Madikizela-Mandela Local Municipality

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42. Debt impairment

Movement-allowance for doubtful debts	2,150,337	1,058,936
Bad debts written off	123,529	345,147
	2,273,866	1,404,083

After COVID 19 pandemic, Russia/Ukraine conflict and Israel /Hamas turmoil the state of the economy in the country continues to deteriorate and therefore affecting people's affordability to pay for municipal levies and services. Furthermore, an increase in unemployment and poverty also resulted in consumer family priorities shifting to basic needs. It has also been noted that a culture of non-payment and entitlement in consumption of municipal services has, to some extent increased the non-payment of municipal services.

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.

43. Bulk purchases

Electricity - Eskom	43,466,987	42,241,255
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Electricity losses

	Number 2024	Number 2023		
Units purchased	21,290,744	20,437,150	43,466,987	42,241,255
Units sold	(19,471,955)	(18,801,839)	(47,940,125)	(38,688,852)
Total loss	1,818,789	1,635,311	(4,473,138)	3,552,403
Comprising of:				
Non-technical losses	1,818,789	1,635,311	3,644,360	3,083,167
Percentage Loss:				
Non-technical losses	9 %	8 %	9 %	8 %

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

Winnie Madikizela-Mandela Local Municipality

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44. Contracted services		
Presented previously		
Other Contractors	614,993	448,593
Outsourced Services		
Business and Advisory	7,186,106	2,837,505
Catering Services	-	83,250
Internal Auditors	1,139,651	765,704
Meter Management	1,115,825	1,048,481
Personnel and Labour	3,062,852	2,755,148
Refuse Removal	676,726	230,000
Transport Services	473,150	558,673
Consultants and Professional Services		
Business and Advisory	505,780	671,674
Infrastructure and Planning	196,000	-
Legal Cost	9,663,460	9,206,234
Contractors		
Catering Services	3,814,738	3,043,306
Electrical	23,015,640	15,490,873
Employee Wellness	11,031	-
Event Promoters	805,085	374,384
Maintenance of Buildings and Facilities	1,869,078	3,965,138
Maintenance of Equipment	2,798,588	119,441
Maintenance of Assets	16,593,389	7,153,114
Pest Control and Fumigation	25,950	-
Safeguard and Security	9,237,700	9,458,000
Stage and Sound Crew	5,000	27,400
	82,810,742	58,236,918
45. Transfer and subsidies		
Other subsidies		
SMME Support	2,805,345	2,593,275

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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Figures in Rand	2024	2023
46. General expenses		
Advertising	285,450	552,288
Auditors remuneration	3,852,656	4,116,112
Bank charges	157,557	162,042
Commission paid	603,292	508,661
Consumables	5,761,352	5,396,149
Promotional material and gifts	2,927,798	2,642,169
Hire	4,449,252	3,713,748
Insurance	2,045,540	2,576,217
IT expenses	2,236,411	2,654,065
Magazines, books and periodicals	446,448	466,089
Motor vehicle expenses	272,920	-
Fuel and oil	5,001,691	4,094,035
Placement fees	20,002	84,214
Postage and courier	291	771
Protective clothing	1,751,932	2,289,417
Subscriptions and membership fees	112,061	90,351
Telephone and fax	3,988,462	3,395,973
Training	2,324,545	1,046,206
Travel - local	7,435,584	10,149,378
Travel - overseas	87,951	92,110
Assets expensed	12,250	-
Free basic services	3,598,342	5,567,256
Vehicle registration fees	349,017	347,113
Ward committee fees	7,086,476	6,721,339
Other expenses	1,720,850	1,756,849
Dumping site rehabilitation	2,385,168	-
	58,913,298	58,422,552
47. Loss on disposal of assets		
Gain or loss on disposal of assets and liabilities	(9,369,808)	(1,458,339)
48. Fair value adjustments		
Investment property (Fair value model)	7,084,700	1,737,717
49. Auditors' remuneration		
Fees	3,852,656	4,116,112

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
50. Cash generated from operations		
Surplus	161,993,592	191,127,202
Adjustments for:		
Depreciation and amortisation	32,417,463	41,502,300
Gains or loss on sale of assets and liabilities	9,369,808	1,458,339
Fair value adjustments	(7,084,700)	(1,737,717)
Impairment deficit	9,252,340	1,920,996
Debt impairment	2,273,866	1,404,083
Movements in operating lease assets and accruals	(3,406,375)	(3,704,047)
Movements in short - term benefits	3,056,107	(1,169,015)
Movements in provisions	302,948	(12,070,682)
Prior year adjustments	9	(19,176,580)
Changes in working capital:		
Inventories	597,348	(933,694)
Other Receivables from exchange transactions	370,810	600,812
Receivables from exchange transactions	(11,931,341)	1,358,108
Receivables from non-exchange transactions	(1,862,104)	(499,031)
Statutory receivables	(5,546,634)	7,400,732
Prepayments	1,862,726	7,515,474
Payables from exchange transactions	21,195,688	1,954,989
VAT	2,513,926	-
Unspent conditional grants and receipts	6,210,950	753,391
Consumer deposits	(644)	(8,630)
	221,585,783	217,697,030

Winnie Madikizela-Mandela Local Municipality

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51. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Infrastructure Assets	39,691,587	16,891,777
• Community Assets	6,905,232	9,128,295
• Other Assets	9,484,764	4,549,044
	56,081,583	30,569,116

Total capital commitments

Already contracted for but not provided for	56,081,583	42,421,039
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Authorised operational expenditure

Already contracted for but not provided for

• Operational Expenditure	31,072,546	23,503,510
• Integrated Electrification Projects	5,039,339	12,670,300
	36,111,885	36,173,810

Total operational commitments

Already contracted for but not provided for	36,111,885	24,321,886
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Total commitments

Total commitments

Authorised capital expenditure	56,081,583	42,421,039
Authorised operational expenditure	36,111,885	24,321,886
	92,193,468	66,742,925

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.

A review of commitment register with its supporting schedules revealed that there were two projects that had negative balances at the end of 2022/23 Financial year.

Operating leases - as lessee (expense)

Munsoft Minimum lease payments due

Within one year	4,745,027	4,313,661
In second to fifth year inclusive	-	4,745,027
	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
	1,352,222	2,704,444

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

Audited Annual Financial Statements for the year ended June 30, 2024

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52. 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 i.r.o damages for injuries allegedly caused as a result of being shot by an employee.	500,000	500,000
Case 2 Hlongwe vs Winnie Madikizela-Mandela Local Municipality		
Claim for payment of R19 637 500 i.r.o damages for injuries allegedly caused as a result of being shot by a municipality employee.	5,000,000	5,000,000
Case 3 Mohamed Randareen vs Winnie Madikizela-Mandela Local Municipality		
Claim for electricity costs after meter tempering and/or incorrect billing	148,000	148,000
Case 4 Iqhaya Design and workshop vs Winnie Madikizela-Mandela Local Municipality		
Arbitration amounting to R665 573.70 for termination of contract MBIZLM 1212017	665,574	665,574
Case 5 Lucky Shusha vs Winnie Madikizela-Mandela Local Municipality and Municipal Manager		
Matter involving request of access to information on various projects done by the municipality.	50,000	50,000
Case 6 Zwelemfundo Mbonwa and three others vs Winnie Madikizela- Mandela LM and SAPS		
Claim in regards of seizure of goods belonging to Mr Mbonwa who is hawker amounting to R118 060	118,060	-
	6,481,634	6,363,574

Contingent assets

At year end the municipality had no contingent assets.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

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53. Related parties

Relationships	
Mayor	Ms TD Mafumbatha
Speaker	Mr Z Mhlwazi
Whip of Council	Mr M Mbele
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	468,971	485,531
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Compensation to Accounting officer and Key Management

Municipal Manager	1,673,101	1,775,970
Chief Financial Officer	1,435,896	1,495,564
Senior Manager - Corporate services	1,394,926	1,427,715
Senior Manager - Community Services	1,269,347	789,530
Senior Manager - Engineering Services	1,593,217	1,335,755
Senior Manager - Development Planning	1,350,097	1,390,214
Mayor	1,002,292	1,002,292
Speaker	811,522	804,134
Whip of Council	735,473	763,741
Councillors	24,640,285	24,770,229

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
Mayor	Councillor	1
Speaker	Councillor	1
Whip of Council	Councillor	1
Executive Committee	Councillors	9
Councillors	Councillor	52
Municipal Manager	Accounting Officer	1
Chief Financial Officer	Senior Manager	1
Senior Manager- Corporate Services	Senior Manager	1
Senior Manager - Community Services	Senior Manager	1
Senior Manager - Engineering Services	Senior Manager	1
Senior Manager - Development Planning	Senior Manager	1

Remuneration of management

Management class: Councillors

2024

Name	Basic salary	Travel/ Car allowance	Cellphone Allowance	Public Office	Total
Mayor	668,956	238,913	47,004	47,783	1,002,656
Speaker	535,163	191,130	47,004	38,226	811,523
Whip of Council	481,929	172,117	47,004	34,423	735,473
MPAC Chairperson	486,998	173,928	47,004	34,786	742,716
Executive committee	3,664,792	1,308,854	467,820	261,771	5,703,237
Councillors	10,653,254	3,702,627	2,347,328	755,649	17,458,858

Winnie Madikizela-Mandela Local Municipality

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53. Related parties (continued)

	16,491,092	5,787,569	3,003,164	1,172,638	26,454,463
2023					
	Basic salary	Travel/ Car allowance	Cellphone Allowance	Public Office	Total
Name					
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	486,996	173,928	47,004	34,911	742,839
Executive Committee members	3,911,698	1,397,438	509,621	279,280	6,098,037
Councillors	10,475,950	3,638,803	2,307,978	742,881	17,165,612
	16,575,305	5,817,547	3,005,615	1,178,550	26,577,017

Management class: Executive management

2024

	Basic salary	Travel/ Car allowance	Other Benefits	Total
Name				
Municipal Manager	1,074,449	400,870	197,782	1,673,101
Chief Financial Officer	836,337	322,692	276,867	1,435,896
Senior Manager: Development Planning	910,553	222,952	216,592	1,350,097
Senior Manager: Engineering Services	873,435	358,283	361,499	1,593,217
Senior Manager: Corporate Services	913,585	222,952	258,388	1,394,925
Senior Manager: Community Services	839,070	172,419	257,859	1,269,348
	5,447,429	1,700,168	1,568,987	8,716,584

2023

	Basic salary	Travel/ Car allowance	Other Benefits	Total
Name				
Municipal Manager	1,073,595	400,519	489,496	1,963,610
Chief Financial Officer	823,481	317,399	496,518	1,637,398
Senior Manager: Development Planning	909,866	222,758	474,152	1,606,776
Senior Manager: Engineering Services	825,058	254,285	243,902	1,323,245
Senior Manager: Corporate Services	983,630	222,758	494,061	1,700,449
Senior Manager: Community Services	554,105	95,545	157,351	807,001
	5,169,735	1,513,264	2,355,480	9,038,479

Management class: Key advisors/Sub committees

2024

	Fees for services as a member of management	Travel Claims	Total
Audit and Risk committee			
Chairperson of the audit committee	86,536	1,908	88,444
Chairperson of the risk management committee	43,502	3,979	47,481
Audit committee members	64,977	32,013	96,990
	195,015	37,900	232,915

Winnie Madikizela-Mandela Local Municipality

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53. Related parties (continued)

2023

	Fees for services as a member of management	Travel Claims	Total
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

54. 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 June 30, 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	75,985,108	-	-	-
Consumer Deposits	2,353	2,986	168,618	322,646
At June 30, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	54,789,420	-	-	-
Consumer Deposits	2,986	168,618	17,953	304,693

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.

Winnie Madikizela-Mandela Local Municipality

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54. Risk management (continued)

Credit risk

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

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

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

Financial instrument	2024	2023
Cash and Cash Equivalents	460,788,282	360,015,400
Other receivables from exchange transactions	1,401,568	1,772,378
Receivables from non-exchange transactions	4,088,993	2,226,890
Receivables from exchange transactions	31,776,608	22,119,133

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.

55. Going concern

We draw attention to the fact that at June 30, 2024, the municipality had an accumulated surplus (deficit) of R 1,385,002,097 and that the municipality's total assets exceed its liabilities by R 1,385,002,097.

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

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56. Fruitless and wasteful expenditure		
Opening balance as previously reported	20,400	5,032,648
Add: Fruitless and wasteful expenditure identified - current	50,783	20,400
Less: Amount written off - current	(10,229)	(5,032,648)
Less: Transferred to receivables for recovery	(40,554)	-
Closing balance	20,400	20,400

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56. Fruitless and wasteful expenditure (continued)			
Details of fruitless and wasteful expenditure			
SARS fines and penalties	Disciplinary steps taken/criminal proceedings	9,607	-
Damages on hired vehicles	amounts was written off,no disciplinary actions	-	20,400
Interest on overdue account	amounts under investigation	40,554	-
Cancellation fee charged	recovery process is underway	622	-
	amounts was written off,no disciplinary actions	50,783	20,400

Amount recovered

After the council committee investigations, council adopted the council committee recommendations to recover an amount of R 40,554 from the Manager concerned in line with his acceptance of liability.

A corresponding debtor has been raised in the books of the municipality for an amount of R40 554 which was classified as fruitless & wasteful expenditure in the current year.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 10,229 relating to current financial year wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

57. Irregular expenditure

Opening balance	94,320,839	-
Add: Expenditure incurred before 2022-2023 Consultants	-	26,122,024
Add: Expenditure incurred before 2022-2023 Contractors	-	16,624,476
Add: Irregular expenditure - current	945,404	1,842,061
Add: Current year adjustment	74,092,311	49,732,278
Less: Amount written off - current	(1,842,061)	-
Closing balance	167,516,493	94,320,839

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57. Irregular expenditure (continued)

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

	Description/Details		
Non compliance with SCM regulations	Bidder not disqualified for reasons other bidders were disqualified for and other bidders were disqualified for reasons no longer applicable after the regulations were revised.	-	453,510
Non compliance with SCM regulations	The bidder's quotation had calculation errors which were not picked up while other bidders were eliminated for the same reasons.	62,104	28,116
Non compliance with SCM regulations	The bidder submitted an expired Tax pin while the requirements required a valid Tax pin.	-	165,750
Non compliance with SCM regulations	Bidder not disqualified for reasons other bidders were disqualified for and other bidders were disqualified for reasons no longer applicable after the regulations were revised.	-	1,194,685
Non compliance with SCM Regulations	The Bidder did not submit Bill of quantities to support total Bid amount	883,300	-
Non compliance with SCM Regulations	Bidders allocation process was found not to be in line with s217 of the Constitution	287,772	1,146,544
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	3,175,490	887,664
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	1,735,843	797,010
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	1,834,325	2,802,242
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	658,599	365,389
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	6,617,465	381,183
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	6,769,178	6,486,392
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	7,589,469	4,176,887
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	7,035,678	6,150,356
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	5,987,950	10,502,044
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	8,230,349	3,353,583
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	3,784,527	-
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	6,454,890	5,777,273
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	7,045,790	2,250,085
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	6,884,983	1,451,668
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	-	2,980,000
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	-	18,832
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	-	205,123
		75,037,712	51,574,336

The opening balance for 2022-23 has been adjusted to include expenditures incurred between 2019/20 and 2021/22 that were discovered in the current year and will be reported in the next council meeting as they came up during the Audit

The expenditure incurred in the 2023/24 and 2022/23 financial years has been adjusted to include expenditure incurred in those years relation to the allocation process for panels that was found to be not fully in line with the requirements of s217 of the constitution and therefore not in compliance with the SCM regulations as well.

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57. Irregular expenditure (continued)

The previously reported current year opening balances of Irregular and Fruitless Expenditure discovered during 2022/23 Financial year has been written off in the current year with some transactions referred to Corporate Services for Further Investigation.

During the year the internal Audit discovered that Vilo Security Services was awarded for Supply and Delivery of Agricultural Inputs with an Incorrect document (Bid Document Submitted with no pricing schedule that was included in the document).

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 1,842,061 that was incurred in 2022/23, irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable. The matters were referred to Corporate services for internal processes.

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58. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	191	191
Current year subscription / fee	1,119,552	987,751
Amount paid - current year	(1,119,552)	(987,751)
	191	191

Audit fees

Current year subscription / fee	3,852,656	4,116,112
Amount paid - current year	(3,852,656)	(4,116,112)
	-	-

PAYE and UIF

Opening balance	2,994	2,994
Current year subscription / fee	23,892,330	22,437,190
Amount paid - current year	(23,892,330)	(22,437,190)
	2,994	2,994

Pension and Medical Aid Deductions

Opening balance	(43,308)	(43,308)
Current year subscription / fee	29,422,236	26,395,328
Amount paid - current year	(29,422,236)	(26,395,328)
	(43,308)	(43,308)

The following Medical Aids were paid during the period:

Bonitas, Sizwe HosMed, SAMWU national medical aid, LA Health and Key Health.

The following Pension funds were paid during the period:

Consolidate Retirement fund, SAMWU Provident fund, Municipal pension fund, SALA Pension Fund, Eastern Cape Garranty Fund

Skills Development Levy

Opening balance	(90)	(90)
Current year subscription/fee	1,418,456	1,319,918
Amount paid - current year	(1,418,456)	(1,319,918)
	(90)	(90)

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59. Deviation from supply chain management regulations

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

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

Winnie Madikizela-Mandela LM have incurred expenditure by not following the Supply Chain Management policy during the year. The were no three quotes obtained as per the SCM policy for manintenance of backup generator, laptop repairs. These procurement resulted to Deviations totalling to R53 701.00

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

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 Manager's crashed laptop HP ENVY x360 Convertible	3,837	11,869
Repairing 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
Maintenance of Backup generator	49,864	-
	53,701	1,128,412

Winnie Madikizela-Mandela Local Municipality

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60. 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:

Registration and Licensing of Motor Vehicle

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.

CONLOG.

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.

Municipality as agent

Resources held on behalf of the principal(s), but recognised in the municipality'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 R1,298,390 (2023: R(1,360,653)).

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)

Municipality as principal

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

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60. Accounting by principals and agents (continued)

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

Fee paid as compensation to the agent	603,292	508,661
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Resource and/or cost implications for the municipality 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.

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61. 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

Electricity
Waste management
Community and public safety

Infrastructure services

Development Planning

Unallocated services

Goods and/or services

Electricity distribution
Refuse removal services
Library services, police forces, cemeteries, environmental protection, recreational facilities, social services.
Provision of infrastructure and maintenance and provision of community facilities
Local economic development, supporting SMME's, property services and spatial planning
Administrative and support services

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61. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Electricity	Waste Management	Infrastructure Services	Community & Public Safety	Development Planning	Unallocated services	Total
Revenue							
Revenue from non-exchange transactions	-	3,042,000	71,522,089	3,727,875	29,468,124	343,643,857	451,403,945
Revenue from exchange transactions	63,813,036	4,109,168	348	1,640,820	7,783,308	39,298,012	116,644,692
Fair value adjustments	-	-	-	-	-	7,084,700	7,084,700
Total segment revenue	63,813,036	7,151,168	71,522,437	5,368,695	37,251,432	390,026,569	575,133,337
Entity's revenue							575,133,337
Expenditure							
Employee cost	5,293,797	19,981,837	15,335,705	28,723,615	12,068,947	58,197,511	139,601,412
Remuneration of councillors	-	-	-	-	-	26,454,463	26,454,463
Other expenses	6,126,037	5,678,719	11,090,215	5,853,735	5,387,860	44,832,139	78,968,705
Bulk Purchases	43,466,987	-	-	-	-	-	43,466,987
Depreciation	639,661	71,395	20,525,186	1,416,354	5,331,928	4,432,939	32,417,463
Interest & Penalties	40,555	-	-	-	-	9,607	50,162
Contracted services	24,888,364	3,334,206	13,668,863	15,177,739	5,704,895	20,036,675	82,810,742
Loss on disposal	554,858	-	8,577,118	174,600	84,537	(21,305)	9,369,808
Total segment expenditure	81,010,259	29,066,157	69,197,087	51,346,043	28,578,167	153,942,029	413,139,742
Total segmental surplus/(deficit)	(17,197,223)	(21,914,989)	2,325,350	(45,977,348)	8,673,265	236,084,540	161,993,595
Assets							
Current Assets	1,449,282	125,404,903	88,355,567	99,647,716	35,785,176	218,506,803	569,149,447
Non current Assets	3,436,507	14,367,358	304,341,898	19,529,256	183,549	601,280,992	943,139,560
Total segment assets	4,885,789	139,772,261	392,697,465	119,176,972	35,968,725	819,787,795	1,512,289,007
Total assets as per Statement of financial Position							1,512,289,007

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	Electricity	Waste Management	Infrastructure Services	Community & Public Safety	Development Planning	Unallocated services	Total
61. Segment information (continued)							
Liabilities							
Current Liabilities	(7,771,733)	(20,611,412)	(17,013,970)	(18,635,634)	(16,616,949)	(34,686,906)	(115,336,604)
Non-current Liabilities	-	(11,950,307)	-	-	-	-	(11,950,307)
Total segment liabilities	(7,771,733)	(32,561,719)	(17,013,970)	(18,635,634)	(16,616,949)	(34,686,906)	(127,286,911)
Total liabilities as per Statement of financial Position							(127,286,911)

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61. Segment information (continued)

2023

	Electricity	Waste Management	Infrastructure Services	Community & Public Safety	Development Planning	Unallocated Services	Total
Revenue							
Revenue from non-exchange transactions	18,500	3,687,000	78,416,573	4,915,938	22,721,046	339,836,317	449,595,374
Revenue from exchange transactions	55,301,764	16,157,031	-	1,409,098	74,194	32,218,682	105,160,769
Fair value adjustment	-	-	-	-	-	1,737,717	1,737,717
Total segment revenue	55,320,264	19,844,031	78,416,573	6,325,036	22,795,240	373,792,716	556,493,860
Entity's revenue							556,493,860
Expenditure							
Employee Costs	5,045,208	18,077,112	12,541,378	24,605,524	11,358,295	54,645,663	126,273,180
Remuneration of councillors	-	-	-	-	-	26,577,017	26,577,017
Other expense	6,405,626	5,107,620	1,460,143	6,985,057	4,657,866	44,461,252	69,077,564
Bulk purchases- Electricity	42,241,255	-	-	-	-	-	42,241,255
Depreciation and amortisation	637,916	35,419	29,555,073	1,604,940	4,398,004	5,270,948	41,502,300
Contracted Services	16,776,829	1,859,522	7,244,654	13,790,339	1,533,248	17,032,326	58,236,918
Loss on disposal	-	-	1,309,542	-	20,000	128,797	1,458,339
Total segment expenditure	71,106,834	25,079,673	52,110,790	46,985,860	21,967,413	148,116,003	365,366,573
Total segmental surplus/(deficit)	(15,786,570)	(5,235,642)	26,305,783	(40,660,824)	827,827	225,676,713	191,127,287
Assets							
Current assets	6,539,254	57,645,231	27,913,683	21,360,903	12,036,272	362,324,885	487,820,228
Non-current assets	1,601,574	8,894,248	238,363,284	18,351,565	4,631,865	594,439,036	866,281,572
Total segment assets	8,140,828	66,539,479	266,276,967	39,712,468	16,668,137	956,763,921	1,354,101,800
Total assets as per Statement of financial Position							1,354,101,800
Liabilities							
Current liabilities	(32,161,932)	(2,138,955)	(28,614,279)	(694,718)	(2,322,138)	(54,528,978)	(120,461,000)
Non-current liabilities	-	(10,632,303)	-	-	-	-	(10,632,303)
Total segment liabilities	(32,161,932)	(12,771,258)	(28,614,279)	(694,718)	(2,322,138)	(54,528,978)	(131,093,303)
Total liabilities as per Statement of financial Position							(131,093,303)

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61. Segment information (continued)

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.

2024

	External revenues from Exchange transactions	External revenues from non- exchange transactions	Total expenditure
Ward 1 to 10	(62,834,891)	(68,589,123)	33,548,178
Ward 11 to 20	(14,066,835)	-	14,930,403
Ward 21 to 32	-	(100,000)	23,046,118
Whole of municipality	(46,827,666)	(382,714,821)	332,245,229
Total	(123,729,392)	(451,403,944)	403,769,928

2023

	External revenues from Exchange transactions	External revenues from non- exchange transactions	Total expenditure
Ward 1 to 10	(60,373,819)	(14,866,714)	6,941,162
Ward 11 to 20	-	(45,457,760)	2,746,342
Ward 21 to 32	(14,432,149)	-	12,744,530
Whole of municipality	(32,092,427)	(389,270,899)	342,934,204
Total	(106,898,395)	(449,595,373)	365,366,238

62. Change in estimate

Property, plant and equipment

The useful lives of certain Property, Plant and Equipment Assets were revised in the current year based on their verified conditions. The revision of their useful lives has resulted in an increase in PPE and decrease in depreciation expense of R1 226 408.49 for the current year and a corresponding decrease and increase for future periods respectively.

Intangible Assets

The useful lives of certain Intangible Assets were revised in the current year based on their verified conditions. The revision of their useful lives has resulted in an increase in Intangible Assets and decrease in amortisation expense of R17 474.50 for the current year and a corresponding decrease and increase for future periods respectively.

63. Prior period errors

Receivables from exchange transaction

During the year it was discovered that between 2014/15 and 2018/19 Financial year, 4 accounts were overbilled for electricity fines. The fines were supposed to be a once off charge but municipality continued with the billing for a range of 4 to 6 months per account. These accounts were overcharged by R460 840.00, (Acc no 471- R12500, Acc no 568- R41 040, Acc no 1394- R347 300, Acc no 31- R60 000). The impact of this error resulted in overstatement of trade and other receivables from exchange transactions. During the year the municipality processed a credit note to correct the error for the electricity that was incorrectly billed

Correction of this error resulted in a decrease in trade and other receivables from exchange transactions of R460 840.00.

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63. Prior period errors (continued)

During the year it was discovered that between 2014/15 and 2018/19 Financial year, 4 accounts were overbilled for electricity fines. The fines were supposed to be a once off charge but municipality continued with the billing for a range of 4 to 6 months per account. These accounts were overcharged interest due to the incorrect billing amounting to R45 532.7 for 2023 financial year and 124 266.32 for periods prior to 2023. The impact of this error resulted in overstatement of trade and other receivables from exchange transactions.

Correction of this error resulted in a decrease in receivables from exchange transactions by interest charge of R169 798.32.

Other receivables from exchange transactions

During the year, the municipality discovered during reconciliations between the third party and the municipality that a collection report for prepaid electricity sales for the period 1 March 2019 to 31 March 2019 had not been received from the third party (CONLOG). The agreement between the municipality and CONLOG outlines that a report needs to be submitted by the third party in order for the municipality to be able to issue an invoice for the collection for that particular period. A statement was then submitted to the municipality and confirmed as outstanding. Consequently an invoice was issued to the third party on the 29th of November 2023. This resulted in an understatement of Trade and other receivables from exchange transactions of R587 912.00 VAT inclusive.

The correction of this error resulted in an increase in trade and other receivables from exchange transactions of R587 912.00.

Statutory Receivables

During the year, the municipality discovered during reconciliations between the third party and the municipality that a collection report for prepaid electricity sales for the period 1 March 2019 to 31 March 2019 had not been received from the third party (CONLOG). The agreement between the municipality and CONLOG outlines that a report needs to be submitted by the third party in order for the municipality to be able to issue an invoice for the collection for that particular period. A statement was then submitted to the municipality and confirmed as outstanding. Consequently an invoice was issued to the third party on the 29th of November 2023. This resulted in an understatement of Output Vat of R76 686.15.

National Treasury, through the office of the Accountant General issued guidelines that brought about a change in the accounting for Integrated National Electrification grant. This change affected accounting treatment of the revenue derived from the grant where the municipality implemented projects in areas where Eskom is distributing.

The implementation of these guidelines required application of GRAP 3 to correct errors resulting from the implementation before the guidelines were issued. Revenue recognised was inclusive of VAT but the implementation of guidelines does not recognise the revenue as a grant but rather a exchange revenue in the form of construction revenue which is said to be exclusive of Output VAT and the VAT recognised separately. The municipality revised the revenue and corresponding Output VAT going five years back which is the period within which SARS may reopen their books for any VAT related matter. The correction of VAT for projects implemented before 2022/23 financial year amounted to R15 065 474.08 which was an understatement of Output VAT. The correction related to 2022/23 amounted to R1 967 861.49 which was also an understatement of Output VAT.

The correction of these errors resulted in a decrease on statutory receivables of R17 110 011.72

Prepayments

During the current financial year, it was discovered that an advance payment of R117 476 for electrification projects (Gciniswayo, Lucwaba, Swane and Mampingeni) was paid to Eskom and raised as a prepayment in 2018-19 financial year. It was discovered that this project was completed in March 2019. The prepayment raised was supposed to be transferred to losses once the project was completed and the municipality did not transfer. This error resulted to an overstatement of prepayments by R117 476.

The correction of the error resulted in a decrease in prepayments of R117 476.

Property, plant and equipment

During the year, the municipality discovered that two roads that were completed in the 2022-23 financial period namely Rehabilitation of Scambeni to Thembalesizwe ComTech SSS and Rehabilitation of Mbongwana to Dotye to Greenville Hospital, which were erroneously included in the closing balance of Work in Progress (WIP) instead of being capitalised and as a result depreciation was not recognised. The error resulted in an overstatement of property, plant & equipment by the depreciation amount of R399 447.85.

Correction of the error resulted in a decrease in PPE of R399 447.85.

During the year, the municipality discovered that fencing of community halls project completed in the 2022-23 financial period for community halls namely Fencing of Dudumeni Community hall and Mzamba community hall, which were erroneously included in the closing balance of Work in Progress (WIP) instead of being capitalised and as a result depreciation was not recognised. The error resulted in an overstatement of property, plant & equipment by the depreciation amount of R854.50.

Correction of the error resulted in a decrease in PPE of R854.50.

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63. Prior period errors (continued)

During the year, the municipality discovered that ERF 169 which was included in the municipal asset register consisting of Land and Building is a property of Department of Agriculture. The error resulted in an overstatement of Property, plant and equipment (PPE) of R239 250.12

Correction of the error resulted in a decrease in PPE of R239 250.12

During the year, the municipality discovered movable asset additions (Furniture and office Equipment, Transport Assets, Machinery and Equipment) that were not depreciated in 2022/23 period, which resulted in overstatement of Property, Plant and Equipment by R332 470.16 (R114 726.17, R 201 312.93 and R16 431.06 respectively).

During the year, municipality identified that there was a R30 777.54 for Sigingqi Access Road that was not included in capitalisation cost in the previous financial year. The error resulted in an understatement of property, plant and equipment R30 777.54. The net movement is zero on PPE.

Correction of the error resulted in a decrease in PPE of R332 470.16.

Work in progress

During the year, the municipality discovered that fencing of community halls project completed in the 2022-23 financial period for community halls namely Fencing of Dudumeni Community hall and Mzamba community hall, which were erroneously included in the closing balance of Work in Progress (WIP) instead of being capitalised. The error resulted in an overstatement of WIP additions by R693 095.65 and an understatement of community assets additions by R693 095.65. The net movement on PPE is zero.

During the year, the municipality discovered that two roads that were completed in the 2022-23 financial period namely Rehabilitation of Scambeni to Thembaesizwe ComTech SSS and Rehabilitation of Mbongwana to Dotye to Greenville Hospital, which were erroneously included in the closing balance of Work in Progress (WIP) instead of being capitalised. The WIP transfers were overstated by R5 481 260.97 (Scambeni) and R3 804 759.47 (Mbongwana) totalling to R9 286 020.44 which was an opening balance for these projects. The current year expenditure for these projects overstated WIP additions and understated infrastructure additions by R5 953 469.45. The net movement on PPE is zero.

During the year, the municipality identified that an amount of R1 837 144 was re-allocated from capital to operational in the prior year. On Note 4 the amount was erroneously included as a transfer between work - in - progress (WIP) and capitalised community assets. The error understated the value of completed assets transferred from WIP to capitalised assets and overstated the additions for the year.

The correction of this error resulted in an increase in transfers and a corresponding decrease in additions within community assets. The net movement on community assets is zero.

During the year, municipality identified that there was a R30 777.54 for Sigingqi Access Road that was not included in capitalisation cost of an asset. The error resulted in an overstatement of Work in Progress of R30 777.54. The net movement is zero on PPE.

The net effect of these corrections is a decrease in property, plant & equipment of R972 020.

Payables from exchange transactions

During the year the municipality received a statement from a service provider reflecting an unpaid invoice from 2019/2020 financial year. The invoice was for the installation of solar panels in the indigent areas of Winnie Madikizela-Mandela LM. The invoice was then paid in the current financial year. The impact of this error resulted in trade and other payables being understated by R299 230.00

The correction of this error resulted in an increase in trade and other payables of R299 230.00.

During 2022-23 financial year, the municipality received a correspondence dated 3 October 2022 from Workers' Party informing the council that a councillor had been expelled from the party as a proportional representative in the council. Based on this correspondence, the municipality then terminated the salary, allowances and benefits of a councillor with effect from 06 October 2022. The office of the Speaker after receiving a report and on legal consultation on the matter of re-instatement of Councillor representing WP as PR Councillor who was reported to be expelled from his political party in October 2022 and the municipality declared a vacancy to IEC for his replacement. During the current financial year, a correspondence between the municipality and IEC on the matter nullified the previous termination of Councillor as it was found that he had been expelled by his political party without due process in October 2022. It therefore follows that his salary, allowance and benefits were unduly terminated and necessitated the back payment of amounts owed from 06 October 2022 to 05 December 2023. The impact of the error resulted in an understatement of payables from exchange transactions by R256 438.08.

The correction of this error resulted in an increase in payables from exchange transactions of R256 438.08.

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63. Prior period errors (continued)

During the year, the municipality was party to an arbitration application with case number ECEL4270-23 brought by a workers union on behalf of three employees. The application alleged that the aforementioned employees had been underpaid from January 2019 to December 2023. These employees had been employed on contract basis at agreed upon rates at the time of employment (5 December 2016) and continued to be remunerated based on those rates. During March 2024, arbitration proceedings confirmed that the employees were entitled to a statutory payment in terms of S73A of Basic Conditions of Employment Act (BCEA) as they had been underpaid for the financial periods 2019-2020 to 2022-23. Manager: Legal services advised the municipality to abide by the arbitration and pay these employees the awarded amount. The recommendation was approved by the municipal manager. The impact of this error resulted in an understatement of payables from exchange transactions by R607 666.76.

The correction of this error resulted in an increase in payables from exchange transactions of R607 666.76

During the year gazette number 50737 was issued for senior manager upper limits. As per the gazette with regards to the upper limits of salaries of senior managers, the need to prioritise service delivery to communities and to sustain viable local government and the fiscal capacity of different categories of municipalities, the department of Cooperative Governance and Traditional Affairs (COGTA) published Gazette number 50737 in which it provides the strategic framework for remuneration of senior managers across all municipalities. The council then resolved to implement salary increments for the Municipal Manager and managers directly accountable to him as per gazette number 50737 for 2023-24 financial year and gazette number 48789 for the 2022-23 financial year. The council also resolved on the payment of a non-pensionable cash gratuity for both financial years. This resulted in an understatement of payables from exchange transactions of R492 030.00.

The correction of this error will result in an increase in payables from exchange transactions of R492 030.00.

During the year, an investigation was performed on migration process to mSCOA for 2017-18 financial year. Trade payables and accruals reported a take-on or a migration difference of R154 954.93. The outcome of the investigation indicated that these balances were transactions misallocated under electricity bulk purchase item. These transactions were part of the accounts payables balances. This led to an overstatement of accounts payables by R154 954.

The correction of this error resulted in a decrease in payables from exchange transactions of R154 954.

During the year, the municipality was party to an arbitration application with case number ECEL4270-23 brought by workers union. The application award resulted to the municipality paying the affected employees. A further investigation was then conducted by the municipality which revealed that an additional three employees were also underpaid during 2016 to 2023 an amount of R545 466.90. The error resulted in an understatement of payables from exchange transactions of R545 466.90.

Correction of this error resulted in an increase in payables from exchange transactions of R545 461.90

The net effect of these corrections resulted in an increase in payables from exchange transactions of R2 045 872.

Current Liabilities- Provision

During the year, the municipality revisited the rate used to calculate the Dumpingsite/Landfill provision in 2022/23. After thorough assessment and certain factors taken into account, the rate was therefore revised from 6% inflation used to 9.22% discount rate. The error resulted in an overstatement of Current Provision by R63 252.32

Correction of this error resulted in a decrease in provions of R63 252.32

Non current Liabilities- Provision

During the year, the municipality revisited the rate used to calculate the Dumpingsite/Landfill provision in 2022/23. After thorough assessment and certain factors taken into account, the rate was therefore revised from 6% inflation used to 9.22% discount rate. The error resulted in an overstatement of Non Current Provision by R852 495.92

Provision reduction

During the year, the municipality revisited the rate used to calculate the Dumpingsite/Landfill provision in 2022/23. After thorough assessment and certain factors taken into account, the rate was therefore revised from 6% inflation used to 9.22%. The error resulted in an understatement of Provision reduction by R915 748.24

Correction of this error resulted in an increase in provision reduction by R915 748.24

Employee benefits obligation

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63. Prior period errors (continued)

During the year gazette number 50737 was issued for senior manager upper limits. As per the gazette with regards to the upper limits of salaries of senior managers, the need to prioritise service delivery to communities and to sustain viable local government and the fiscal capacity of different categories of municipalities, the department of Cooperative Governance and Traditional Affairs (COGTA) published Gazette number 50737 in which it provides the strategic framework for remuneration of senior managers across all municipalities. The council then resolved to implement salary increments for the Municipal Manager and managers directly accountable to him as per gazette number 50737 for 2023-24 financial year and gazette number 48789 for the 2022-23 financial year. This resulted in an understatement of provisions for performance bonus and leave provision of R35 599.58.

Interest received from receivables

During the year it was discovered that between 2014/15 and 2018/19 Financial year, 4 accounts were overbilled for electricity fines. The fines were supposed to be a once off charge but municipality continued with the billing for a range of 4 to 6 months per account. These accounts were overcharged interest due to the incorrect billing amounting to R45 532.7. The impact of this error resulted in overstatement of trade and other receivables from exchange transactions.

Correction of this error resulted in a decrease in receivables from exchange transactions by interest charge of R45 532.7.

Depreciation and amortisation

During the year, the municipality discovered that two roads that were completed in the 2022-23 financial period namely Rehabilitation of Scambeni to Thembalesizwe ComTech SSS and Rehabilitation of Mbongwana to Dotye to Greenville Hospital, which were erroneously included in the closing balance of Work in Progress (WIP) instead of being capitalised. The error resulted in an understatement of depreciation expense of R399 447.85.

Correction of the error resulted in an increase in depreciation of R399 447.85.

During the year, the municipality discovered that fencing of community halls project completed in the 2022-23 financial period for community halls namely Fencing of Dudumeni Community hall and Mzamba community hall, which were erroneously included in the closing balance of Work in Progress (WIP) instead of being capitalised. The error resulted in an understatement of depreciation expense of R854.50.

Correction of the error resulted in an increase in depreciation of R854.50.

During the year, the municipality discovered that ERF 169 which was included in the municipal asset register consisting of Land and Building is a property of Department of Agriculture. The error resulted in an overstatement of depreciation of R29 892.88

Correction of the error resulted in an decrease in depreciation of R29 892.88

During the year, the municipality discovered movable asset additions (Furniture and office Equipment, Transport Assets, Machinery and Equipment) that were not depreciated in 2022/23 period, which resulted in understatement of depreciation by R 332 470.16 (R 114 726.17, R 201 312.93 and R 16 431.06 respectively).

Correction of the error resulted in an increase in depreciation of R332 470.16.

The net effect of these corrections is an increase in depreciation and amortisation of R370 409.47.

Government grants and subsidies

National Treasury, through the office of the Accountant General issued guidelines that brought about a change in the accounting for Integrated National Electrification grant. This change affected accounting treatment of the revenue derived from the grant where the municipality implemented projects in areas where Eskom is distributing.

The implementation of these guidelines required application of GRAP 3 to correct errors resulting from the implementation before the guidelines were issued. Revenue recognised was previously disclosed as Government Grants and Subsidies but the implementation of guidelines does not recognise the revenue as a grant but rather a exchange revenue in the form of construction revenue which is said to be exclusive of Output VAT and the VAT recognised separately. The municipality revised the revenue and corresponding Output VAT going five years back which is the period within which SARS may reopen their books for any VAT related matter. The correction of revenue and VAT for projects implemented during the 2022/23 financial year resulted in a reclassification of R16 400 000 to Construction contracts and VAT Output.

The correction of these errors resulted in a decrease on Government Grants and Subsidies of R16 400 000.

Construction contract revenue

Winnie Madikizela-Mandela Local Municipality

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63. Prior period errors (continued)

National Treasury, through the office of the Accountant General issued guidelines that brought about a change in the accounting for Integrated National Electrification grant. This change affected accounting treatment of the revenue derived from the grant where the municipality implemented projects in areas where Eskom is distributing.

The implementation of these guidelines required application of GRAP 3 to correct errors resulting from the implementation before the guidelines were issued. Revenue recognised was inclusive of VAT but the implementation of guidelines does not recognise the revenue as a grant but rather a exchange revenue in the form of construction revenue which is said to be exclusive of Output VAT and the VAT recognised separately. The municipality revised the revenue and corresponding Output VAT going five years back which is the period within which SARS may reopen their books for any VAT related matter. The correction of revenue for projects implemented in 2022/23 financial year amounted to R14 432 149 which was an understatement on Construction revenue.

The correction of these errors resulted in an increase on Construction Contracts revenue of R14 432 149

Employee related cost

During the year gazette number 50737 was issued for senior manager upper limits. As per the gazette with regards to the upper limits of salaries of senior managers, the need to prioritise service delivery to communities and to sustain viable local government and the fiscal capacity of different categories of municipalities, the department of Cooperative Governance and Traditional Affairs (COGTA) published Gazette number 50737 in which it provides the strategic framework for remuneration of senior managers across all municipalities. The council then resolved to implement salary increments for the Municipal Manager and managers directly accountable to him as per gazette number 50737 for 2023-24 financial year and gazette number 48789 for the 2022-23 financial year. The council also resolved on the payment of a non-pensionable cash gratuity for both financial years. This resulted in an understatement of employee related costs of R492 030.00.

The effect of this correction will result in an increase in employee related costs of R492 030.00.

During the year gazette number 50737 was issued for senior manager upper limits. As per the gazette with regards to the upper limits of salaries of senior managers, the need to prioritise service delivery to communities and to sustain viable local government and the fiscal capacity of different categories of municipalities, the department of Cooperative Governance and Traditional Affairs (COGTA) published Gazette number 50737 in which it provides the strategic framework for remuneration of senior managers across all municipalities. The council then resolved to implement salary increments for the Municipal Manager and managers directly accountable to him as per gazette number 50737 for 2023-24 financial year and gazette number 48789 for the 2022-23 financial year. This resulted in an understatement of employee related cost of R35 601.

The effect of this correction will result in an increase in employee related costs of R35 601.

During the year, the municipality was party to an arbitration application with case number ECEL4270-23 brought by workers union. The application award resulted to the municipality paying the affected employees. A further investigation was then conducted by the municipality which revealed that an additional three employees were also underpaid during 2023 financial year. The error resulted in an understatement of employee related costs of R131 225.71.

The effect of this correction will result in an increase in employee related costs of R131 225.71

The net effect of these corrections will result in an increase in employee related costs of R658 856.71.

Remuneration of councillors

During the year, a communication dated 05 December 2023 was received from Office of the Speaker equesting a re-instatement of a Councillor with immediate effect in December 2023. Councillor was found to have been unduly expelled by his political party in October 2022 following a revelation from the IEC that the process followed was flawed. The communication further requested a back payment of salary, allowance and benefits from the termination date 06 October 2022 to December 2023. The request was approved by the municipal manager. The impact of this error resulted in an understatement of remuneration of councillors by R256 438.08.

The correction of this error resulted in an increase in remuneration of councillors of R256 438.08.

Loss on disposal of assets

Before the implementation of the Treasury guidelines on the accounting treatment for INEP, the municipality recognised the expenditure on capital projects related to electrification as Work in progress in its books which was then recorded as a loss on disposal once projects were completed and handed over to Eskom. In the 2022/23 financial year, the loss on disposal related to electrification projects transferred to Eskom amounted to R37 522 877 which was then corrected in line with the INEP accounting guidelines..

The correction of this error resulted in a decrease in losses on disposal of R37 522 877.

Accumulated Surplus

Winnie Madikizela-Mandela Local Municipality

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63. Prior period errors (continued)

A decrease in trade and other receivables from exchange transactions resulted in a decrease in Accumulated surplus of R630 639

An increase in payables from exchange transactions resulted in a decrease in Accumulated Surplus of R2 045 872.

A decrease in prepayments resulted to a decrease in Accumulated surplus of R117 476.

An increase in trade and other receivables resulted in an increase in Accumulated surplus of R587 912.00.

An decrease in statutory receivables resulted in a decrease in Accumulated surplus of R17 110 011.72.

A decrease in losses on disposal of assets resulted in an increase in Accumulated surplus of R38 452 361.

A decrease in PPE resulted in a decrease in accumulated surplus of R15 433 491

An increase in Provisions resulted in a decrease in Accumulated Surplus of R880 151

The net effect of these corrections resulted in a decrease in Accumulated surplus of R33 829 427.

64. 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

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions		22,749,772	(630,639)	-	22,119,133
Other receivables from exchange transaction		1,184,466	587,912	-	1,772,378
Prepayments		4,720,631	(117,476)	-	4,603,155
Property, plant & equipment		837,613,343	(1,001,176)	(14,432,314)	822,179,853
Payables from Exchange transactions		(52,743,548)	(2,045,872)	-	(54,789,420)
Statutory receivables		60,288,802	(17,110,012)	-	43,178,790
Current liabilities-Provisions		(19,918,118)	27,654	17,808,245	(2,082,219)
Non current liabilities- Provision		(11,484,800)	852,497	-	(10,632,303)
Employee Benefits obligation		-	-	(17,808,245)	(17,808,245)
Accumulated surplus		(1,256,877,926)	33,869,427	-	(1,223,008,499)
		(414,467,378)	14,432,315	(14,432,314)	(414,467,377)

Statement of financial performance

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Construction contract		-	14,432,149	-	14,432,149
Interest received from receivables		-	-	2,443,815	2,443,815
Government grants \$ subsidies		437,000,999	(16,400,000)	-	420,600,999
Interest received from non- exchange transaction		-	-	3,961,083	3,961,083
Interest received from current and non-current assets		28,370,870	(9,532)	(6,440,898)	21,920,440
Provision reduction		10,762,956	915,748	-	11,678,704
Employee related costs		(125,614,323)	(658,857)	-	(126,273,180)
Depreciation		(40,770,267)	(702,876)	-	(41,473,143)
Remuneration of councillors		(26,320,579)	(256,438)	-	(26,577,017)
Contracted services		(43,804,603)	-	(14,432,314)	(58,236,917)
Impairments of Property, plant and equipment		(991,512)	(929,484)	-	(1,920,996)
Loss on disposal of assets		(39,910,700)	38,452,361	-	(1,458,339)
Deficit for the year		198,722,841	34,843,071	(14,468,314)	219,097,598

Cash flow statement

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

Figures in Rand		2024	2023	
64. Prior-year adjustments (continued)				
2023				
	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services		78,006,301	16,395,476	94,401,777
Grants		437,754,390	(16,400,000)	421,354,390
Interest Income		28,370,870	(45,532)	28,325,338
Employee costs		(151,934,902)	436,394	(151,498,508)
Suppliers		(160,067,659)	(14,818,308)	(174,885,967)
		232,129,000	(14,431,970)	217,697,030
Cash flow from investing activities				
Purchase of property, plant & equipment		(148,622,423)	14,431,970	(134,190,453)
Purchase of Intangible assets		(600,000)	-	(600,000)
		(149,222,423)	14,431,970	(134,790,453)

Change in accounting policy

The following change in accounting policies occurred:

Property, plant and equipment

During 2023/24 financial year, Winnie Madikizela-Mandela Local Municipality Introduced Asset Capitalization threshold of R 2000 (Vat incl), This has resulted in the disposal of 3219 assets which were below the threshold in Furniture and Fixtures. The impact of the change in policy resulted in increase in gains and losses of R 29 024.79 and decrease in PPE of R29 024.79.

Winnie Madikizela-Mandela Local Municipality

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Notes to the Audited Annual Financial Statements

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64. Prior-year adjustments (continued)

Reclassifications

The following reclassifications adjustment occurred:

Reclassification 1

Employee Benefits Obligation

Previously the municipality was implementing GRAP 19 in accounting for bonus, leave and long service award provisions. GRAP 19 paragraph 13 outlines that where another standard of GRAP deals with a specific type of provision, contingent liability or contingent asset, an entity applies that Standard instead of GRAP 19. During the year, the municipality reclassified bonus, leave and long service award provisions due to introduction of GRAP 25. The re-classification resulted in an increase in employee benefits of R17 808 245.

Provisions

Previously the municipality was implementing GRAP 19 in accounting for bonus, leave and long service award provisions. GRAP 19 paragraph 13 outlines that where another standard of GRAP deals with a specific type of provision, contingent liability or contingent asset, an entity applies that Standard instead of GRAP 19. During the year, the municipality reclassified bonus, leave and long service award provisions due to introduction of GRAP 25. The re-classification resulted in an increase in provisions of R17 808 245.

Reclassification 2

Property, plant and equipment

National Treasury, through the office of the Accountant General issued guidelines that brought about a change in the accounting for Integrated National Electrification grant. This change affected accounting treatment of the revenue derived from the grant where the municipality implemented projects in areas where Eskom is distributing.

The implementation of these guidelines required application of GRAP 3 to correct errors resulting from the implementation before the guidelines were issued. INEP projects implemented in 2022-2023 financial year and accounted for as INEP funded capital assets were re-allocated from Property, plant and equipment Work - in - progress to contracted services. These projects are Electrification of Lower Ethridge, Electrification of Nomlacu, Electrification of Msarhweni village and Electrification of Zizityaneni. The reclassification resulted in a decrease in WIP additions of R14 432 314.

Contracted Services

Treasury, through the office of the Accountant General issued guidelines that brought about a change in the accounting for Integrated National Electrification grant. This change affected accounting treatment of the revenue derived from the grant where the municipality implemented projects in areas where Eskom is distributing.

The implementation of these guidelines required application of GRAP 3 to correct errors resulting from the implementation before the guidelines were issued. INEP projects implemented in 2022-2023 financial year and accounted for as INEP funded capital assets were re-allocated from Property, plant and equipment to contracted services. These projects are Electrification of Lower Ethridge phase 2, Electrification of Nomlacu phase 2, Electrification of Msarhweni village phase 2 and Electrification of Zizityaneni. The reclassification resulted in an increase in contracted services of R14 432 314.

Reclassification 3

Interest received from receivables

During the year, the municipality identified that there was a significant growth in debtors which resulted in interest charged becoming material in amount. This therefore necessitates a split between interest from exchange and non-exchange transactions in order to achieve fair presentation as required by GRAP 1 and implementation of updates introduced by mSCOA version 6.7 from version 6.6. The reclassification resulted in an increase in interest received from receivables of R2 443 815.

Interest received from non-exchange transactions

During the year, the municipality identified that there was a significant growth in debtors which resulted in interest charged becoming material in amount. This therefore necessitates a split between interest from exchange and non-exchange transactions in order to achieve fair presentation as required by GRAP 1 and implementation of updates introduced by mSCOA version 6.7 from version 6.6. The reclassification resulted in an increase in interest received from non-exchange transactions of R3 961 083.

Interest received from current and non-current assets

Winnie Madikizela-Mandela Local Municipality

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64. Prior-year adjustments (continued)

During the year, the municipality identified that there was a significant growth in debtors which resulted in interest charged becoming material in amount. This therefore necessitates a split between interest from exchange and non-exchange transactions in order to achieve fair presentation as required by GRAP 1 and implementation of updates introduced by mSCOA version 6.7 from version 6.6. The reclassification resulted in a decrease in interest received from current and non-current assets of R6 404 898.

65. Budget differences

Material differences between budget and actual amounts

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

Sale of Goods

The actual revenue being more than the budget is due to an increase in property rezonning during the year.

Service Charges

The actual revenue being more than the budget is due to an increase in electricity consumption, the municipality has installed and implemented an automated meter reading system to assist in reducing losses and detect areas where there might be tempering with the municipal infrastructure.

Rental of Facilities and Equipment

The actual revenue being more than the 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.

Other Income

The actual revenue being more than the budget is due to an increase in actual meter replacements.

Interest on Investments

The actual revenue being more than the budget is due to higher interest rates offered by the municipality's banker during the recently completed competitive bidding process.

Licence and Permits

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

Fines, Penalties and Forfeits

The actual revenue being more than the budget is due to an increase on people contravening traffic and municipal bi-laws. These fines also include fines for electrcity tempering.

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.

Debt Impairment

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

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65. Budget differences (continued)

Bulk purchases

The actual expenditure is less than the budget due to NERSA approved tariffs being less compared to circulars used for budget purposes.

Contracted services

The actual 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 electrification projects (INEP) that were budgeted for and transferred to losses upon disposal and roads projects that would be disposed off as they were badly damaged by the floods. The accounting treatment for electrification projects (INEP) have been revised to align to the national treasury guidelines on accounting for INEP projects, which resulted to these projects being expensed as contracted services instead of being an asset.

General expense

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

Fair value adjustment

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

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 transactions

The actual performance increase compared to the budget is as the result of related budget being included as part of receivables from exchange transactions.

Receivables from exchange transactions

The actual outcome being less than the budget is due to the factors that were taken into consideration during the budget preparation process which included historical debt as basis. The municipality's majority of debtors are more than 150 days old and the biggest category is government followed by households.

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. The municipality's leading source of income is property rates followed by interest on arrears which is an indication that we have more debtors that have stayed outstanding for longer period.

Cash and Cash equivalent

The actual cash on hand as at 30 June 2024 was due to savings realised on increase on interest received, electricity sales more than budget. Furthermore, the reduced spending on general expenditure, contracted services.

Property, plant & equipment

The increase in property, plant and equipment is due to infrastructure projects that were maintenance roads during the year and capitalised at year end.

Investment Property

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

Notes to the Audited Annual Financial Statements

Figures in Rand	2024	2023
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65. Budget differences (continued)

The increase in investment property is as a result of fair value adjustment performed by an 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 response that were not fully spent during the year.

Payables from exchange transactions

The budget being more than the actual payables is due to retention and accruals relating to Disaster response grant that was received late in the financial year and therefore not budgeted for.

Provisions

The budget being more than the actual provisions is due to reclassification from provisions to employee obligations.

Employee Obligations

The budget less than the actual obligations is due to budget figures being allocated in provisions.

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 actual revenue being more than the budget is due to higher interest rates offered by the municipality's banker during the recently completed competitive bidding process.

Suppliers

The difference is due to savings on expenses.

Interest and Penalties

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

66. Events after the reporting date

The municipality commenced construction of a multi year project in 2017/18 financial period. The project completion took longer than anticipated. During July 2024 it was certified to be completed and officially opened.

- No - adjusting entry.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2024

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
2024											
Financial Performance											
Property rates	21,249,948	-	21,249,948	-		21,249,948	21,713,167		463,219	102 %	102 %
Service charges	37,904,200	11,206,933	49,111,133	-		49,111,133	53,841,401		4,730,268	110 %	142 %
Investment revenue	15,890,233	15,999,999	31,890,232	-		31,890,232	34,468,001		2,577,769	108 %	217 %
Transfers recognised - operational	349,897,300	7,163,133	357,060,433	-		357,060,433	352,620,578		(4,439,855)	99 %	101 %
Other own revenue	15,152,589	4,103,544	19,256,133	-		19,256,133	44,008,399		24,752,266	229 %	290 %
Total revenue (excluding capital transfers and contributions)	440,094,270	38,473,609	478,567,879	-		478,567,879	506,651,546		28,083,667	106 %	115 %
Employee costs	(139,934,028)	51,124	(139,882,904)	-	-	(139,882,904)	(139,601,412)	-	281,492	100 %	100 %
Remuneration of councillors	(28,480,421)	-	(28,480,421)	-	-	(28,480,421)	(26,454,463)	-	2,025,958	93 %	93 %
Depreciation and asset impairment	(54,370,824)	(10,165,000)	(64,535,824)			(64,535,824)	(41,077,869)	-	23,457,955	64 %	76 %
Finance charges	(99,984)	-	(99,984)	-	-	(99,984)	(50,162)	-	49,822	50 %	50 %
Inventory consumed	(7,485,164)	(98,764)	(7,583,928)	-	-	(7,583,928)	-	-	7,583,928	- %	- %
Transfers and grants	(3,430,745)	150,017	(3,280,728)	-	-	(3,280,728)	(2,805,345)	-	475,383	86 %	82 %
Other expenditure	(213,896,088)	(69,093,390)	(282,989,478)	-	-	(282,989,478)	(203,150,492)	-	79,838,986	72 %	95 %
Total expenditure	(447,697,254)	(79,156,013)	(526,853,267)	-	-	(526,853,267)	(413,139,743)	-	113,713,524	78 %	92 %
Surplus/(Deficit)	(7,602,984)	(40,682,404)	(48,285,388)	-		(48,285,388)	93,511,803		141,797,191	(194)%	(1,230)%
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	76,295,084	17,744,442	94,039,526	-		94,039,526	68,481,789		(25,557,737)	73 %	90 %
Surplus (Deficit) after capital transfers and contributions	68,692,100	(22,937,962)	45,754,138	-		45,754,138	161,993,592		116,239,454	354 %	236 %
Surplus/(Deficit) for the year	68,692,100	(22,937,962)	45,754,138	-		45,754,138	161,993,592		116,239,454	354 %	236 %

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
Capital expenditure and funds sources											
Total capital expenditure	123,282,263	31,773,600	155,055,863	-		155,055,863	12,812,900		(142,242,963)	8 %	10 %
Sources of capital funds											
Transfers recognised - capital	66,343,416	1,517,009	67,860,425	-		67,860,425	54,628,668		(13,231,757)	81 %	82 %
Internally generated funds	56,938,847	30,256,591	87,195,438	-		87,195,438	66,184,232		(21,011,206)	76 %	116 %
Total sources of capital funds	123,282,263	31,773,600	155,055,863	-		155,055,863	120,812,900		(34,242,963)	78 %	98 %
Financial position											
Total current assets	413,369,830	65,783,309	479,153,139	-		479,153,139	569,149,447		89,996,308	119 %	138 %
Total non current assets	875,374,304	74,428,507	949,802,811	-		949,802,811	943,139,560		(6,663,251)	99 %	108 %
Total current liabilities	(99,778,869)	(15,260,416)	(115,039,285)	-		(115,039,285)	(115,336,604)		(297,319)	100 %	116 %
Total non current liabilities	(22,483,946)	10,999,146	(11,484,800)	-		(11,484,800)	(11,950,306)		(465,506)	104 %	53 %
Community wealth/Equity	1,166,481,319	135,950,546	1,302,431,865	-		1,302,431,865	1,385,002,097		82,570,232	106 %	119 %
Cash flows											
Net cash from (used) operating	170,827,676	(612,305)	170,215,371	-		170,215,371	221,585,791		51,370,420	130 %	130 %
Net cash from (used) investing	(141,376,228)	(27,136,043)	(168,512,271)	-		(168,512,271)	(120,812,909)		47,699,362	72 %	85 %
Net increase/(decrease) in cash and cash equivalents	29,451,448	(27,748,348)	1,703,100	-		1,703,100	100,772,882		99,069,782	5,917 %	342 %
Cash and cash equivalents at the beginning of the year	277,108,822	82,906,578	360,015,400	-		360,015,400	360,015,400		-	100 %	130 %
Cash and cash equivalents at year end	306,560,270	55,158,230	361,718,500	-		361,718,500	460,788,282		(99,069,782)	127 %	150 %

Winnie Madikizela-Mandela Local Municipality
Winnie Madikizela-Mandela Local Municipality
Appendix B

June 2024

Analysis of property, plant and equipment as at June 30, 2024
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	3,098,628	-	-	-	-	-	3,098,628	-	-	-	-	-	-	3,098,628
Buildings (Separate for AFS purposes)	28,564,475	462,740	-	-	-	-	29,027,215	(5,575,765)	-	-	(675,073)	-	(6,250,838)	22,776,377
	31,663,103	462,740	-	-	-	-	32,125,843	(5,575,765)	-	-	(675,073)	-	(6,250,838)	25,875,005
Infrastructure														
Roads, Pavements & Bridges	715,543,457	81,036,753	(23,508,035)	-	-	43,035,063	816,107,238	(287,058,551)	14,930,916	-	(21,240,501)	(591,934)	(293,960,070)	522,147,168
Transmission & Reticulation	23,041,239	3,029,456	(854,830)	-	-	-	25,215,865	(4,469,580)	299,972	-	(627,800)	-	(4,797,408)	20,418,457
Sewerage purification	554,374	-	-	-	-	-	554,374	(21,156)	-	-	(11,087)	-	(32,243)	522,131
Waste Management	3,242,860	-	-	-	-	-	3,242,860	(1,463,715)	-	-	(8,195)	(1,732,429)	(3,204,339)	38,521
	742,381,930	84,066,209	(24,362,865)	-	-	43,035,063	845,120,337	(293,013,002)	15,230,888	-	(21,887,583)	(2,324,363)	(301,994,060)	543,126,277
Community Assets														
Parks & gardens	4,805,960	-	-	-	-	-	4,805,960	(1,553,742)	-	-	(110,934)	-	(1,664,676)	3,141,284
Sportsfields and stadium	83,561,345	10,907,317	-	-	-	-	94,468,662	(14,490,561)	-	-	(2,247,807)	(107,737)	(16,846,105)	77,622,557
Community halls	26,841,961	-	-	-	-	-	26,841,961	(2,360,276)	-	-	(712,123)	-	(3,072,399)	23,769,562
Other	40,465,677	6,748,894	(145,000)	-	-	-	47,069,571	(7,641,446)	-	-	(1,067,962)	60,463	(8,648,945)	38,420,626
Cemeteries	224,224	-	-	-	-	-	224,224	(164,457)	-	-	(5,925)	-	(170,382)	53,842
	155,899,167	17,656,211	(145,000)	-	-	-	173,410,378	(26,210,482)	-	-	(4,144,751)	(47,274)	(30,402,507)	143,007,871

June 2024

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
1,260,799	-	-	-	-	-	1,260,799	-	-	-	-	-	-	1,260,799
1,260,799	-	-	-	-	-	1,260,799	-	-	-	-	-	-	1,260,799
16,888,019	5,297,810	(1,063,907)	-	-	-	21,121,922	(7,711,873)	178,556	-	(1,087,032)	-	(8,620,349)	12,501,573
27,944,032	267,932	(140,108)	-	-	-	28,071,856	(19,523,220)	(989,773)	129,537	(18,434)	-	(20,401,890)	7,669,966
11,256,392	2,386,761	(180,758)	-	-	-	13,462,395	(6,925,199)	(1,347,860)	119,223	(242,503)	-	(8,396,339)	5,066,056
2,740,673	-	-	-	-	4,212,789	6,953,462	(2,109,214)	(128,594)	-	-	-	(2,237,808)	4,715,654
310,845	-	(785)	-	-	-	310,060	(175,266)	(26,294)	782	(1,474)	-	(202,252)	107,808
12,227,628	788,779	(1,063,907)	-	-	-	11,952,500	(10,289,173)	(63,024)	1,056,064	(62,355)	-	(9,358,488)	2,594,012
720,000	-	-	-	-	1,593,522	2,313,522	(57,600)	-	-	(28,800)	-	(86,400)	2,227,122
39,160,310	-	-	-	-	91,588,617	130,748,927	(1,240,993)	-	-	(1,087,493)	-	(2,328,486)	128,420,441
14,349,881	-	-	-	-	-	14,349,881	(1,431,761)	-	-	(402,255)	-	(1,834,016)	12,515,865
1,646,434	374,751	(352,507)	-	-	-	1,668,678	(1,470,773)	(38,861)	352,255	-	-	(1,157,379)	511,299
127,244,214	9,116,033	(2,801,972)	-	-	97,394,928	230,953,203	(50,935,072)	(2,415,850)	1,657,861	(2,930,346)	-	(54,623,407)	176,329,796

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Appendix B

Analysis of property, plant and equipment as at 30 June 2023
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	3,098,628	-	-	-	-	-	3,098,628	-	-	-	-	-	-	3,098,628
Buildings (Separate for AFS purposes)	27,816,036	748,440	-	-	-	-	28,564,476	(4,930,376)	-	-	(645,389)	-	(5,575,765)	22,988,711
	30,914,664	748,440	-	-	-	-	31,663,104	(4,930,376)	-	-	(645,389)	-	(5,575,765)	26,087,339
Infrastructure														
Roads, Pavements & Bridges	631,674,723	81,183,212	(3,617,518)	-	-	47,904,907	757,145,324	(253,112,015)	1,552,646	929,484	(30,125,626)	-	(280,755,511)	476,389,813
Transmission & Reticulation	21,793,719	1,544,558	(297,038)	-	-	-	23,041,239	(3,982,307)	122,884	-	(610,157)	-	(4,469,580)	18,571,659
Waste Management	342,860	-	-	-	-	-	342,860	(1,296,454)	-	-	(167,261)	(1,732,429)	(3,196,144)	(2,853,284)
	653,811,302	82,727,770	(3,914,556)	-	-	47,904,907	780,529,423	(258,390,776)	1,675,530	929,484	(30,903,044)	(1,732,429)	(288,421,235)	492,108,188
Community Assets														
Parks & gardens	4,805,960	-	-	-	-	-	4,805,960	(1,442,499)	-	-	(111,243)	-	(1,553,742)	3,252,218
Sportsfields and stadium	26,413,895	57,147,450	-	-	-	4,353,445	87,914,790	(12,769,826)	-	-	(1,720,735)	-	(14,490,561)	73,424,229
Civic buildings	15,873,973	23,286,337	-	-	-	79,313,878	118,474,188	(405,909)	-	-	(835,083)	-	(1,240,992)	117,233,196
Community halls	26,148,866	693,096	-	-	-	-	26,841,962	(1,681,953)	-	-	(678,322)	-	(2,360,275)	24,481,687
Market Place	720,000	-	-	-	-	4,225,511	4,945,511	(28,800)	-	-	(28,800)	-	(57,600)	4,887,911
Sewage and sanitation	554,374	-	-	-	-	-	554,374	(10,068)	-	-	(11,087)	-	(21,155)	533,219
Creche	14,349,881	-	-	-	-	1,889,690	16,239,571	(1,029,506)	-	-	(402,255)	-	(1,431,761)	14,807,810
Cemeteries	224,224	-	-	-	-	-	224,224	(146,442)	-	-	(18,015)	-	(164,457)	59,767
Other	37,740,418	2,725,259	-	-	-	-	40,465,677	(6,763,817)	-	-	(877,629)	-	(7,641,446)	32,824,231
	126,831,591	83,852,142	-	-	-	89,782,524	300,466,257	(24,278,820)	-	-	(4,683,169)	-	(28,961,989)	271,504,268

June 2024

Cost/Revaluation

General vehicles	12,850,690	4,037,329	-	-	-	-	16,888,019	(6,600,152)	-	-	(1,111,721)	-	(7,711,873)	9,176,146	
Plant & equipment	27,542,424	401,608	-	-	-	-	27,944,032	(17,781,696)	-	-	(1,722,650)	-	(19,504,346)	8,439,686	
Computer Equipment	7,126,166	2,390,205	-	-	-	-	9,516,371	(4,378,047)	-	-	(950,846)	-	(5,328,893)	4,187,478	
Computer Software (part of computer equipment)	2,230,573	600,000	(89,900)	-	-	-	4,212,789	6,953,462	(2,187,288)	-	-	(11,824)	-	(2,199,112)	4,754,350
Furniture & Fittings	245,845	65,000	-	-	-	-	310,845	(142,832)	-	-	(32,433)	-	(175,265)	135,580	
Office Equipment	11,865,656	361,972	-	-	-	-	12,227,628	(9,395,628)	-	-	(855,901)	(37,740)	(10,289,269)	1,938,359	
Bins and Containers	1,496,434	150,000	-	-	-	-	1,646,434	(1,053,434)	-	-	(417,078)	(18,873)	(1,489,385)	157,049	
	63,357,788	8,006,114	(89,900)	-	-	-	4,212,789	75,486,791	(41,539,077)	-	-	(5,102,453)	(56,613)	(46,698,143)	28,788,648

June 2024

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
30,914,664	748,440	-	-	-	-	31,663,104	(4,930,376)	-	-	(645,389)	-	(5,575,765)	26,087,339
653,811,302	82,727,770	(3,914,556)	-	-	47,904,907	780,529,423	(258,390,776)	1,675,530	929,484	(30,903,044)	(1,732,429)	(288,421,235)	492,108,188
126,831,591	83,852,142	-	-	-	89,782,524	300,466,257	(24,278,820)	-	-	(4,683,169)	-	(28,961,989)	271,504,268
1,230,799	30,000	-	-	-	-	1,260,799	-	-	-	-	-	-	1,260,799
63,357,788	8,006,114	(89,900)	-	-	4,212,789	75,486,791	(41,539,077)	-	-	(5,102,453)	(56,613)	(46,698,143)	28,788,648
876,146,144	175,364,466	(4,004,456)	-	-	141,900,220	1,189,406,374	(329,139,049)	1,675,530	929,484	(41,334,055)	(1,789,042)	(369,657,132)	819,749,242
40,471,783	-	-	-	-	1,737,717	42,209,500	-	-	-	-	-	-	42,209,500
40,471,783	-	-	-	-	1,737,717	42,209,500	-	-	-	-	-	-	42,209,500
30,914,664	748,440	-	-	-	-	31,663,104	(4,930,376)	-	-	(645,389)	-	(5,575,765)	26,087,339
653,811,302	82,727,770	(3,914,556)	-	-	47,904,907	780,529,423	(258,390,776)	1,675,530	929,484	(30,903,044)	(1,732,429)	(288,421,235)	492,108,188
126,831,591	83,852,142	-	-	-	89,782,524	300,466,257	(24,278,820)	-	-	(4,683,169)	-	(28,961,989)	271,504,268
1,230,799	30,000	-	-	-	-	1,260,799	-	-	-	-	-	-	1,260,799
63,357,788	8,006,114	(89,900)	-	-	4,212,789	75,486,791	(41,539,077)	-	-	(5,102,453)	(56,613)	(46,698,143)	28,788,648
40,471,783	-	-	-	-	1,737,717	42,209,500	-	-	-	-	-	-	42,209,500
916,617,927	175,364,466	(4,004,456)	-	-	143,637,937	1,231,615,874	(329,139,049)	1,675,530	929,484	(41,334,055)	(1,789,042)	(369,657,132)	861,958,742

Winnie Madikizela-Mandela Local Municipality

Appendix D

June 2024

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

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
-	59,256,647	(59,256,647)	Executive & Council/Mayor and Council	100,000	59,119,207	(59,019,207)
394,780,104	103,314,814	291,465,290	Finance & Admin/Finance	424,475,068	108,802,079	315,672,989
6,859,161	24,436,413	(17,577,252)	Planning and Development/Economic Development/Plan	5,382,405	32,423,155	(27,040,750)
1,596,647	8,199,430	(6,602,783)	Comm. & Social/Libraries and archives	703,053	8,095,262	(7,392,209)
-	1,055,800	(1,055,800)	Housing	-	1,087,532	(1,087,532)
4,728,388	14,133,203	(9,404,815)	Public Safety/Police	4,665,642	17,493,142	(12,827,500)
-	2,015,466	(2,015,466)	Sport and Recreation	-	2,549,469	(2,549,469)
-	2,236,425	(2,236,425)	Environmental Protection/Pollution Control	-	2,540,394	(2,540,394)
20,016,968	25,252,610	(5,235,642)	Waste Water Management/Sewerage	7,151,168	29,066,158	(21,914,990)
73,192,331	47,072,693	26,119,638	Road Transport/Roads	68,842,964	62,835,734	6,007,230
57,288,025	71,106,835	(13,818,810)	Electricity /Electricity Distribution	65,746,202	81,010,262	(15,264,060)
-	7,286,228	(7,286,228)	Other/Air Transport	-	8,117,340	(8,117,340)
558,461,624	365,366,564	193,095,060		577,066,502	413,139,734	163,926,768
Municipal Owned Entities Other charges						
558,461,624	365,366,564	193,095,060	Municipality	577,066,502	413,139,734	163,926,768
558,461,624	365,366,564	193,095,060	Total	577,066,502	413,139,734	163,926,768

Winnie Madikizela-Mandela Local Municipality

Appendix E(1)

June 2024

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2024

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
Revenue					
Sale of goods	248,668	221,086	27,582	12.5	
Property rates	21,713,167	21,249,948	463,219	2.2	
Service charges	53,841,401	49,111,133	4,730,268	9.6	
Construction contracts	14,066,835	-	14,066,835	-	
Rental of facilities and equipment	7,969,863	5,402,232	2,567,631	47.5	
Interest received (trading)	3,794,989	3,789,530	5,459	0.1	
Agency services	1,298,390	1,414,192	(115,802)	(8.2)	
Commissions received	188,290	152,484	35,806	23.5	
Recoveries	735,340	104,540	630,800	603.4	
Other income 1	-	-	-	-	
Other income - (rollup)	32,897	29,997	2,900	9.7	
Fines, penalties and forfeits	1,285,810	225,000	1,060,810	471.5	
Licences and permit	2,102,291	2,537,200	(434,909)	(17.1)	
Grants and subsidies	352,620,578	357,060,433	(4,439,855)	(1.2)	
Interest received - investment	34,468,019	31,890,232	2,577,787	8.1	
Interest received - non exchange	5,200,308	5,379,872	(179,564)	(3.3)	
	499,566,846	478,567,879	20,998,967	4.4	
Expenses					
Personnel	(139,601,405)	(139,882,883)	281,478	(0.2)	
Remuneration of councillors	(26,454,463)	(28,480,421)	2,025,958	(7.1)	
Depreciation	(32,288,871)	(64,535,824)	32,246,953	(50.0)	
Amortisation	(128,594)	-	(128,594)	-	
Impairments	(9,252,340)	-	(9,252,340)	-	
Finance costs	(50,162)	(99,984)	49,822	(49.8)	
Debt Impairment	(2,273,866)	(10,108,776)	7,834,910	(77.5)	
Inventory	(5,761,353)	(7,583,928)	1,822,575	(24.0)	
Lease rentals on operating lease	(5,723,859)	(6,069,914)	346,055	(5.7)	
Bulk purchases	(43,466,987)	(47,730,636)	4,263,649	(8.9)	
Contracted Services	(82,810,741)	(123,508,541)	40,697,800	(33.0)	
Transfers and Subsidies	(2,805,345)	(3,280,728)	475,383	(14.5)	
General Expenses	(53,151,945)	(73,339,312)	20,187,367	(27.5)	
	(403,769,931)	(504,620,947)	100,851,016	(20.0)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(9,369,808)	22,432,320	(31,802,128)	(141.8)	
Fair value adjustments	7,084,700	-	7,084,700	-	
	(2,285,108)	22,432,320	(24,717,428)	(110.2)	
Net surplus/ (deficit) for the year	93,511,807	(3,620,748)	97,132,555	682.7	

Winnie Madikizela-Mandela Local Municipality

Appendix E(2)

June 2024

Budget Analysis of Capital Expenditure as at 30 June 2024

	Additions	Revised Budget	Variance	Variance
	Rand	Rand	Rand	%
Municipality				
Executive & Council/Mayor and Council	-	1,304,348	1,304,348	100
Finance & Admin/Finance	4,719,749	7,964,310	3,244,561	41
Planning and Development/Economic Development/Plan	18,242,230	33,013,263	14,771,033	45
Comm. & Social/Libraries and archives	93,150	1,405,094	1,311,944	93
Public Safety/Police	2,256,191	2,543,480	287,289	11
Sport and Recreation	90,000	136,560	46,560	34
Environmental Protection/Pollution Control	-	86,960	86,960	100
Waste Management	5,544,505	11,488,434	5,943,929	52
Road Transport/Roads	86,837,617	93,613,427	6,775,810	7
Electricity /Electricity Distribution	3,029,456	3,499,987	470,531	13
	120,812,898	155,055,863	34,242,965	22
	120,813	-	(120,813)	-

Winnie Madikizela-Mandela Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2024

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No
AQUITABLE SHARE	National Treasury	148,168,000	113,735,000	81,301,000	-	-	-	-	-	Yes
		-	-	-	-	-	-	-	-	Yes
MIG	National Treasury	15,926,000	13,500,000	24,159,000	-	4,587,142	17,493,959	12,513,138	18,990,756	Yes
FMG	National Treasury	2,100,000	-	-	-	772,804	386,922	166,119	774,153	Yes
Library Grant	Sports Arts and Recreational	-	-	-	500,000	29,825	45,084	41,330	176,884	Yes
EPWP	National	805,000	1,450,000	787,000	1,105,000	1,530,561	1,511,439	-	-	Yes
		-	-	-	-	-	-	-	-	Yes
Disaster Recovery Grant	National Treasury	-	-	-	-	3,200,876	-	687,242	782,832	Yes
Disaster Response Grant	National Treasury	-	-	19,190,000	-	-	-	-	13,265,960	Yes
GBS	National Treasury	-	9,167,822	-	-	-	-	1,353,800	1,180,000	Yes
IDP Grant	Alfred Ndzo DM	-	-	-	100,000	-	-	-	100,000	Yes
		-	-	-	-	-	-	-	-	
		166,999,000	137,852,822	125,437,000	1,705,000	10,121,208	19,437,404	14,761,629	35,270,585	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Winnie Madikizela-Mandela Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by functional classification) for the year ended June 30, 2024

	2023/2024						2022/2023					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	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
Revenue - Functional												
Municipal governance and administration	391,308,042	20,055,424	411,363,466	424,575,068		13,211,602	103 %	109 %				394,998,570
Executive and council	-	-	-	100,000		100,000	DIV/0 %	DIV/0 %				-
Finance and administration	391,308,042	20,055,424	411,363,466	424,475,068		13,111,602	103 %	108 %				394,998,570
Community and public safety	4,598,685	267,991	4,866,676	5,368,694		502,018	110 %	117 %				6,325,034
Community and social services	605,284	120,000	725,284	703,053		(22,231)	97 %	116 %				1,596,647
Public safety	3,993,401	147,991	4,141,392	4,665,641		524,249	113 %	117 %				4,728,387
Economic and environmental services	62,281,427	25,867,689	88,149,116	74,225,368		(13,923,748)	84 %	119 %				80,051,492
Planning and development	2,986,343	8,995,599	11,981,942	5,382,405		(6,599,537)	45 %	180 %				6,859,161
Road transport	59,295,084	16,872,090	76,167,174	68,842,963		(7,324,211)	90 %	116 %				73,192,331
Trading services	58,201,200	10,026,913	68,228,113	72,897,373		4,669,260	107 %	125 %				77,132,060
Energy sources	49,297,848	11,206,937	60,504,785	65,746,205		5,241,420	109 %	133 %				57,288,025
Waste management	8,903,352	(1,180,024)	7,723,328	7,151,168		(572,160)	93 %	80 %				19,844,035
Total Revenue - Functional	516,389,354	56,218,017	572,607,371	577,066,503		4,459,132	101 %	112 %				558,507,156

Winnie Madikizela-Mandela Local Municipality

Appendix G1

Budgeted Financial Performance (revenue and expenditure by functional classification) for the year ended June 30, 2024

	2023/2024						2022/2023					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	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
Expenditure - Functional												
Governance and administration	217,119,840	2,297,243	219,417,083	172,625,877	-	(46,791,206)	79 %	80 %	-	-	-	166,376,114
Executive and council	68,122,980	(2,184,922)	65,938,058	59,119,208	-	(6,818,850)	90 %	87 %	-	-	-	59,680,518
Finance and administration	144,047,148	4,482,165	148,529,313	108,802,079	-	(39,727,234)	73 %	76 %	-	-	-	102,712,075
Internal audit	4,949,712	-	4,949,712	4,704,590	-	(245,122)	95 %	95 %	-	-	-	3,983,521
Community and public safety	34,348,026	2,384,919	36,732,945	29,225,405	-	(7,507,540)	80 %	85 %	-	-	-	25,272,742
Community and social services	13,747,830	1,707,006	15,454,836	8,095,262	-	(7,359,574)	52 %	59 %	-	-	-	8,068,273
Sport and recreation	2,865,816	(140,000)	2,725,816	2,549,469	-	(176,347)	94 %	89 %	-	-	-	2,015,466
Public safety	16,543,920	972,905	17,516,825	17,493,142	-	(23,683)	100 %	106 %	-	-	-	14,133,203
Housing	1,190,460	(154,992)	1,035,468	1,087,532	-	52,064	105 %	91 %	-	-	-	1,055,800
Economic and environmental services	95,894,580	32,501,321	128,395,901	97,799,283	-	(30,596,618)	76 %	102 %	-	-	-	73,866,540
Planning and development	27,598,704	6,083,581	33,682,285	32,423,155	-	(1,259,130)	96 %	117 %	-	-	-	24,436,414
Road transport	65,786,112	26,210,740	91,996,852	62,835,734	-	(29,161,118)	68 %	96 %	-	-	-	47,193,701
Environmental protection	2,509,764	207,000	2,716,764	2,540,394	-	(176,370)	94 %	101 %	-	-	-	2,236,425
Trading services	96,035,496	42,405,950	138,441,446	110,076,419	-	(28,365,027)	80 %	115 %	-	-	-	96,186,508
Energy sources	67,303,020	41,511,950	108,814,970	81,010,262	-	(27,804,708)	74 %	120 %	-	-	-	71,106,835
Waste management	28,732,476	894,000	29,626,476	29,066,157	-	(560,319)	98 %	101 %	-	-	-	25,079,673
Other	4,299,312	(233,338)	4,065,974	3,412,749	-	(653,225)	84 %	79 %	-	-	-	-
Other	4,299,312	(233,338)	4,065,974	3,412,749	-	(653,225)	84 %	79 %	-	-	-	3,303,041
Total Expenditure - Functional	447,697,254	79,356,095	527,053,349	413,139,733	-	(113,913,616)	78 %	92 %	-	-	-	365,004,945
Surplus/(Deficit) for the year	68,692,100	(23,138,078)	45,554,022	163,926,770		118,372,748	360 %	239 %				193,502,211

Winnie Madikizela-Mandela Local Municipality

Appendix G2

Budgeted Financial Performance (revenue and expenditure by municipal vote) for the year ended June 30, 2024

	2023/2024						2022/2023					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	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
Revenue by Vote												
Municipal Manager	-	-	-	100,000		100,000	DIV/0 %	DIV/0 %				-
Budget and Treasury Office	362,651,820	16,504,540	379,156,360	389,498,422		10,342,062	103 %	107 %				373,262,566
Corporate Services	441,462	(49,116)	392,346	428,146		35,800	109 %	97 %				575,685
Development Planning	28,329,760	12,787,817	41,117,577	37,251,433		(3,866,144)	91 %	131 %				22,795,240
Community and Social Services	13,502,037	(912,009)	12,590,028	12,519,862		(70,166)	99 %	93 %				26,169,067
Engineering Services	111,464,275	27,886,900	139,351,175	137,268,638		(2,082,537)	99 %	123 %				135,704,598
Total Revenue by Vote	516,389,354	56,218,132	572,607,486	577,066,501		4,459,015	101 %	112 %				558,507,156
Expenditure by Vote to be appropriated												
Mayor and council	49,080,696	(2,131,685)	46,949,011	42,136,534	-	(4,812,477)	90 %	86 %	-	-	-	43,248,455
Municipal Manager	39,573,456	2,783,683	42,357,139	38,713,537	-	(3,643,602)	91 %	98 %	-	-	-	35,627,361
Budget and Treasury Office	45,747,132	-	45,747,132	28,747,115	-	(17,000,017)	63 %	63 %	-	-	-	28,052,365
Corporate Services	64,945,524	1,019,323	65,964,847	44,334,837	-	(21,630,010)	67 %	68 %	-	-	-	40,986,173
Development Planning	24,897,804	5,074,983	29,972,787	28,578,168	-	(1,394,619)	95 %	115 %	-	-	-	21,967,413
Community and Social Services	83,784,138	4,882,101	88,666,239	80,422,205	-	(8,244,034)	91 %	96 %	-	-	-	71,784,211
Engineering Services	139,668,504	67,727,690	207,396,194	150,207,349	-	(57,188,845)	72 %	108 %	-	-	-	123,338,967
Total Expenditure by Vote	447,697,254	79,356,095	527,053,349	413,139,745	-	(113,913,604)	78 %	92 %	-	-	-	365,004,945
Surplus/(Deficit) for the year	68,692,100	(23,137,963)	45,554,137	163,926,756		118,372,619	360 %	239 %				193,502,211