



Winnie Madikizela-Mandela Local Municipality
Audited Annual Financial Statements
for the year ended 30 June 2025

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

General Information

Nature of business and principal activities

Winnie Madikizela-Mandela Local Municipality provides the following services:

Electricity

Solid Waste Removal

TROIKA

Mayor

Speaker

T.D Mafumbatha

Z. Mhlwazi

Whip of Council

M.Mbele

Executive Committee

N. Madikizela

L. Makholosa

M.C Mpetshwa

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, 2025

General Information

Councillors

N. Kwelemtini
E. Voko
B. Luwele
F.N. Sobazile
B. Matshoba/ N Sibutha
N. Mgozozana
N. Sikibi
S.P. Madikizela
K. Zinya
N. Madikizela
R. F. Madikizela
S. Mphoswa
N. Mantangayi
F. N. Nyathi
N.P. Mavundla
T.Z. Noconjo
S.V. Mfolozi
L. Nomazele
M.S. Msindo
N. Majova
T. Dlamini
A. Maquthu
X. Bhabhazela
X. Ntsethe
S. M. Nomvalo
A.D. Diya
M.W. Dlamini
Z.H. Dyarvane
M.C. Mbodiyi
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
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, 2025

General Information

Grading of local authority	Grade 4
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, 2025

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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

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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, 2025

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 36 and 37 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.

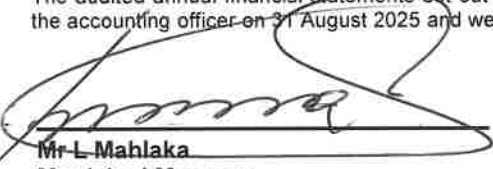
The audited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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, 2026 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 112, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 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, 2025

Statement of Financial Position as at June 30, 2025

Figures in Rand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	8	1,246,446	786,196
Operating lease asset	9	21,861,433	18,841,946
Other Receivables from exchange transactions	10	2,304,142	1,324,884
Receivables from non - exchange transactions	11	3,409,179	4,121,047
Statutory receivables	12	53,924,113	48,725,424
Prepayments	13	3,375,079	2,740,429
Receivables from exchange transactions	14	39,718,901	43,160,908
Cash and cash equivalents	15	540,241,859	460,788,282
		666,081,152	580,489,116
Non-Current Assets			
Investment property	3	53,619,000	49,294,199
Property, plant and equipment	4	919,174,287	874,730,110
Intangible assets	5	578,864	502,827
Heritage assets	6	1,260,799	1,260,799
Other financial assets	7	5,059,088	4,772,724
		979,692,038	930,560,659
Total Assets		1,645,773,190	1,511,049,775
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	64,377,772	78,130,425
VAT payable	17	14,416,433	10,038,228
Consumer deposits	18	524,596	496,603
Payables from non-exchange transactions	20	21,756,104	14,409,451
Provisions	21	1,630,592	1,365,040
Employee benefits obligation	19	22,827,412	20,864,352
		125,532,909	125,304,099
Non-Current Liabilities			
Provisions	21	13,021,261	11,950,306
Total Liabilities		138,554,170	137,254,405
Net Assets		1,507,219,020	1,373,795,370
Accumulated surplus		1,507,219,020	1,373,795,370
Total Net Assets		1,507,219,020	1,373,795,370



* See Note 64 & 63

WINNIE MADIKIZELA-MANDELA
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Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	59,047,701	53,841,401
Construction contracts	25	16,870,892	14,066,835
Rental of facilities and equipment	26	7,957,952	7,969,863
Interest received from receivables	27	2,183,891	3,794,988
Agency services	28	1,234,250	1,298,390
Commissions received	29	198,240	188,290
Recoveries	29	1,696,337	735,339
Other income	29	667,032	281,585
Interest received from current and non current assets	30	39,421,269	34,468,001
Total revenue from exchange transactions		129,277,564	116,644,692
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	22,852,923	21,713,167
Fines, penalties and Forfeits	32	1,073,742	1,285,810
Licences and Permits	33	2,170,630	2,102,291
Interest received (non exchange)	34	5,539,419	5,541,211
Transfer revenue			
Government grants & subsidies	35	436,392,154	421,102,369
Total revenue from non-exchange transactions		468,028,868	451,744,848
Total revenue	23	597,306,432	568,389,540
Expenditure			
Employee related costs	36	(146,867,678)	(139,601,412)
Remuneration of councillors	37	(27,795,060)	(27,159,477)
Depreciation and amortisation	38	(52,423,899)	(45,974,548)
Impairment of Property, plant and equipment	39	(6,755,373)	(9,252,340)
Interest and penalties	40	(2,180,440)	(50,162)
Lease rentals on operating lease	41	(6,923,442)	(5,723,859)
Debt Impairment	42	(7,968,920)	(2,240,559)
Bulk purchases	43	(53,481,023)	(43,466,987)
Contracted services	44	(94,035,216)	(82,810,742)
Transfers and Subsidies	45	(4,984,480)	(2,805,345)
General Expenses	46	(61,995,143)	(58,967,942)
Total expenditure		(465,410,674)	(418,053,373)
Operating Surplus (deficit)		131,895,758	150,336,167
Loss on disposal of assets	47	(2,796,915)	(13,016,021)
Fair value adjustments	48	4,324,800	7,084,700
		1,527,885	(5,931,321)
Surplus for the year		133,423,643	144,404,846



* See Note 64 & 63

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Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1,223,008,501	1,223,008,501
Adjustments		
Correction of errors 63	6,382,023	6,382,023
Balance at July 1, 2023 as restated*	1,229,390,524	1,229,390,524
Surplus/(Deficit) for the year	144,404,846	144,404,846
Total changes	144,404,846	144,404,846
Opening balance as previously reported	1,373,795,377	1,373,795,377
Restated* Balance at July 1, 2024 as restated*	1,373,795,377	1,373,795,377
Surplus/(Deficit) for the year	133,423,643	133,423,643
Total changes	133,423,643	133,423,643
Balance at June 30, 2025	1,507,219,020	1,507,219,020

Note(s)



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* See Note 64 & 63

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		100,397,066	71,808,843
Grants		443,738,807	427,313,317
Interest income		47,144,579	43,804,200
		<u>591,280,452</u>	<u>542,926,360</u>
Payments			
Employee costs		(172,699,678)	(163,704,780)
Suppliers		(229,656,594)	(157,335,388)
Interest and penalties		(2,180,440)	(50,162)
		<u>(404,536,712)</u>	<u>(321,090,330)</u>
Net cash flows from operating activities	50	186,743,740	221,836,030
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(108,440,062)	(121,063,148)
Proceeds from sale of property, plant and equipment	4	1,386,603	-
Purchase of other intangible assets	5	(236,704)	-
Net cash flows from investing activities		(107,290,163)	(121,063,148)
Net increase/(decrease) in cash and cash equivalents		79,453,577	100,772,882
Cash and cash equivalents at the beginning of the year		460,788,282	360,015,400
Cash and cash equivalents at the end of the year	15	540,241,859	460,788,282

The accounting policies on pages 14 to 45 and the notes on pages 45 to 112 form an integral part of these audited annual financial statements.



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Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	200,724	-	200,724	558,597	357,873	Note 65
Service charges	56,844,444	(3,080,500)	53,763,944	59,047,701	5,283,757	Note 65
Construction contracts	-	19,680,500	19,680,500	16,870,892	(2,809,608)	Note 65
Rental of facilities and equipment	4,923,888	130,000	5,053,888	7,957,952	2,904,064	Note 65
Interest received from receivables	3,555,612	36,965	3,592,577	2,183,891	(1,408,686)	Note 65
Agency services	1,427,328	-	1,427,328	1,234,250	(193,078)	Note 65
Commissions received	159,960	50,000	209,960	198,240	(11,720)	Note 65
Recoveries	-	150,000	150,000	1,696,337	1,546,337	Note 65
Other income - (rollup)	30,000	-	30,000	108,435	78,435	
Interest received from current assets	27,158,868	10,200,000	37,358,868	39,421,269	2,062,401	
Total revenue from exchange transactions	94,300,824	27,166,965	121,467,789	129,277,564	7,809,775	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	21,531,996	1,889,200	23,421,196	22,852,923	(568,273)	
Fines, penalties and forfeits	578,688	(196,000)	382,688	1,073,742	691,054	Note 65
Licences and Permits (Non-exchange)	2,277,024	-	2,277,024	2,170,630	(106,394)	
Interest received(non- exchange)	5,395,848	(695,845)	4,700,003	5,539,419	839,416	Note 65
Transfer revenue						
Government grants & subsidies	394,791,584	(26,201,000)	368,590,584	368,646,496	55,912	
Total revenue from non-exchange transactions	424,575,140	(25,203,645)	399,371,495	400,283,210	911,715	
Total revenue	518,875,964	1,963,320	520,839,284	529,560,774	8,721,490	
Expenditure						
Employee related cost	(148,131,368)	(3,711,500)	(151,842,868)	(146,867,678)	4,975,190	
Employee costs - Remuneration of councillors	(29,876,160)	-	(29,876,160)	(27,795,060)	2,081,100	Note 65
Depreciation and amortisation	(54,370,836)	-	(54,370,836)	(52,423,899)	1,946,937	Note 65
Impairment loss	-	(3,000,000)	(3,000,000)	(6,755,373)	(3,755,373)	Note 65
Interest and Penalties	(99,992)	(2,200,000)	(2,299,992)	(2,180,440)	119,552	Note 65
Lease rentals on operating lease	(5,768,736)	(1,457,982)	(7,226,718)	(6,923,442)	303,276	
Debt Impairment	(6,108,780)	-	(6,108,780)	(7,968,920)	(1,860,140)	Note 65
Bulk purchases	(53,792,448)	-	(53,792,448)	(53,481,023)	311,425	
Contracted Services	(114,777,518)	(13,413,046)	(128,190,564)	(94,035,216)	34,155,348	Note 65
Transfers and Subsidies	(4,215,552)	(255,600)	(4,471,152)	(4,984,480)	(513,328)	Note 65
Inventory	(8,083,428)	(4,600)	(8,088,028)	(6,202,810)	1,885,218	Note 65
Loss on disposal of assets	-	(5,200,000)	(5,200,000)	(2,796,915)	2,403,085	Note 65
General expenses	(74,605,478)	(124,947)	(74,730,425)	(55,792,333)	18,938,092	Note 65
Total expenditure	(499,830,296)	(29,367,675)	(529,197,971)	(468,207,589)	60,990,382	
Operating surplus	19,045,668	(27,404,355)	(8,358,687)	61,353,185	69,711,872	
Transfer recognised- capital contribution	64,754,412	24,440,805	89,195,217	67,745,658	(21,449,559)	Note 65
Fair value adjustments	-	-	-	4,324,800	4,324,800	Note 65
	64,754,412	24,440,805	89,195,217	72,070,458	(17,124,759)	
Surplus before taxation	83,800,080	(2,963,550)	80,836,530	133,423,643	52,587,113	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	83,800,080	(2,963,550)	80,836,530	133,423,643	52,587,113	

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1,264,204	1,415,022	2,679,226	1,246,446	(1,432,780)	Note 65
Operating lease asset	18,847,289	(5,343)	18,841,946	21,861,433	3,019,487	Note 65
Other Receivables from exchange transactions	-	-	-	2,304,142	2,304,142	Note 65
Receivables from non - exchange transactions	-	-	-	3,409,179	3,409,179	Note 65
Statutory receivables	43,162,596	6,855,110	50,017,706	53,924,113	3,906,407	Note 65
VAT receivable	17,159,518	(3,011,445)	14,148,073	-	(14,148,073)	Note 65
Prepayments	-	-	-	3,375,079	3,375,079	Note 65
Receivables from exchange transactions	36,399,424	7,713,394	44,112,818	39,718,901	(4,393,917)	Note 65
Cash and cash equivalents	206,790,415	257,776,142	464,566,557	540,241,859	75,675,302	65
	323,623,446	270,742,880	594,366,326	666,081,152	71,714,826	
Non-Current Assets						
Investment property	42,209,500	7,084,699	49,294,199	53,619,000	4,324,801	Note 65
Property, plant and equipment	902,875,267	97,139,904	1,000,015,171	919,174,287	(80,840,884)	Note 65
Intangible assets	461,418	(128,595)	332,823	578,864	246,041	Note 65
Heritage assets	1,260,799	-	1,260,799	1,260,799	-	
Other financial assets	-	-	-	5,059,088	5,059,088	Note 65
	946,806,984	104,096,008	1,050,902,992	979,692,038	(71,210,954)	
Total Assets	1,270,430,430	374,838,888	1,645,269,318	1,645,773,190	503,872	
Liabilities						
Current Liabilities						
Payables from exchange transactions	75,048,968	31,685,126	106,734,094	64,377,772	(42,356,322)	Note 65
VAT payable	7,878,240	(1,780,265)	6,097,975	14,416,433	8,318,458	Note 65
Consumer deposits	497,247	(644)	496,603	524,596	27,993	Note 65
Payables from non-exchange transactions	-	6,885,130	6,885,130	21,756,104	14,870,974	Note 65
Provisions	19,918,501	2,013,015	21,931,516	1,630,592	(20,300,924)	Note 65
Employee benefits obligation	-	-	-	22,827,412	22,827,412	Note 65
	103,342,956	38,802,362	142,145,318	125,532,909	(16,612,409)	
Non-Current Liabilities						
Provisions	11,484,800	465,506	11,950,306	13,021,261	1,070,955	Note 65
Total Liabilities	114,827,756	39,267,868	154,095,624	138,554,170	(15,541,454)	
Net Assets	1,155,602,674	335,571,020	1,491,173,694	1,507,219,020	16,045,326	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,155,602,674	335,571,020	1,491,173,694	1,507,219,020	16,045,326	



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Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	134,826,360	28,901,747	163,728,107	100,397,066	(63,331,041)	Note 65
Grants	447,831,992	2,429,500	450,261,492	443,738,807	(6,522,685)	Note 65
Interest income	27,158,868	10,200,000	37,358,868	47,144,579	9,785,711	Note 65
	609,817,220	41,531,247	651,348,467	591,280,452	(60,068,015)	
Payments						
Employee costs	(168,468,096)	(4,657,500)	(173,125,596)	(172,699,678)	425,918	Note 65
Suppliers	(251,824,488)	(8,157,485)	(259,981,973)	(229,656,590)	30,325,383	Note 65
Interest and penalties	(100,000)	-	(100,000)	(2,180,440)	(2,080,440)	Note 65
	(420,392,584)	(12,814,985)	(433,207,569)	(404,536,708)	28,670,861	
Net cash flows from operating activities	189,424,636	28,716,262	218,140,898	186,743,744	(31,397,154)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(161,089,788)	(53,272,840)	(214,362,628)	(108,440,062)	105,922,566	Note 65
Proceeds from sale of property, plant and equipment	-	-	-	1,386,601	1,386,601	Note 65
Purchase of other intangible assets	-	-	-	(236,706)	(236,706)	Note 65
Net cash flows from investing activities	(161,089,788)	(53,272,840)	(214,362,628)	(107,290,167)	107,072,461	
Net increase/(decrease) in cash and cash equivalents	28,334,848	(24,556,578)	3,778,270	79,453,577	75,675,307	
Cash and cash equivalents at the beginning of the year	178,455,575	282,332,708	460,788,283	460,788,282	(1)	
Cash and cash equivalents at the end of the year	206,790,423	257,776,130	464,566,553	540,241,859	75,675,306	



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Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

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 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.

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 21 - Provisions.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

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 21 and 52 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, 2025

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, 2025

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, 2025

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, 2025

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, 2025

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 entity on terms that are not market related.

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

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

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

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

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

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

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

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 entity 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 unissued 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 entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of a entity.

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

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class

Receivable from non-exchange transactions
Receivable from exchange transactions
Cash and cash equivalents
Other financial assets

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
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

Payables from exchange transactions
Payables from non-exchange transactions
Consumer deposits

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Significant Accounting Policies

1.8 Financial instruments (continued)

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Significant Accounting Policies

1.8 Financial instruments (continued)

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.

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.

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Significant Accounting Policies

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another 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).

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 in the statement of financial performance on a straight-line basis over the lease term, unless another systematic basis is 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.

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Significant Accounting Policies

1.10 Inventories (continued)

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

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

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.

Winnie Madikizela-Mandela Local Municipality

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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.

Winnie Madikizela-Mandela Local Municipality

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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 entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Investment income

Revenue arising from the use by others of municipal assets yielding interest, is recognised when:

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

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

Interest, royalties and dividends

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

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

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

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

1.16 Revenue from non-exchange transactions

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

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

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

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

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

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

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

Recognition

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

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

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-24 to 30-Jun-25.

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.

The carrying amount is the amount at which an asset is presented and 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, 2025

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, 2025

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 receivables

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, 2025

Significant Accounting Policies

1.36 Construction contracts and receivables (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.

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 did not adopt any new standards and interpretations:

2.2 Standards and Interpretations early adopted

In the current year, the municipality did not early adopt any new standards and interpretations:

Standard/ Interpretation:

Effective date:

Expected impact:

Years beginning on or after

2.3 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, 2025 or later periods:

GRAP 1 (amended): Presentation of Financial Statements (Going Concern)

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

The Board undertook a project in 2021 to consider the guidance and disclosure requirements on going concern in the relevant Standards of GRAP. As an outcome of this project, the Board agreed to include additional guidance and disclosures on going concern in this Standard. Consequential amendments are also made to the Standard of GRAP on Events After the Reporting Date.

Applicability of going concern in the public sector

An entity prepares its financial statements on a going concern basis unless there is an intention to liquidate the entity, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity's operations will result in the termination of all its functions.

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The "intention" to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

The liquidation or cessation of a public sector entity's operations is rare, and only in the case of dissolution without any continuation of the entity's operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity's functions will continue to be provided in a modified form, even though they are executed by another entity.

The Board agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

Where some of an entity's functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing the entity's financial statements on a going concern basis remains appropriate.

Disclosure on going concern

The Board's project highlighted a need for specific disclosures on going concern, material uncertainties relating to going concern, and actions taken by management to mitigate these uncertainties. Consideration was also given to the practices, guidance and requirements in other countries and/or from other standard-setting bodies on these matters.

To address the diversity in the information disclosed on going concern, the Board agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

The effective date of these revisions have not yet been set.

The municipality expects to adopt the standard for the first time in the 2098/2099 audited annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the audited annual financial statements.

GRAP 103 (amended): Heritage Assets

Background

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as "the review") in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

The proposed definition focuses on assets that have “cultural significance” and defines a heritage asset as “an asset that has cultural significance, and is held indefinitely for the benefit of present and future generations”. “Cultural significance” has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the Classification of dual purpose heritage assets, Determining a reliable value for a heritage asset, Protective rights imposed on heritage assets, Re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, Impairment of heritage assets, Mandatory disclosures of heritage assets borrowed or on loan.

The effective date of these revisions have not yet been set.

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

The municipality expects to adopt the standard for the first time in the 1999/2000 audited annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the audited annual financial statements.

iGRAP 22 Foreign Currency Transactions and Advance Consideration

Background

Paragraph .21 of the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates (GRAP 4) requires an entity to record a foreign currency transaction, on initial recognition in its functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency (the exchange rate) at the date of the transaction. Paragraph .22 of GRAP 4 states that the date of the transaction is the date on which the transaction first qualifies for recognition in accordance with the Standards of GRAP.

When an entity pays or receives consideration in advance in a foreign currency, it generally recognises a non-monetary asset or non-monetary liability before the recognition of the related asset, expense or revenue. The related asset, expense or revenue (or part of it) is the amount recognised applying the relevant Standard of GRAP, which results in the derecognition of the non-monetary asset or non-monetary liability arising from the advance consideration.

A question arose asking how to determine “the date of the transaction” applying paragraphs .21 and .22 of GRAP 4 when recognising revenue. The question specifically addressed circumstances in which an entity recognises a non-monetary liability arising from the receipt of advance consideration before it recognises the related revenue. It was further noted that the receipt or payment of advance consideration in a foreign currency is not restricted to revenue transactions. Accordingly, it was decided to clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue when an entity has received or paid advance consideration in a foreign currency.

Issue

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

Consensus

Applying paragraphs .21 and .22 of GRAP 4, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

The effective date of this interpretation is for years beginning on or after April 1, 2025.

The municipality expects to adopt the standard for the first time in the 2024/2025 audited annual financial statements.

The municipality is unable to reliably estimate the impact of the standard on the audited annual financial statements.

GRAP 104 (as revised): Financial Instruments

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

2. New standards and interpretations (continued)

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is set by the Minister of Finance as 1 April 2025.

The municipality expects to adopt the revisions for the first time from 1 April 2025

Classification of Financial Instruments.

Basis of classification - Shift from form based to principles based classification. The municipality will most likely need to re-classify some instruments and may change the measurement basis.

Categories - All older categories removed; aligned more closely with IFRS 9. More aligned with economic substance and risk management strategy. The municipality will need to document decisions thoroughly.

Derecognition of Financial Instruments.

Derecognition criteria - A Broader and more nuanced; requires more judgement. The municipality must reassess any historical derecognition

Guidance depth - New framework for analysing partial transfers and servicing rights. Stronger internal accounting policies will be required to comply with new derecognition rules.

Measurement of Financial Instruments.

Measurement basis - Greater emphasis on fair value; use based on classification logic (SPPI + business model). The municipality may require external valuers.

Flexibility - Measurement now follows strategic purpose not form alone. Requires ongoing reassessment of classification and measurement.

Impairment of Financial Instruments.

Impairment Model - Switch from backward looking to forward looking approach. The municipality must estimate probability of default, loss given default and adjust for macro economic conditions. This is likely to increase provisions in early implementation.

Data needs - More granular and complex. Need to track payment history, customer credit worthiness, and macro factors..

Disclosures

Disclosure depth - Significantly more extensive quantitative and qualitative disclosure. Financial instruments will be more data heavy. The municipality must develop tools to track, summarise, and explain credit risk, fair value, and classification decisions.

Focus - Requires explanation of methods, judgements, and changes in estimates. Prepares users to assess financial risk better..

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

3. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	53,619,000	-	53,619,000	49,294,199	-	49,294,199

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustments	Total
Investment property	49,294,199	4,324,801	53,619,000

Reconciliation of investment property - 2024

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

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, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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3. Investment property (continued)

Details of valuation

The effective date of the revaluations was Monday, June 30, 2025. 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 53,619,000 (2024: R 49,294,199), where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptions were used:

Discount rate 9.7%

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

From Investment property that generated rental revenue

Rental revenue from Investments property	4,992,794	4,672,960
Smoothing amounts	2,625,641	2,962,065
	7,618,435	7,635,025

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3,095,139	-	3,095,139	3,098,628	-	3,098,628
Buildings	118,299,800	(14,206,471)	104,093,329	29,027,217	(6,251,114)	22,776,103
Plant and machinery	28,457,311	(18,508,970)	9,948,341	25,247,109	(17,855,534)	7,391,575
Furniture and office equipment	35,381,415	(23,449,519)	11,931,896	30,203,157	(22,158,872)	8,044,285
Motor vehicles	20,077,309	(7,841,193)	12,236,116	22,016,985	(8,871,702)	13,145,283
Infrastructure	868,611,872	(347,678,389)	520,933,483	797,462,955	(315,262,418)	482,200,537
Community	229,780,860	(42,187,451)	187,593,409	228,371,454	(34,860,130)	193,511,324
Work in progress	69,342,574	-	69,342,574	144,562,375	-	144,562,375
Total	1,373,046,280	(453,871,993)	919,174,287	1,279,989,880	(405,259,770)	874,730,110

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	3,098,628	-	(3,489)	-	-	-	-	3,095,139
Buildings	22,776,103	-	-	89,272,583	(3,168,352)	(4,787,005)	-	104,093,329
Plant and machinery	7,391,575	3,713,750	(24,913)	-	(602,177)	(529,894)	-	9,948,341
Furniture and Office Equipment	8,044,285	4,713,415	(189,661)	2,316,034	(2,919,759)	(32,418)	-	11,931,896
Motor vehicles	13,145,283	1,797,031	(1,196,082)	-	(1,583,913)	-	73,797	12,236,116
Infrastructure	482,200,537	61,869,912	(2,769,370)	17,700,170	(38,067,766)	-	-	520,933,483
Community	193,511,324	1,409,406	-	-	(5,921,265)	(1,406,056)	-	187,593,409
Work in progress	144,562,375	34,068,986	-	(109,288,787)	-	-	-	69,342,574
	874,730,110	107,572,500	(4,183,515)	-	(52,263,232)	(6,755,373)	73,797	919,174,287

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

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 Office Equipment	6,909,152	3,602,762	(82,138)	-	(2,111,130)	(274,361)	8,044,285
Motor vehicles	9,176,148	5,297,810	(68,409)	-	(1,087,032)	(173,234)	13,145,283
Infrastructure	446,938,026	70,574,402	(12,771,871)	13,491,814	(35,433,581)	(598,253)	482,200,537
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	32,452,839	-	(22,690,894)	-	(8,100,549)	144,562,375
	821,781,277	121,063,148	(13,006,955)	-	(45,845,954)	(9,261,406)	874,730,110

Pledged as security

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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4. Property, plant and equipment (continued)

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
- 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

Plant and machinery	3,713,750	183,149
Furniture and fixtures	4,713,415	3,602,762
Motor vehicles	1,797,031	5,297,810
Infrastructure	61,869,912	70,574,403
Community	1,409,406	8,952,186
Work in progress	34,068,986	32,452,839
	107,572,500	121,063,149

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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4. Property, plant and equipment (continued)

Compensation received for losses on property, plant and equipment

IT equipment	155,366	80,515
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Property, plant and equipment in the process of being constructed or developed

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

Other property, plant and equipment	6,062,839	5,806,312
Infrastructure assets	52,915,268	48,277,876
Community assets	10,364,465	90,478,186
	69,342,572	144,562,374

Refer to Note 51 for the amount of contractual commitment for the acquisition of Property, plant and equipment. The amount of R122 603 271 (2024: R56 081 583) for contracted commitments is approved.

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

Community Assets - Mbizana Civic Centre(Town hall)	-	91,588,617
Mbizana Civic centre was delayed due to a dispute that arose between an appointed consultant and contractor.		
Road Infrastructure - Sidanga Access Road	28,282,526	25,841,053
Sidanga Access Road delayed due to construction that was found to have commenced without the municipality receiving the ORD from DEDEA and termination of a contractor for unsatisfactory performance. A new contractor has since been appointed to complete the remaining works.		
Road Infrastructure- Mqonjwana to Greenville Access Road	1,487,978	429,371
Mqonjwana to Greenville Access road delayed due to a service provider that abandoned the site and therefore the municipality terminated the contract		
	29,770,504	117,859,041

Reconciliation of Work-in-Progress 2025

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	48,277,876	90,478,186	5,806,312	144,562,374
Additions/capital expenditure	22,337,562	11,474,896	256,527	34,068,985
Transferred to completed items	(17,700,170)	(91,588,617)	-	(109,288,787)
	52,915,268	10,364,465	6,062,839	69,342,572

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	50,239,335	86,360,277	6,301,365	142,900,977
Additions/capital expenditure	19,630,904	12,821,935	-	32,452,839
Other movements (Impairment)	(8,100,549)	-	-	(8,100,549)
Transferred to completed items	(13,491,814)	(8,704,026)	(495,053)	(22,690,893)
	48,277,876	90,478,186	5,806,312	144,562,374

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	6,733,249	7,510,015
Contracted services	24,959,828	21,305,806
General expenses	1,587,217	52,210
	33,280,294	28,868,031

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand		2025	2024
4. Property, plant and equipment (continued)			
Funding of property, plant and equipment acquisitions			
	Funding type		
Additions to property, plant and equipment was funded from the following sources:			
Plant and machinery			
Internally generated funds	Own revenue	3,713,750	183,149
Infrastructure Assets			
Municipal Infrastructure Grant	Government Grant	33,889,266	26,133,838
Disaster Response Grant	Government Grant	5,151,107	2,548,488
Disaster Recovery Grant	Government Grant	-	9,128,293
Internally generated funds	Own revenue	17,997,056	32,763,784
Integrated National Electrification Programme Grant	Government Grant	4,832,483	-
Community Assets			
Internally generated funds	Own revenue	1,409,406	8,952,186
Furniture and fixtures			
Internally generated funds	Own revenue	4,713,415	3,602,762
Transport Assets			
Internally generated funds	Own revenue	1,797,031	5,297,810
Work in progress			
Municipal Infrastructure Grant	Government grant	12,794,578	7,830,919
Internally generated funds	Government grant	19,468,262	15,634,788
Disaster Recovery Grant	Government grant	1,656,296	-
Disaster response Grant	Government grant	-	8,987,130
Greenest Municipality Competition	Provincial grant	149,850	-
Buildings			
		107,572,500	121,063,148

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, 2025

Notes to the Audited Annual Financial Statements

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5. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2,887,477	(2,308,613)	578,864	2,650,773	(2,147,946)	502,827

Reconciliation of intangible assets - 2025

	Opening balance	Additions	Amortisation	Total
Computer software, other	502,827	236,704	(160,667)	578,864

Reconciliation of intangible assets - 2024

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

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, 2025

Notes to the Audited Annual Financial Statements

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6. Heritage assets

	2025			2024		
	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 2025

	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 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

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

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
6. Heritage assets (continued)		
Pledged as security		
There are no heritage assets pledged as security:		
7. Other financial assets		
At amortised cost		
Security deposit - Bulk Purchases	5,059,088	4,772,724
The cash deposit shall bare interest capitalised annually at the prevailing rate(prime +2.5) as confirmed by ESKOM.		
The municipality is a licenced electricity distributor which buys bulk electricity for distribution from ESKOM. A distribution agreement was entered into between the municipality and ESKOM for the latter to sell electricity to the former for distribution in its area of jurisdiction. In 2013, the municipality was required to pay a security deposit to safeguard its ability to settle its bulk purchase account. The security deposit generates interest on behalf of the municipality where it is held.		
Non-current assets		
At amortised cost	5,059,088	4,772,724
8. Inventories		
Inventories	1,246,446	786,196
Inventory pledged as security		
There is no Inventory pledged as security.		
9. Operating lease asset		
Current assets	21,861,433	18,841,946
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.		
10. Other receivables from exchange transactions		
Trade debtors	2,304,142	969,643
Consumer debtors - Electricity	-	355,241
	2,304,142	1,324,884
Details of other receivables from exchange transactions		
Trade Debtors	2,304,142	969,643
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
Allowance for doubtful debts consumer debtors - Electricity	-	(601,216)
	2,304,142	1,324,884
Financial asset receivables included in other receivables from exchange transactions above	-	-
Total other receivables from exchange transactions	2,304,142	1,324,884

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

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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10. Other receivables from exchange transactions (continued)

Fair value of other receivables from exchange transactions

Other receivables from exchange transactions	2,304,142	1,324,884
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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 2025.

Other receivables from exchange transactions impaired

As of June 30, 2025, other receivables from exchange transactions of R 210,030 (2024: R 1,166,487) were impaired and provided for.

The amount of the provision was R (210,030) of June 30, 2025 (2024: R (811,246)).

The ageing of these amounts is as follows:

Over 6 months	210,030	1,166,487
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11. Receivables from non - exchange transactions

Contractor receivables	418,046	1,115,672
Recoveries	818,150	833,390
Staff debts	1,521,168	152,270
Payroll debtors	182,844	1,550,744
Overpayment - Councillors remuneration	468,971	468,971
	3,409,179	4,121,047

Statutory receivables general information

Receivables from non - exchange transactions pledged as security

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

Fair value of receivables from non - exchange transactions

Other receivables from non-exchange transactions	3,409,179	4,121,047
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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, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
12. 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	4,010,714	3,168,655
These are receivables as a result of transgressions of laws and by-laws		
Fines impairment	(2,976,620)	(1,899,884)
This is impairment based on past experience and assessment of the category of debtors terms of the policy on debt impairment		
Property Rates	60,081,710	53,537,242
These are receivables arising from the Municipal Property Rates Act		
Property Rates Impairment	(7,191,691)	(6,080,589)
This is impairment based on past experience and assessment of the individual debtors performance in terms of the policy on debt impairment		
	53,924,113	48,725,424
Current assets	53,924,113	48,725,424

Statutory receivables general information

Transaction(s) arising from statute

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

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

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

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

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

Determination of transaction amount

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

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

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

Both the Tariff and rates policy of the municipality are reviewed annually in compliance with the Act. During this review tariffs are also revised to ensure accuracy and correctness. The general valuation in terms of the Act is valid for five years but is also reviewed annually through a supplementary valuation.

Calculations of Traffic fines

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

Calculations of Electricity fines

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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12. Statutory receivables (continued)

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, 2025, R1,962,121 (2024: R3,208,123) were past due but not impaired.

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

1 month past due	774,685	1,536,895
2 months past due	582,686	130,850
3 months past due	604,749	1,540,378

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, 2025, Statutory receivables of R17,746,670 (2024: R53,474,933) were impaired and provided for.

The amount of the Allowance for doubtful debts was R10,168,312 as of June 30, 2025 (2024: R7,980,473).

The ageing of these receivables is as follows:

1 to 6 months	2,183,745	4,069,118
Over 6 months	15,562,924	49,405,814

Factors the municipality considered in assessing statutory receivables impaired

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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12. Statutory receivables (continued)

Allowance for doubtful debts is determined according to the past payment patterns of the different consumers within the various categories.

An impairment calculation is forward-looking and one must therefore use the number of days that the particular financial asset is still expected to be outstanding based on the best information available at year-end. For this estimation it will be best to use a combination of key indicators that will provide a list of debtors that are most likely to be 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	(7,980,473)	(6,678,471)
Bad debts written off	503,026	80,651
Allowance for doubtful debts	(2,690,865)	(1,382,653)
	(10,168,312)	(7,980,473)

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, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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13. Prepayments

Prepayments

Prepayments	3,375,079	2,740,429
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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

SALGA Levies	1,662,673	1,598,039
The Institute of Internal Audit	13,546	-
Institute of Local Government	5,590	-
Munsoft (Pty) Ltd	556,609	506,008
Ndzila Investments	1,134,661	636,383
Magistrate Lusikisiki(Ganishee)	2,000	-
	3,375,079	2,740,430

Institute of Local government membership fees for 2025/26 FY.

Ganishee amount that was paid to Magistrate Lusikisiki

The Institute of Internal Audit membership fees for 2025/26 FY.

Ndzila Investments for municipal assets' annual insurance premium for 2025/26 financial year.

Munsoft (Pty) Ltd annual licence fees for 2025/26 Financial year.

SALGA Levies for period 2025/26 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, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
14. Receivables from exchange transactions		
Gross balances		
Electricity	24,943,542	32,050,395
Refuse	16,981,678	15,059,797
VAT input accrual	15,447,865	11,401,901
Other services	2,990,809	2,618,718
	60,363,894	61,130,811
Less: Allowance for impairment		
Electricity	(8,397,806)	(10,525,708)
Refuse	(12,247,187)	(7,444,195)
	(20,644,993)	(17,969,903)
Net balance		
Electricity	16,545,736	21,524,687
Refuse	4,734,491	7,615,602
VAT input accrual	15,447,865	11,401,901
Other services	2,990,809	2,618,718
	39,718,901	43,160,908
Gross service charges		
Current (0- 30 days)	4,917,575	4,772,434
31 - 60 days	2,472,271	2,366,754
61 -90 days	2,433,781	2,357,801
91 -120 days	2,395,618	2,252,806
121 - 365 days	12,365,935	15,472,665
> 365 days	20,330,849	22,524,050
	44,916,029	49,746,510
Gross balance	44,916,029	49,746,510
Electricity		
Current (0 -30 days)	3,920,445	3,924,184
31 - 60 days	2,030,708	2,011,939
61 - 90 days	2,049,685	1,959,847
91 - 120 days	2,017,999	1,918,320
121 - 365 days	9,427,098	12,684,138
> 365 days	5,497,608	9,551,967
Allowance for doubtful debts	(8,397,807)	(10,525,708)
	16,545,736	21,524,687
Refuse		
Current (0 -30 days)	573,639	477,196
31 - 60 days	391,430	344,595
61 - 90 days	372,515	384,474
91 - 120 days	366,030	325,927
121 - 365 days	2,848,652	2,668,417
> 365 days	12,429,412	10,760,633
Less: Allowance for doubtful debts	(12,247,187)	(7,345,640)
	4,734,491	7,615,602
VAT		
VAT input accrual	15,447,865	11,401,901
Other services		
Current (0 -30 days)	441,795	371,053
31 - 60 days	31,830	10,221
61 - 90 days	11,582	13,480
91 - 120 days	11,588	8,560

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
14. Receivables from exchange transactions (continued)		
121 - 365 days	90,186	120,109
> 365 days	2,403,828	2,095,295
	2,990,809	2,618,718
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	278,597	250,132
31 - 60 days	234,661	204,572
61 - 90 days	189,912	249,968
91 - 120 days	190,733	171,801
121 - 365 days	1,584,958	1,415,868
> 365 days	9,078,920	8,282,198
	11,557,781	10,574,539
Less: Allowance for doubtful debts	(8,745,607)	(4,768,005)
	2,812,174	5,806,534
Commercial		
Current (0 -30 days)	3,798,428	3,691,673
31 - 60 days	1,428,072	1,406,774
61 - 90 days	1,371,396	1,330,151
91 - 120 days	1,396,671	1,357,954
121 - 365 days	7,245,104	8,555,910
> 365 days	7,591,567	10,913,014
	22,831,238	27,255,476
Less: Allowance for doubtful debts	(11,899,386)	(13,201,898)
	10,931,852	14,053,578
National and provincial government		
Current (0 -30 days)	821,487	830,629
31 - 60 days	844,585	755,408
61 - 90 days	872,472	777,682
91 - 120 days	808,215	723,052
121 > 365 days	3,535,874	5,500,887
> 365 days	3,644,377	3,328,838
	10,527,010	11,916,496
Total		
Current (0 -30 days)	4,917,575	4,772,434
31 - 60 days	2,472,271	2,366,754
61 - 90 days	2,433,782	2,357,801
91 - 120 days	2,395,617	2,252,806
121 - 365 days	12,365,936	15,472,665
> 365 days	20,330,849	22,745,669
	44,916,030	49,968,129
Less: Allowance for doubtful debts	(20,644,993)	(18,089,512)
Bad debt written off	-	(119,609)
VAT input accrual	15,447,864	11,401,900
	39,718,901	43,160,908
Less: Allowance for doubtful debts		
31 - 60 days	(1,021,101)	(1,070,313)
61 - 90 days	(1,090,634)	(1,064,472)
91 - 120 days	(1,134,235)	(1,091,343)
121 - 365 days	(5,729,657)	(6,203,266)
> 365 days	(11,669,366)	(8,660,118)
Bad debt written off	-	119,609
	(20,644,993)	(17,969,903)

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
14. Receivables from exchange transactions (continued)		
Reconciliation of allowance for doubtful debts		
Balance at beginning of the year	(17,969,903)	(17,453,260)
Bad debt written off	1,854,482	119,609
Allowance for doubtful debts	(4,529,572)	(636,252)
	(20,644,993)	(17,969,903)

Receivables from exchange transactions pledged as security

There were no receivables from exchange transactions that were pledged as security in the 2024/25 financial year.

Credit quality of receivables from exchange transactions

In determining the recoverability of consumers debt the municipality considers any changes in the credit quality of the consumer debtors 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 payments patterns of each consumers within 644 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

Receivables from exchange transactions	39,718,901	43,160,908
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Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At June 30, 2025, R 13,731,563 (2024: R 15,858,401) were past due but not impaired.

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

1 month past due	4,898,513	4,772,434
2 months past due	844,585	755,508
3 months past due	7,988,465	10,330,459

Receivables from exchange transactions impaired

As of June 30, 2025, consumer debtors of R 30,161,620 (2024: R 30,696,744) were impaired and provided for.

The amount of the provision was R 20,644,992 as of June 30, 2025 (2024: R 17,969,903).

The ageing of these receivables from exchange transactions is as follows:

3 to 6 months	9,363,242	11,501,532
Over 6 months	20,798,378	19,195,212

Reconciliation of allowance for doubtful debts of receivables from exchange transactions

Opening balance	(17,969,903)	(17,453,260)
Bad debt written off	1,854,482	119,609
Allowance for doubtful debts	(4,529,571)	(636,252)
	(20,644,992)	(17,969,903)

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4	4
Bank balances	2,197,751	12,930,041
Short-term deposits	538,044,104	447,858,237
	540,241,859	460,788,282

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2025	June 30, 2024	June 30, 2023
FNB BANK - Public sector - cheque account-51704922107	2,033,277	12,866,680	902,583	2,197,749	12,930,041	956,929
FNB BANK - Business Call Account - 62852108531	21,604,488	10,956,621	4,824,046	21,604,498	10,956,629	4,824,047
FNB BANK - Business Call Account - 62816773073	13	12	33	13	12	33
FNB BANK - Business Call Account - 62816769220	276,810	141,607	348,619	276,810	141,607	348,618
FNB BANK - Business Call Account - 62028477992	516,161,891	427,394,115	351,690,116	516,161,891	427,394,115	351,690,116
FNB BANK - Business Call Account - 62896110170	898	7,862,289	2,195,648	898	7,862,289	2,195,571
FNB BANK - Business Call Account - 62459758078	-	1,503,589	-	-	1,503,589	-
Total	540,077,377	460,724,913	359,961,045	540,241,859	460,788,282	360,015,314

16. Payables from exchange transactions

Trade payables	7,107,884	35,998,265
Payments received in advanced	1,579,142	1,526,153
Retention and surety	22,085,182	22,952,195
Accruals	30,989,291	14,051,740
Unallocated receipts	1,758,841	1,517,870
VAT output accrual	374,604	1,439,225
DLTC Agency Payables	(15,157)	-
Payroll Creditors	497,985	644,977
	64,377,772	78,130,425

Included in the Payables from Exchange transactions is:

Output VAT accrual	3,327,109	3,800,917
Output VAT impairment	(2,952,505)	(2,361,692)
	374,604	1,439,225

Output VAT accrual represents VAT collectable on sale of goods and services where invoices have been issued but payment not yet received.

Fair value of trade and other payables

Trade payables from exchange transactions	64,377,772	78,130,425
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17. VAT payable

VAT Payable	14,416,433	10,038,228
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The municipality accounts for VAT on invoice basis while declaration to SARS are accounted for on cash basis. The amount presented as either VAT payable or VAT receivable represents amounts where transaction have been settled.

VAT on transactions yet to be settled is included either on the receivables from exchange transactions or payables from exchange transactions.

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18. Consumer deposits

Electricity	111,597	111,597
Hall Hire	412,999	385,006
	524,596	496,603

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

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

Consumer deposits collected do not accrue any interest

The carrying value of consumer deposits approximates their fair value.

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19. Employee benefits obligation

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

Carrying value		
Opening balance	20,864,352	17,808,245
Utilised during the year	(4,270,401)	(4,316,028)
Additions during the year	22,827,415	20,864,354
Reversed during the year	(16,593,954)	(13,492,219)
	22,827,412	20,864,352

Annual Bonus and Performance 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.

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

Bonus		
Opening balance	3,850,183	3,591,686
Utilised during the year	(2,685,963)	(2,489,780)
Additions during the year	3,966,580	3,850,183
Reversed during the year	(1,164,219)	(1,101,906)
	3,966,581	3,850,183

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	15,799,580	13,425,875
Utilised during the year	(1,027,971)	(1,460,580)
Additions during the year	17,513,314	15,799,580
Reversed during the year	(14,771,609)	(11,965,295)
	17,513,314	15,799,580

Long service award

The municipal employee 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	1,214,592	764,958
Utilised during the year	(556,467)	(365,667)
Additions during the year	1,347,520	1,214,592
Reversed during the year	(658,125)	(399,291)
	1,347,520	1,214,592

20. Payables from non-exchange transactions

Payables from non-exchange transactions comprises of Unspent conditional grants and receipts.

The conditions relating to full expenditure were not met for the grants disclosed as unspent conditional grants and receipts on payables from non exchange transactions. These amounts are accounted for as a current liability until spending conditions are met if a roll-over is approved by National Treasury or surrendered to the National revenue fund if a roll over is not approved.

Winnie Madikizela-Mandela Local Municipality

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20. Payables from non-exchange transactions (continued)

Payables from non-exchange transactions comprises of:

Unspent conditional grants and receipts

DSRAC: Library Grant	270,880	139,377
EPWP Grant	-	4
Financial Management Grant	6,580	-
Disaster Recovery Grant	21,324,557	1,400,297
GIS Grant - Alfred Nzo	100,000	100,000
Municipal Infrastructure Grant	1	2
General Budget Support Grant	23	6,634,045
Disaster Response Grant	267	5,924,040
Greenest Municipality Grant	53,796	211,686
	21,756,104	14,409,451

Movement during the year

Balance at the beginning of the year	14,409,451	8,198,501
Current-year receipts	90,931,831	87,784,825
Conditions met - transferred to revenue	(76,951,157)	(79,558,515)
Surrendered to National revenue fund during the year	(6,634,021)	(2,015,360)
	21,756,104	14,409,451

21. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation	13,017,470	14,326,637	(1,067,162)	(11,950,306)	14,326,639
Workmen's Compensation	297,876	325,214	-	(297,876)	325,214
	13,315,346	14,651,851	(1,067,162)	(12,248,182)	14,651,853

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
Workmen's compensation	265,724	297,876	-	(265,724)	297,876
	12,980,246	13,315,348	(2,082,221)	(10,898,027)	13,315,346

Non-current liabilities	13,021,261	11,950,306
Current liabilities	1,630,592	1,365,040
	14,651,853	13,315,346

[Describe information relating to the valuation where an external valuation was used to measure a provision].

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 2026 taking into account 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

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22. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	39,718,901	39,718,901
Receivables from non exchange transactions	3,409,179	3,409,179
Cash and cash equivalents	540,241,859	540,241,859
Other Financial Assets	5,059,088	5,059,088
	588,429,027	588,429,027

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	64,377,772	64,377,772
Payables from non-exchange transactions	21,756,104	21,756,104
Consumer deposit	524,596	524,596
	86,658,472	86,658,472

2024

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	43,160,908	43,160,908
Receivables from non-exchange transactions	4,121,047	4,121,047
Cash and cash equivalents	460,788,282	460,788,282
Other Financial assets	4,772,724	4,772,724
	512,842,961	512,842,961

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	78,130,425	78,130,425
Payables from non-exchange transactions	14,409,451	14,409,451
Consumer Deposit	496,603	496,603
	93,036,479	93,036,479

Financial instruments in Statement of financial performance

2025

	At amortised cost	Total
Interest income for financial instruction at amortised cost	26,300,756	26,300,756

2024

	At amortised cost	Total
Interest income for financial instruction at amortised cost	22,045,733	22,045,733

Winnie Madikizela-Mandela Local Municipality

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23. Revenue

Service charges	59,047,701	53,841,401
Construction contracts	16,870,892	14,066,835
Rental of facilities and equipment	7,957,952	7,969,863
Interest received from receivables	2,183,891	3,794,988
Agency services	1,234,250	1,298,390
Licences and permits (Non-exchange)	2,170,630	2,102,291
Commissions received	198,240	188,290
Recoveries	1,696,337	735,339
Other income - (rollup)	667,032	281,585
Interest received from current and non current assets	39,421,269	34,468,001
Property rates	22,852,923	21,713,167
Fines, penalties and forfeits	1,073,742	1,285,810
Interest received (non exchange)	5,539,419	5,541,211
Government grants & subsidies	436,392,154	421,102,369
	597,306,432	568,389,540

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

Service charges	59,047,701	53,841,401
Construction contracts	16,870,892	14,066,835
Rental of facilities and equipment	7,957,952	7,969,863
Interest received (trading)	2,183,891	3,794,988
Agency services	1,234,250	1,298,390
Commissions received	198,240	188,290
Recoveries	1,696,337	735,339
Other income - (rollup)	667,032	281,585
Interest received	39,421,269	34,468,001
	129,277,564	116,644,692

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

Taxation revenue

Property rates	22,852,923	21,713,167
Fines, penalties and forfeits	1,073,742	1,285,810
Licences or permits	2,170,630	2,102,291
Interest on non- exchange transactions	5,539,419	5,541,211

Transfer revenue

Government grants & subsidies	436,392,154	421,102,369
	468,028,868	451,744,848

24. Service charges

Sale of electricity	54,385,314	49,713,306
Solid waste	4,662,387	4,128,095
	59,047,701	53,841,401

25. Construction contracts and receivables

Contracts in progress at statement of financial position date

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, 2025, retention withheld of contracts in progress are R1 949 815.10 (2024: R 3 395 525).

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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25. Construction contracts and receivables (continued)

Revenue

Matwebu Electrification	4,711,004	-
Zizityaneni Electrification	-	4,116,052
Redoubt electrification phase 2	-	2,533,467
Nomlacu electrification phase 2/3	12,159,887	5,183,696
Msarhweni electrification phase 2	-	2,233,620
	16,870,891	14,066,835

Expenditure (INEP)

Matwebu electrification	4,711,004	-
Zizityaneni Electrification	-	4,116,052
Redoubt electrification phase 2	-	2,533,467
Nomlacu electrification phase 2/3	12,159,887	5,183,696
Msarhweni electrification phase 2	-	2,233,620
	16,870,891	14,066,835

Expenditure (Internally generated funds)

Redoubt electrification	-	2,685,363
Nomlacu electrification	-	3,971,435
Msarhweni electrification	-	2,292,006
Zizityaneni electrification	3,758,560	-
	3,758,560	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	16,870,892	14,066,835
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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.

26. Rental of facilities and equipment

Facilities and equipment

Leasehold fees	7,618,435	7,635,025
Rental of recreational facilities	339,517	334,838
	7,957,952	7,969,863

Included in the above rentals are operating lease rentals at straight-lined amounts of R 2,625,641 (2024: R 2,962,065) .

Winnie Madikizela-Mandela Local Municipality

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26. Rental of facilities and equipment (continued)

Minimum lease payments receivables

Within one year	1,028,615	1,003,952
In second to fifth year inclusive	4,450,323	4,588,020
Over five years	794,242	2,207,320
	6,273,180	7,799,292

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	867,728	803,452
In second to fifth year inclusive	4,222,888	3,910,082
Over five years	20,257,438	21,437,974
	25,348,054	26,151,508

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	2,764,345	2,583,500
In second to fifth year inclusive	13,132,683	12,273,536
Over five years	84,174,877	87,798,371
	100,071,905	102,655,407

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	163,284	151,190
In second to fifth year inclusive	794,641	735,780
Over five years	197,301	419,449
	1,155,226	1,306,419

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	104,440	96,704
In second to fifth year inclusive	152,386	256,827
	256,826	353,531

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 .

27. Interest received from receivables

Interest received from receivables	2,183,891	3,794,988
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28. Agency services

Driver's Licenses	1,234,250	1,298,390
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Winnie Madikizela-Mandela Local Municipality

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29. Other income		
Commissions received	198,240	188,290
Losses recovered	202,029	80,515
Municipal debt recoveries	1,494,308	654,824
Other income - (rollup)	667,032	281,585
	2,561,609	1,205,214
The amount included in other revenue arising from exchanges of goods or services are as follows:		
Sundry Income	184,078	104,772
Building plans	130,401	76,755
Advertising	105,358	92,467
Funeral fees	9,497	7,591
Pound sale	163,900	-
Impairment reversal	73,798	-
	667,032	281,585
30. Interest received from current and non current assets		
Interest revenue		
Bank	39,421,269	34,468,001

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31. Property rates

Rates income

Rates levied	22,852,923	21,713,167
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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 to 30 June 2024. Due to delays in the finalisation of the new valuation roll the municipality applied for an extension of validity of the current valuation roll to 30 June 2025. Supplementary 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 Monday, September 30, 2024 for annual payment. Interest at prime plus 1% per annum (2024: 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.

32. Fines, Penalties and Forfeits

Illegal connections fines	-	-
Law enforcement	25,300	13,700
Pound fines	15,942	30,710
Municipal traffic fines	1,032,500	1,241,400
	1,073,742	1,285,810

33. Licences and permits (non-exchange)

Trading	4,978	7,149
Road and Transport	2,165,652	2,095,142
	2,170,630	2,102,291

34. Interest received (non exchange)

Interest - non exchange	5,242,681	5,200,308
Interest - financial asset	286,363	308,851
Interest- trust held amount	10,375	32,052
	5,539,419	5,541,211

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35. Government grants & subsidies

Operating grants

Equitable share	359,441,000	341,204,000
INEP Operational	403,118	-
IDP District Grant	150,000	100,000
MIG Operational	2,825,600	2,679,125
Financial Management Grant	2,093,420	2,100,000
Expanded Public Works Programme Grant	2,981,004	3,042,000
LGSET / Skills Development Grant	252,357	239,856
Dept Sport & Culture - Library	499,996	360,623
DEDEAT- Alien Plant Vegetation	157,890	-
Disaster Relief /response Grant	-	2,894,976
	368,804,385	352,620,580

Capital grants

Municipal Infrastructure Grant	53,686,400	50,905,871
Integrated National Electrification Programme	5,557,356	-
Disaster Recovery Grant	1,904,740	4,671,132
Disaster Response grant	5,923,773	10,370,985
Dept Sport & Culture - Library	515,500	-
General Budget Support Grant	-	2,533,801
	67,587,769	68,481,789
	436,392,154	421,102,369

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	90,931,831	87,784,822
Unconditional grants received	359,441,000	341,543,856
Unspent conditional grants	(13,980,677)	(8,226,309)
	436,392,154	421,102,369

Equitable Share

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

All registered indigents receive a monthly subsidy of R 4,698,645 (2024: R 3,598,342), which is funded from the grant.

Equitable Share

Current-year receipts	359,441,000	341,204,000
Conditions met - transferred to revenue	(359,441,000)	(341,204,000)
	-	-

DSRAC Library Grant

Balance unspent at beginning of year	139,377	-
Current-year receipts	1,147,000	500,000
Conditions met - transferred to revenue	(1,015,497)	(360,623)
	270,880	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 20).

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35. Government grants & subsidies (continued)

LGSETA / Skills Development Grant

Current-year receipts	252,357	239,855
Conditions met - transferred to revenue	(252,357)	(239,855)
	-	-

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	2,981,000	3,042,000
Conditions met - transferred to revenue	(2,981,004)	(3,042,000)
	-	4

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

Integrated National Electrification Grant

Current-year receipts	5,960,474	-
Conditions met - transferred to revenue	(5,960,474)	-
	-	-

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	(2,093,420)	(2,100,000)
	6,580	-

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 20).

Disaster Recovery Grant

Balance unspent at beginning of year	1,400,297	6,071,429
Current-year receipts	21,829,000	-
Conditions met - transferred to revenue	(1,904,740)	(4,671,132)
	21,324,557	1,400,297

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 20).

District IDP Grant

Current-year receipts	150,000	100,000
Conditions met - transferred to revenue	(150,000)	(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 20).

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35. Government grants & subsidies (continued)

Municipal Infrastructure Grant

Balance unspent at beginning of year	2	2
Current-year receipts	56,512,000	53,585,000
Conditions met - transferred to revenue	(56,512,001)	(53,585,000)
	1	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 the year	6,634,045	2,015,384
Current-year receipts	-	9,167,822
Conditions met - transferred to revenue	-	(2,533,800)
Surrendered to the National revenue fund during the year	(6,634,022)	(2,015,361)
	23	6,634,045

The spending conditions in relation to the grant received was not met fully, therefore the grant was returned to the funder.

Disaster Response Grant

Balance unspent at beginning of the year	5,924,040	-
Current-year receipts	-	19,190,000
Conditions met - transferred to revenue	(5,923,773)	(13,265,960)
	267	5,924,040

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

Greenest Municipality Grant

Balance unspent at beginning of year	211,686	11,686
Current-year receipts	-	200,000
Conditions met - transferred to revenue	(157,890)	-
	53,796	211,686

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 20).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (B4 of 2024), an average increase of about 6% in the level of government grant funding are expected over the forthcoming 3 financial years.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
36. Employee related costs		
Basic	95,255,369	89,428,571
Bonus	6,895,256	6,527,990
Medical aid - company contributions	7,313,949	6,454,289
UIF	589,765	571,755
SDL	1,374,401	1,285,989
Provision for leave	2,741,703	3,834,284
Cellphone allowance	705,619	691,938
Pension fund contribution	12,669,022	11,947,998
Bargaining council contribution	38,373	35,858
Overtime payments	1,244,572	1,674,514
Long-service awards	689,396	815,302
Car allowance	10,361,118	9,789,484
Housing benefits and allowances	4,638,979	4,377,817
Shift Allowance	879,975	821,612
Standby and Uniform Allowance	1,470,181	1,344,011
	146,867,678	139,601,412
Remuneration of Municipal Manager		
Annual remuneration	1,089,283	1,074,449
Car allowance	412,536	400,870
Other	167,654	396,111
	1,669,473	1,871,430
Remuneration of Senior Manager: Chief Financial Officer		
Annual remuneration	807,189	836,337
Car allowance	319,679	322,692
Other	290,486	387,164
	1,417,354	1,546,193
Remuneration of Senior Manager: Corporate Services		
Annual remuneration	919,548	913,585
Car allowance	229,441	222,953
Other	214,031	341,480
	1,363,020	1,478,018
Remuneration of Senior Manager: Community Services		
Annual remuneration	902,892	839,069
Car allowance	176,661	172,419
Other	241,476	359,865
	1,321,029	1,371,353
Remuneration of Senior Manager: Engineering Services		
Annual remuneration	914,749	873,435
Car allowance	392,871	358,283
Other	14,780	145,514
	1,322,400	1,377,232
Remuneration of Senior Manager: Planning and Development		
Annual remuneration	925,461	910,553
Car allowance	229,441	222,952
Other	211,901	318,652
	1,366,803	1,452,157

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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37. Remuneration of councillors

Cellphone Allowance	3,005,916	3,002,947
Public Office Allowance	1,238,778	1,207,846
Car Allowance	6,114,071	5,960,954
Annual remuneration	17,436,295	16,987,730
	27,795,060	27,159,477

38. Depreciation and amortisation

Property, plant and equipment	52,263,232	45,845,954
Intangible assets	160,667	128,594
	52,423,899	45,974,548

39. Impairment loss

Impairments

Property, plant and equipment	6,755,373	9,252,340
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During the impairment assessment, the municipality identified assets that need to be impaired due to their condition.

Property, plant and equipment class, community assets category was affected by heavy rains and wind in June 2025 causing severe damages in various areas of Mbizana. The municipality performed an assessment of property, plant and equipment where it was found that community halls in Ndunge – Ntshamathe, Sithukuthezi and Etyeni were badly damaged. The assessment of damages on the community halls is R1 406 056.45. A 13 ton truck with the registration number JNG 815 EC was damaged during the year with the damages assessed to be affecting the engine which requires replacement at a cost above the asset net book value. This resulted in an impairment of R529 894.40 being processed on the truck.

During the year the municipality completed and took occupation of the Mbizana Civic Center offices which have been found to be flooding when it is raining. This has resulted in the waterproofing and ceiling being damaged. The damages have been assessed to require an amount of R4 787 004.70 to repair the damages. This amount has been processed against the cost of the structure as an impairment.

The impaired amount was:

Community assets	R1 406 056.45
Machinery and equipment	R 529 894.40
Buildings	R 4 787 004.70
Furniture & office equipment	R 32 418.00

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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40. Interest and penalties

Penalties	1,997,289	9,607
Interest paid	183,151	40,555
	2,180,440	50,162

Sometime in 2023 the National Treasury issued guidelines that resulted to a change in the accounting for INEP grant where the municipality is constructing infrastructure that will not be operated by municipality. This change resulted in the revenue recognised from the grant being regarded to be general revenue which should have been recognised exclusive of VAT. This change affected all the financial years where the municipality implemented INEP projects with the municipality allowed to resubmit VAT declaration for only the past 5 years. The municipality made this submission in the current year and a statement from SARS returned with penalties and interest which have been included in the fruitless and wasteful expenditure register as well as the disclosures thereof.

This has been reported to council for investigation while engagements are still ongoing with SARS to reverse the penalties and interest as these resulted from a change that was only communicated in 2023 and there were still discussions ongoing between municipalities affected, Provincial and National Treasury..

41. Lease rentals on operating lease

Equipment

Contractual amounts	6,923,442	5,723,859
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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.

42. Debt impairment

Movement-allowance for doubtful debts	6,629,622	2,117,030
Bad debts written off	1,339,298	123,529
	7,968,920	2,240,559

Since the outbreak of the 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.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025		2024	
43. Bulk purchases				
Electricity - Eskom			53,481,023	43,466,987
Electricity losses				
	Number 2025	Number 2024		
Units purchased	23,628,009	21,290,744	53,481,023	43,466,987
Units sold	(20,318,715)	(19,471,955)	(52,954,311)	(47,940,125)
Total loss	3,309,294	1,818,789	526,712	(4,473,138)
Comprising of:				
Technical losses	2,845,132	1,818,789	5,645,469	3,644,360
Non-technical losses	464,162	-	919,030	-
Total	3,309,294	1,818,789	6,564,499	3,644,360
Percentage Loss:				
Technical losses	12 %	9 %	12 %	9 %
Non-technical losses	2 %	- %	2 %	- %
Total	14 %	9 %	14 %	9 %

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

The technical losses are assumed to be a maximum of 12% which is the maximum allowed in terms of NERSA guidelines, therefore, the municipality has used this assumption to estimate the technical losses with anything above the 12% considered to be non-technical losses as disclosed above.

The municipality is in the process of developing a loss control improvement plan that will be monitored by the structures of council on a monthly basis until the losses are back to within the acceptable range.

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
44. Contracted services		
Outsourced Services		
Catering Services	141,980	211,870
Internal Auditors	2,605,060	1,139,651
Meter Management	233,781	1,115,825
Personnel and Labour	2,969,369	3,062,852
Refuse Removal	4,830,018	676,726
Transport Services	901,664	1,088,143
Consultants and Professional Services		
Business and Advisory	14,445,183	7,691,886
Infrastructure and Planning	-	196,000
Legal Cost	7,406,165	9,663,460
Contractors		
Auctioneers	108,535	-
Catering Services	4,262,690	3,602,868
Electrical	20,303,973	23,015,640
Employee Wellness	-	11,031
Event Promoters	479,504	805,085
Maintenance of Buildings and Facilities	2,959,526	1,869,078
Maintenance of Equipment	388,124	2,798,588
Maintenance of Assets	21,471,899	16,593,389
Pest Control and Fumigation	-	25,950
Safeguard and Security	10,525,245	9,237,700
Stage and Sound Crew	2,500	5,000
	94,035,216	82,810,742
45. Transfer and subsidies		
Other subsidies		
SMME Support	4,984,480	2,805,345

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

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
46. General expenses		
Advertising	233,796	285,450
Auditors remuneration	5,204,334	3,852,656
Bank charges	206,101	157,557
Commission paid	642,639	603,292
Consumables	6,224,702	5,761,352
Promotional material and gifts	3,091,802	2,927,798
Hire	3,170,411	4,449,252
Insurance	2,137,393	2,045,540
IT expenses	2,638,996	2,236,411
Magazines, books and periodicals	400,950	446,448
Motor vehicle expenses	155,930	272,920
Fuel and oil	4,590,484	5,001,691
Placement fees	50,257	20,002
Postage and courier	-	291
Protective clothing	2,657,410	1,751,932
Subscriptions and membership fees	89,936	112,061
Telephone and fax	4,813,693	3,988,462
Training	772,143	2,379,189
Travel - local	8,633,845	7,435,584
Travel - overseas	29,430	87,951
Assets expensed	58,600	12,250
Free basic services	4,698,645	3,598,342
Vehicle registration fees	319,530	349,017
Ward committee fees	6,106,112	7,086,476
Settlement discounts	1,783,039	-
Other expenses	1,612,697	1,720,850
Dumping site rehabilitation	1,672,268	2,385,168
	61,995,143	58,967,942
47. Loss on disposal of assets		
Gain or loss on disposal of assets and liabilities	(2,796,915)	(13,016,021)
48. Fair value adjustments		
Investment property (Fair value model)	4,324,800	7,084,700
49. Auditors' remuneration		
Fees	5,204,334	3,852,656

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
50. Cash generated from operations		
Surplus	133,423,643	144,404,846
Adjustments for:		
Depreciation and amortisation	52,423,899	45,974,548
Gains or loss on sale of assets and liabilities	2,796,915	13,016,021
Fair value adjustments	(4,324,800)	(7,084,700)
Impairment deficit	6,755,373	9,252,340
Debt impairment	7,968,920	2,240,559
Movements in operating lease assets and accruals	(3,019,487)	(3,406,375)
Movements in short - term benefits	1,963,059	3,056,107
Movements in provisions	1,336,507	600,824
Prior year adjustments	867,562	6,780,597
Changes in working capital:		
Inventories	(460,250)	597,348
Other Receivables from exchange transactions	(979,258)	447,494
Receivables from exchange transactions	(4,526,913)	(23,282,334)
Receivables from non-exchange transactions	711,868	(1,894,157)
Statutory receivables	(5,198,689)	(5,546,634)
Prepayments	(634,650)	1,862,726
Payables from exchange transactions	(13,752,653)	23,374,312
VAT	4,304,416	10,004,927
Payables from non-exchange transactions	7,346,653	6,210,949
Consumer deposits	27,993	(644)
Other financial assets	(286,368)	(4,772,724)
	186,743,740	221,836,030

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
51. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure Assets	106,656,412	39,691,587
• Integrated Electrification projects	8,144	-
• Community Assets	8,066,415	6,905,232
• Other Assets	7,872,300	9,484,764
	122,603,271	56,081,583
Total capital commitments		
Already contracted for but not provided for	122,603,271	56,081,583
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational Expenditure	24,998,463	31,072,546
• Integrated Electrification projects	-	5,039,339
	24,998,463	36,111,885
Total operational commitments		
Already contracted for but not provided for	24,998,463	36,111,885
Total commitments		
Total commitments		
Authorised capital expenditure	122,603,271	56,081,583
Authorised operational expenditure	24,998,463	36,111,885
	147,601,734	92,193,468
Adjustments to opening balance:		
Fencing of Majazi Disposal Site		
A retention amount pertaining to the landfill site was not raised during the previous financial year (2023-2024). This was only flagged in the current financial period (2024-2025), as we were preparations for its release that it was never raised. We have then raised the first retention held in period 15 to correct this error. The net adjustment is R2 986 510.35		
Supply and delivery of periodicals		
The expenditure for supply and delivery of periodicals was disclosed incorrectly as 58 200 instead of 15 720. the expenditure has been adjusted to the correct amount of 15 270		
Construction of Mbizana Town Hall		
A verification of invoices revealed that there is a variation order that was identified to be duplicated in the 2023-24 FY as well as an expenditure reversal that was not captured in 2022-23 FY. The net adjustment to the opening balance is R14 730.02		
Operating leases - as lessee (expense)		
Rental expenses relating to operating leases		
Munsoft minimum lease payments due		
Within one year	2,306,279	4,745,027
2 -5 years	5,869,095	-
	8,175,374	4,745,027
Techseeds Minimum Lease payments due		
Within one year	-	1,352,222

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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51. Commitments (continued)

Operating lease payments represent rentals payable by the municipality for certain of its office equipment and financial system. Leases are entered into for an average of 3 to 5 years with rentals fixed for the period. No contingent rent is payable.

Amounts disclosed are actual rental amounts because the lease smoothing demonstrated there is no significant difference between the average payable and the actual lease rentals.

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 payment of R2 500 000 i.r.o damages for injuries allegedly caused as a result of being shot by an employee. A notice of Intention to tax and first respondent's party to party bill was served and filed on the 28 March 2024. Matter is ready for trial waiting for plaintiffs' attorney.	500,000	500,000
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Case 2 Philile Vincent 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 an employee.	-	5,000,000
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Case 3 Mohamed Randareen vs Winnie Madikizela Mandela local municipality

Claim for electricity costs after meter tempering and/or incorrect billing. Matter heard in January 2025, Plaintiffs withdrew the application – each Party to tender own costs.	-	148,000
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Case 4 Iqhaya Design and workshop vs Winnie Madikizela Mandela local municipality

Arbitration amounting to R665 573.70 for termination of contract MBIZLM 1212017. Iqhaya failed to sit the arbitration, as per the order the amount vested in the trust account of our attorney was returned to the Municipality with some interest accrued – R708 001.00 interest being R42 427.30	-	665,574
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Case 5 Lucky Shusha vs Winnie Madikizela Mandela local municipality

Matter involving request of access to information on various projects done by the municipality. Matter argued in favour of the applicant, Respondent (Municipality) directed to notify 3rd Parties affected in accordance with s 47 of PAIA and to comply with timeframes as per the Act. Respondent directed to pay costs of the application	-	50,000
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Case 6 Zwelemfundo Mbonwa and three others vs Winnie Madikizela Mandela local municipality and SAPS

Claim in regards to seizure of goods belonging to Mr Mbonwa who is a hawker amounting to R118 060. Matter is set down for hearing on the 28 August 2025. The court issued a judgement in favour of the municipality.	-	118,060
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Case 7 Bongani Dinga vs WMM LM

Summons issued iro claim for damages - burst tires due to potholes. Notice of intention to defend was filed subsequent to that a rule 23(15) notice was issued to the plaintiff to make documents available for inspection. No response has been received from the Plaintiff	18,500	-
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Case 8 Mthetheleli Ncayiyana & Others// WMM LM

Application (Notice of Motion) iro alleged unlawful deductions on applicants salaries by the Respondent. Applicant has filed and served their Replying affidavit	382,122	-
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-	-
900,622	6,481,634

For all the legal matters above, there are uncertainties regarding the timing and the estimated future monetary outflows and whether, or not, the municipality will be liable to pay for the legal fees and the timing of such. These matters are still ongoing.

Case 2 Philile Vincent Hlongwe vs Winnie Madikizela Mandela local municipality: the court delivered a judgement on this particular case on the 10 September 2024 in favour of the municipality.

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, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	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 members
Council members	52 members
Section 57 managers	6 members

Related party balances

Amounts owing by related parties

Councillor Overpayment	468,971	468,971
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Compensation to Accounting officer and key management

Municipal Manager	1,801,961	1,673,101
Chief Financial Officer	1,487,144	1,435,896
Senior Manager - Corporate services	1,426,600	1,394,926
Senior Manager - Community services	1,490,777	1,269,347
Senior Manager - Engineering services	1,501,462	1,593,217
Senior Manager - Development Planning	1,534,156	1,350,097
Mayor	1,055,922	1,031,324
Speaker	854,144	834,459
Whip of Council	804,039	756,430
Councillors	25,080,954	24,537,264

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	Councillors	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 - Corporate services	Senior Manager	1

Remuneration of management

Management class: Councillors

2025

Name	Basic salary	Travel/ Car allowance	Cellphone Allowance	Public Office	Total
Mayor	706,243	252,230	47,004	50,446	1,055,923
Speaker	564,998	201,785	47,004	40,357	854,144
Whip of Council	529,924	189,259	47,004	37,852	804,039
MPAC Chairperson	514,149	183,624	47,004	36,725	781,502
Executive committee members	3,588,510	1,281,611	423,036	256,322	5,549,479
Councillors	11,532,472	4,005,563	2,394,864	817,074	18,749,973

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand

2025

2024

53. Related parties (continued)

	17,436,296	6,114,072	3,005,916	1,238,776	27,795,060
2024					
	Basic salary	Travel/ Car allowance	Cellphone Allowance	Public Office	Total
Name					
Mayor	689,024	246,080	47,004	49,216	1,031,324
Speaker	551,218	196,864	47,004	39,373	834,459
Whip of Council	496,599	177,356	47,004	35,471	756,430
MPAC Chairperson	501,608	179,146	47,004	35,830	763,588
Executive Committee members	3,775,661	1,348,450	467,820	269,690	5,861,621
Councillors	10,972,760	3,813,661	2,347,328	778,306	17,912,055
	16,986,870	5,961,557	3,003,164	1,207,886	27,159,477

Management class: Executive management

2025

	Basic salary	Travel/ Car allowance	Other benefits	Total
Name				
Municipal Manager	1,089,283	412,536	300,142	1,801,961
Chief Financial Officer	807,189	319,679	360,276	1,487,144
Senior Manager: Development Planning	925,461	229,441	379,254	1,534,156
Senior Manager: Engineering Services	914,749	392,871	193,841	1,501,461
Senior Manager: Corporate Services	919,548	229,441	277,611	1,426,600
Senior Manager: Community Services	902,892	176,661	411,224	1,490,777
	5,559,122	1,760,629	1,922,348	9,242,099

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

Management class: Key advisors/Sub committees

2025

	Fees for services as a member of management	Travel claims	Total
Audit and Risk committee members			
Chairperson of the audit committee	139,662	9,947	149,609
Audit committee members	89,069	11,472	100,541
Chairperson of the risk management committee	82,106	5,132	87,238
	310,837	26,551	337,388

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

Notes to the Audited Annual Financial Statements

Figures in Rand	2025	2024
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53. Related parties (continued)

2024

	Fees for services as a member of management	Travel claims	Total
Audit and Risk committee members			
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

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, 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	64,377,772	-	-	-
Consumer deposit	18,425	2,353	176,310	322,646
At June 30, 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	78,130,425	-	-	-
Consumer deposit	2,353	2,986	168,618	322,646

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	2025	2024
Cash and Cash Equivalent	540,241,859	460,788,282
Other receivables from exchange transactions	2,304,142	1,324,884
Receivables from non-exchange transactions	3,409,179	4,121,047
Receivables from exchange transactions	39,718,901	43,160,908

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, 2025, the municipality had an accumulated surplus (deficit) of R 1,507,219,020 and that the municipality's total assets exceed its liabilities by R 1,507,219,020.

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	20,400
Add: Fruitless and wasteful expenditure identified - current	2,180,440	50,783
Less: Transferred to receivables for recovery	-	(40,554)
Less: Amount written off - prior period	-	(10,229)
Closing balance	2,200,840	20,400

This has been reported to council for investigation while engagements are still ongoing with SARS to reverse the penalties and interest as these resulted from a change that was only communicated in 2023 and there were still discussions ongoing between municipalities affected, Provincial and National Treasury.

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56. Fruitless and wasteful expenditure (continued)			
Details of fruitless and wasteful expenditure			
	Disciplinary steps taken/criminal proceedings		
SARS fines and penalties	Amounts under investigation	2,180,440	-
SARS fines and penalties	Amount written off, no disciplinary actions taken	-	9,607
Interest on Overdue account	Recovery process is underway	-	40,554
Cancellation fee charged	Amount written off, no disciplinary actions taken	-	622
		2,180,440	50,783

Sometime in 2023 the National Treasury issued guidelines that resulted to a change in the accounting for INEP grant where the municipality is constructing infrastructure that will not be operated by municipality. This change resulted in the revenue recognised from the grant being regarded to be general revenue which should have been recognised exclusive of VAT. This change affected all the financial years where the municipality implemented INEP projects with the municipality allowed to resubmit VAT declaration for only the past 5 years. The municipality made this submission in the current year and a statement from SARS returned with penalties and interest which have been included in the fruitless and wasteful expenditure register as well as the disclosures thereof.

This has been reported to council for investigation while engagements are still ongoing with SARS to reverse the penalties and interest as these resulted from a change that was only communicated in 2023 and there were still discussions ongoing between municipalities affected, Provincial and National Treasury.

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 was raised in the books of the municipality for an amount of R40 554 which was classified as fruitless & wasteful expenditure in the prior year and to-date the municipality has recovered the full amount of R40 554,00

57. Irregular expenditure

Opening balance as previously reported	167,516,493	94,320,839
Add: Irregular expenditure - current	69,098,889	945,404
Add: Adjustment	-	74,092,311
Less: Amount written off - current	(236,341,731)	(1,842,061)
Closing balance	273,651	167,516,493

Winnie Madikizela-Mandela Local Municipality

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57. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings		
Non compliance with SCM regulations	The bidder's quotation had calculation errors which were not picked up while other bidders were eliminated for the same reasons.	-	62,104
Non compliance with SCM regulations	The bidder did not submit bill of quantities to support total bill amount	-	883,300
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	-	3,175,490
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	-	1,735,843
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	-	1,834,325
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	-	658,599
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	-	6,617,465
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	-	6,769,178
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	-	7,589,469
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	-	7,035,678
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	-	5,987,950
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	-	8,230,349
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
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	-	7,045,790
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	-	6,884,983
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	-	287,772
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	5,572,129	-
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	80,000	-
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	5,592,142	-
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	89,777	-
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	2,556,735	-
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	5,902,666	-
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	2,300,539	-
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	5,135,549	-
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	4,744,852	-
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	4,880,238	-
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	22,241,998	-
Non compliance with SCM regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	857,060	-
Non compliance with SCM Regulations	Bidder's allocation process was found not to be in line with s217 of the Constitution	8,871,583	-
Non compliance with SCM Regulations	Contract amendment found into contravention of s116(3)(b) of the MFMA	273,651	-
		69,098,919	75,037,712

The opening balance for 2022/23 financial year was adjusted on the 2023/24 audited annual financial statements to include expenditures incurred between 2019/20 and 2021/22 that were discovered in the current year and reported in the next council meeting as they came up during the Audit

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57. Irregular expenditure (continued)

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

The reported current year opening balances of irregular expenditure discovered during the 2023/24 audit were reported to council, investigated and written off in the current year together with the current year expenditures incurred on all panel allocations that have already been done before the finding was raised.

During the review of all payment requests received during the year it was identified that a variation order on a construction contract in excess of 20% of the award amount for maintenance of streetlights did not comply with requirements of MFMA Circular no.62 in relation to compliance with s116(3)(b)(i)&(ii) and therefore included in the irregular expenditure for the current year reported to council for investigation as required.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 167,516,493 that was incurred in the prior years up to 2023/2024 financial year and R68 825 238.00 for the current year irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

58. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	191	191
Current year subscription / fee	1,149,301	1,119,552
Amount paid - current year	(1,149,301)	(1,119,552)
	191	191

Audit fees

Current year subscription / fee	5,204,334	3,852,656
Amount paid - current year	(5,204,334)	(3,852,656)
	-	-

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58. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Opening balance	2,994	2,994
Current year subscription / fee	26,297,378	23,892,330
Amount paid - current year	(26,297,378)	(23,892,330)
	2,994	2,994

Pension and Medical Aid Deductions

Opening balance	(43,308)	(43,308)
Current year subscription / fee	32,176,313	29,422,236
Amount paid - current year	(32,176,313)	(29,422,236)
	(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, SALGA Pension Fund, Eastern Cape Garranty Fund

Skills Development Levy

Opening balance	(90)	(90)
Current year subscription/fee	1,511,234	1,418,456
Amount paid - current year	(1,511,234)	(1,418,456)
	(90)	(90)

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 advertsing of Civic centre official opening, website revamp, Civic center hangover, compilation of valuation roll. These procurement resulted to Deviations totalling to R2 109 284.01

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

Extension of vehicle Warranties	61,830	-
Arrangements for Funeral service	49,266	-
Stanford Madikizela and OR Tambo COmmemoration	298,000	-
Repairs of budget and reporting manager's crashed laptop HP ENVY *360 Convertible	-	3,837
Maintenance of Backup generator	-	49,864
Advertising of the official opening of Civic Centre	89,838	-
Civic Centre hand over	190,800	-
Website Revamp	19,550	-
Compilation of the Valuation roll	1,400,000	-
	2,109,284	53,701

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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 R1,234,250 (2024: R1,298,390).

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

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	642,638	603,292
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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.

Winnie Madikizela-Mandela Local Municipality

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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 non reportable 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 services delivered as management considered that the characteristic of the segments were sufficiently similar to warrant aggregation. These have been aggregated to form the non reportable 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

Non-Reportable 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

2025

	Electricity	Waste Management	Infrastructure Services	Community & Public Safety	Development Planning	Non-Reportable services	Total
Revenue							
Revenue from non-exchange transactions	6,246,837	2,981,004	64,350,888	4,387,481	28,125,882	361,936,777	468,028,869
Revenue from exchange transactions	73,901,676	4,211,199	-	1,747,164	5,296,882	44,120,643	129,277,564
Fair value adjustments	-	-	-	-	-	4,324,800	4,324,800
Total segment revenue	80,148,513	7,192,203	64,350,888	6,134,645	33,422,764	410,382,220	601,631,233
Entity's revenue							601,631,233
Expenditure							
Employee cost	5,841,419	21,655,652	15,152,848	29,970,147	13,306,647	60,940,966	146,867,679
Remuneration of councillors	-	-	-	-	-	27,795,061	27,795,061
Bulk Purchases	53,481,023	-	-	-	-	-	53,481,023
Contracted services	23,836,503	12,083,558	12,582,947	19,016,125	6,220,976	20,295,106	94,035,215
Depreciation and amortisation	637,874	2,360	36,720,190	5,501,333	2,330,646	7,231,496	52,423,899
Interest, dividends & rent	-	-	-	-	-	2,180,440	2,180,440
Loss on disposal	111,837	-	2,599,534	248,159	(51,011)	(111,602)	2,796,917
Other expenses	7,480,740	5,147,580	3,698,425	6,882,775	7,944,174	57,473,663	88,627,357
Total segment expenditure	91,389,396	38,889,150	70,753,944	61,618,539	29,751,432	175,805,130	468,207,591
Total segmental surplus/(deficit)	(11,240,883)	(31,696,947)	(6,403,056)	(55,483,894)	3,671,332	234,577,090	133,423,642
Assets							
Current Assets	13,702,101	92,110,035	86,697,472	78,313,241	51,421,818	347,326,703	669,571,370
Non current Assets	15,170,814	20,440,761	229,392,744	23,354,317	2,018,391	689,315,008	979,692,035
Total segment assets	28,872,915	112,550,796	316,090,216	101,667,558	53,440,209	1,036,641,711	1,649,263,405
Total assets as per Statement of financial Position							1,649,263,405

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61. Segment information (continued)

Liabilities

	Electricity	Waste Management	Infrastructure Services	Community & Public Safety	Development Planning	Non-Reportable services	Total
Current Liabilities	9,991,376	2,003,348	41,566,853	7,126,007	10,957,306	57,378,244	129,023,134
Non-current Liabilities	-	13,021,260	-	-	-	-	13,021,260
Total segment liabilities	9,991,376	15,024,608	41,566,853	7,126,007	10,957,306	57,378,244	142,044,394
Total liabilities as per Statement of financial Position							142,044,394

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2024

	Electricity	Waste Management	Infrastructure Services	Community & Public Safety	Development Planning	Non-Reportable services	Total
Revenue							
Revenue from non-exchange transactions	308,851	3,042,000	71,554,141	3,727,875	29,468,125	343,643,856	451,744,848
Revenue from exchange transactions	63,813,034	4,109,168	348	1,640,820	7,783,308	39,298,012	116,644,690
Fair value adjustment	-	-	-	-	-	7,084,700	7,084,700
Total segment revenue	64,121,885	7,151,168	71,554,489	5,368,695	37,251,433	390,026,568	575,474,238
Entity's revenue							575,474,238
Expenditure							
Employee Costs	5,293,797	19,981,838	15,335,705	28,723,615	12,068,947	58,197,505	139,601,407
Remuneration of councillors	-	-	-	-	-	27,159,477	27,159,477
Depreciation and amortisation	639,664	71,395	34,082,270	1,416,354	5,331,928	4,432,937	45,974,548
Interest and penalties	40,555	-	-	-	-	9,607	50,162
Bulk purchases-electricity	43,466,987	-	-	-	-	-	43,466,987
Contracted services	24,888,364	3,334,206	13,668,862	15,177,738	5,704,894	20,036,674	82,810,738
General exepnses	6,073,348	5,698,101	11,090,215	5,853,734	5,387,860	44,886,783	78,990,041
Loss on disposal of assets	554,858	-	12,223,331	174,600	84,536	(21,305)	13,016,020
Total segment expenditure	80,957,573	29,085,540	86,400,383	51,346,041	28,578,165	154,701,678	431,069,380
Total segmental surplus/(deficit)	(16,835,688)	(21,934,372)	(14,845,894)	(45,977,346)	8,673,268	235,324,890	144,404,858

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61. Segment information (continued)

Assets							
Current assets	24,831,565	118,813,923	111,133,433	104,111,982	36,589,503	183,255,672	578,736,078
Non-current assets	8,209,232	14,617,606	286,653,527	19,529,256	183,549	601,367,486	930,560,656
Total segment assets	33,040,797	133,431,529	397,786,960	123,641,238	36,773,052	784,623,158	1,509,296,734
Total assets as per Statement of financial Position							1,509,296,734
Liabilities							
Current liabilities	(9,173,933)	(20,749,520)	(39,759,784)	(23,099,900)	(17,421,275)	(13,346,647)	(123,551,059)
Non-current liabilities	-	(11,950,307)	-	-	-	-	(11,950,307)
Total segment liabilities	(9,173,933)	(32,699,827)	(39,759,784)	(23,099,900)	(17,421,275)	(13,346,647)	(135,501,366)
Total liabilities as per Statement of financial Position							(135,501,366)

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 reporting periods.

2025

	External revenues from non-exchange transactions	External revenues from exchange transactions	Total expenditure	Non-current assets*
Ward 1 to 10	(29,816,208)	(53,279,322)	80,905,757	215,864,982
Ward 11 to 20	(17,956,774)	(4,711,004)	5,891,248	138,465,552
Ward 21 to 32	(31,942,352)	(12,159,888)	21,333,105	228,093,607
Whole of municipality	(388,313,534)	(59,127,350)	360,077,481	397,267,892
Total	(468,028,868)	(129,277,564)	468,207,591	979,692,033

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61. Segment information (continued)

2024

	External revenues from non-exchange transactions	External revenues from exchange transactions	Total expenditure	Non-current assets*
Ward 1 to 10	(68,897,973)	(62,834,891)	33,693,907	279,876,531
Ward 11 to 20	-	-	14,930,403	113,048,711
Ward 21 to 32	(100,000)	-	23,046,117	186,603,406
Whole of municipality	(382,746,873)	(60,894,501)	359,398,958	351,032,009
Total	(451,744,846)	(123,729,392)	431,069,385	930,560,657

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62. Change in estimate

Property, plant and equipment

The useful lives of certain items of property, plant and equipment were revised in the current year based on their assessed condition which resulted in an increase on the estimated remaining useful lives by between 2 and 1034 days. This change affected furniture and fixtures, plant and machinery, transport assets as well as infrastructure assets. The effect of this revision resulted in a decrease on depreciation of R 1,662,854 which has also resulted in the net book values being revised by the same amount and a corresponding decrease and increase for future periods respectively.

63. Prior period errors

Property, plant and equipment

During the year, the municipality discovered that the General ledger was understated by the Impairment amount for the assets that were disposed in 2022/23 financial year but the impairment remained in the closing balance of impairment instead of being disposed. These assets were removed from the Movable Asset register of 2023/24 and such removal affected the opening balance of impairment for furniture. The impact of the above resulted in understatement of furniture and fixtures by R86 498.51

The municipality discovered that the roads infrastructure were overstated due to the roads that were disposed in 2022/23 financial year. This disposal was not effected on the general ledger. The impact of this error resulted in an overstatement by R485 072.37

During the year, the municipality discovered that there was a retention amount for a Solid waste project that was not raised in 2023/24. Therefore, the Retention of R250 248.50 for this project was then raised. The impact of this error resulted in an understatement on property, plant and equipment.

During the review of the current year immovable asset register it was discovered that the asset register used in the prior year contained a calculation error on a component of a road that was disposed. The error resulted in the asset value being overstated by R13 557 085 due to a negative depreciation calculation which added to the value of the asset instead of a reduction. Investigations revealed that the disposal of the asset was also not processed on both the asset register and the municipal records amount to R4 207 613.04 which also resulted in a overstatement of property, plant and equipment.

The correction of these errors resulted in a net decrease of R17 351 624.00

Receivables from Exchange transactions

During the year, the municipality discovered that account number 57 was overcharged for a land sale transaction that occurred in 2014 financial year. The impact of this error resulted in an overstatement on receivables from exchange transactions of R17 600

The correction of this errors resulted in a decrease of R17 600 in receivable from exchange transactions.

Other receivables from exchange transactions

During the year, the municipality discovered that the VAT portion of a payment received in 2023 was not correctly accounted for. The other receivable from exchange transaction was understated by R76 686.15.

The correction of this error resulted in an increase of R76 686.15.

Receivable from non exchange transactions

During the year, the municipality received a payment from a debtor raised in prior years relating to monies held in a trust by an attorney. When the money was released to the municipality, it was realised that it had earned interest from 2024 financial year. The impact of the error resulted in an understatement of other receivables from exchange transactions of R32 052.47.

The correction of these errors resulted to an increase in receivables from non exchange transaction of R32 052.47

VAT

During the year, the municipality discovered that the VAT portion of a payment received in 2023 was not correctly accounted for. The VAT payables was overstated by R76 686.15.

During the current year AFS preparation the municipality identified that the Debt impairment was overstated by the VAT amount. The Vat on included on Debt impairment was R33 307. The error in the debt impairment resulted to an overstatement of VAT account.

The correction of this error resulted in a decrease in VAT Payables of R109 991

Other Financial asset

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63. Prior period errors (continued)

During the year, the municipality discovered that in 2014 Financial year entered into a security agreement with ESKOM for electricity account guarantee for amount due of R2 800 000. The cash deposit bare interest capitalised annually at a prevailing rate as determined by ESKOM from time to time. The value of the guarantee in 2023/24 was R4 772 724.80 including interest accrued of R1 972 724.80. The impact of this error resulted to understatement of Other financial assets of R4 772 724.80.

The correction of this error resulted to an increase in Other financial asset of R4 772 724.80.

Payables from exchange transactions

During the year the year, a concurrence dated 1 November 2024 was received from COGTA in agreement with the council resolution to implement increment for salaries, allowances and benefits of different members of municipal council as contained in the Government Gazette number 51407 with effect from 1 July 2023.

The implementation of the Gazette resulted in an increase in Payables from exchange transaction of R705 015.

During the year, the municipality discovered that a retention amount pertaining to the landfill site was not raised during the last financial period (2023-24) as the retention held was not clearly stated in the payment certificates. This was then flagged in the current financial period (2024-25) as we were preparing to release the retention that it was never raised. The impact of this error resulted in an understatement on property, plant and equipment of R250 248.50

During the year, the municipality discovered that in 2023/24 financial year the municipality was party to an arbitration application involving 3 employees. The municipality therefore raised a payable to pay the liability when the arbitration award has been issued. The payable that was raised initially was overstated by R5 939.50. The impact of this error resulted in an overstatement of payables from exchange transactions.

During the year it was discovered that in the 2023/24 financial year there were officials who attended training at the Traffic college. The invoice was never requested by the relevant officials at the time. The invoice was never paid to the Traffic college, it was only discovered in the current year that the municipality owes the Traffic college when the municipality was requesting training for other officials. This resulted in the Payables from exchange transactions being understated by R54 644.

The correction of these errors resulted in a net increase of R1 003 968 .00

Interest received (non-exchange)

During the year, the municipality discovered that in 2014 Financial year entered into a security agreement with ESKOM for electricity account guarantee for amount due of R2 800 000. The cash deposit bare interest capitalised annually at a prevailing rate as determined by ESKOM from time to time. The interest of R308 851 was accrued in 2023/24 FY. The impact of this error resulted to understatement of Interest received(non exchnage) of R308 851.

The correction of this error resulted to an increase of R308 851 in interest received (non exchange).

During the year, the municipality received a payment from a debtor raised in prior years relating to monies held in a trust by an attorney. When the money was released to the municipality, it was realised that it had earned interest from 2024 financial year. The impact of the error resulted in an understatement of interest from receivables of R32 052.47.

The correction of this error resulted in an increase of R340 903 in interest received (non exchange)

Remuneration of Councillors

During the year the , a concurrence dated 1 November 2024 was received from COGTA in agreement with the council resolution to implement increment for salaries, allowances and benefits of different members of municipal council as contained in the Government Gazette number 51407 with effect from 1 July 2023.

The implementation of the Gazette resulted in an increase in remuneration of councillors of R705 015.

General expenses

During the year it was discovered that in the 2023/24 financial year there were officials who attended training at the Traffic college. The invoice was never requested by the relevant officials at the time. The invoice was never paid to the Traffic college, it was only discovered in the current year that the municipality owes the Traffic college when the municipality was requesting training for other officials. This resulted in General expenses being understated by R54 644.

The correction of this error resulted in an increase in general expenses of R54 644.

Debt impairment

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63. Prior period errors (continued)

During the current year AFS preparation the municipality identified that the Debt impairment was overstated by the VAT amount. The VAT on included on Debt impairment was R33 307. The error in the debt impairment resulted to an overstatement and overstatement of VAT account.

Since the implementation of GRAP 108, there has been discussions on the correctness of VAT payable/receivable and Output/Input VAT accrual being reported together and treated as either statutory receivables/payables instead of the accrual being treated and reported in terms of GRAP 104. This resulted in the secretariat of the ASB issuing VAT Fact Sheet #11 which gave guidance on how there may be treated and disclosed.

The municipality therefore, analysed its VAT accounts in its records to identify accruals and the statutory portions of the VAT transaction to provide the split in the disclosure. The municipality is on accrual basis of accounting and therefore accounts for VAT on accrual bases, however, the municipality is registered on payment basis with SARS which then results in the VAT payable/receivable once payments have been made/received. This therefore made it necessary for the municipality to split the VAT accounts into the VAT control with its associated accounts and the accrual accounts which now been reported separately on the annual financial statements.

The correction of this error resulted to a decrease of R33 307 of debt impairment.

Depreciation and amortisation

During the review of the current year immovable asset register it was discovered that the asset register used in the prior year contained a calculation error on a component of a road that was disposed. The error resulted in the asset value being overstated by R13 557 085 due to a negative depreciation calculation which added to the value of the asset instead of a reduction. R13 557 085 which resulted in a understatement of depreciation and amortisation.

The correction of this error resulted in an increase in depreciation and amortisation of R13 557 085.

Loss on disposal of assets

During the review of the current year immovable asset register it was discovered that the asset register used in the prior year contained a calculation error on a component of a road that was disposed. Investigations revealed that the disposal of the asset was also not processed on both the asset register and the municipal records amount to R3 646 213 which also resulted in a understatement of losses on disposal of assets.

The correction of this error resulted in an increase in loss on disposal of assets of R3 646 213.

Accumulated surplus

Changes on surplus for the year

An increase on interest received from non exchange transactions of R340 903.

An increase on remuneration of councillors of R705 014

An increase on depreciation and amortisation of R13 270 210.

An increase on general expenses of R54 644.

An increase on loss on disposal of assets of R3 646 213

These resulted to a decrease on the surplus for the year of R17 588 747.

Net assets

A decrease on other receivables from exchange transaction of R76 684.

An increase on receivables from non-exchange transactions of R32 053

A decrease on receivables from exchange transactions of R17 600

An increase on other financial asset of R4 772 724

A decrease on property, plant and equipment of R16 645 3225

An increase on payables from exchange transaction of R1 003 968

A decrease on VAT payable of R76 684

A decrease on VAT Payable of R2 328 384.74

These changes resulted to a decrease on net assets of R11 206 724.

The correction of the error(s) results in adjustments as follows

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

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64. Prior-year adjustments (continued)					
2024					
	Note	As previously reported	Correction of error	Re-classification	Restated
Property, plant and equipment		892,081,735	(17,351,626)	-	874,730,109
Other Financial asset		-	4,772,724	-	4,772,724
Other receivable from exchange transaction		1,401,568	(76,684)	-	1,324,884
Receivables from exchange transactions		31,776,608	(17,600)	11,401,900	43,160,908
Receivables from non exchange transactions		4,088,994	32,053	-	4,121,047
Payables from exchange transactions		(75,985,108)	(1,003,968)	(1,174,656)	(78,163,732)
Unspent conditional grant and receipts		-	-	14,409,451	14,409,451
Payables from non exchange transactions		-	-	(14,409,451)	(14,409,451)
VAT Payables		(2,513,926)	109,991	(7,600,982)	(10,004,917)
Provisions		(1,067,164)	-	(297,876)	(1,365,040)
Accumulated surplus		(1,385,002,097)	13,535,110	(2,328,386)	(1,373,795,373)
		(535,219,390)	-	-	(535,219,390)

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Service charges		53,841,401	-	53,841,401
Property Rates		21,713,167	-	21,713,167
Interest received from non exchange transactions		5,200,308	340,903	5,541,211
Remuneration of councillors		(26,454,463)	(705,015)	(27,159,478)
Interest received from receivables		3,794,998	-	3,794,998
Debt impairment		(2,273,866)	33,307	(2,240,559)
Depreciation		(32,417,463)	(13,557,085)	(45,974,548)
General expenses		(58,913,298)	(54,644)	(58,967,942)
Losses on disposal of assets		(9,369,808)	(3,646,213)	(13,016,021)
Surplus for the year		(44,879,024)	(17,588,747)	(62,467,771)

Cash flow statement

2024

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Employee cost		(162,999,768)	(705,015)	(163,704,783)
Suppliers		(167,248,224)	9,912,836	(157,335,388)
Sale of goods and services		81,107,323	(9,298,482)	71,808,841
Interest income		43,463,297	340,903	43,804,200
		(205,677,372)	250,242	(205,427,130)
Cash flow from investing activities				
Purchase of property, plant and equipment		(120,812,901)	(250,248)	(121,063,149)

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64. Prior-year adjustments (continued)

Reclassifications

The following reclassifications adjustment occurred:

Payables from non-exchange transactions

During the preparation of the current year annual financial statements the municipality identified that the presentation of Unspent conditional grants and receipts on the face of this statement of financial position maybe limiting options for the municipality to also include other payables that may be similar in nature as one. Inline with the requirements of GRAP 1 the municipality adopted a change in the line item to a line item that will allow presentation of other similar payables in one line item.

Further details of the amounts included in the line item are therefore presented in the corresponding notes to the annual financial statements. This change resulted in the Unspent conditional grants and receipts being presented in note 20

Contracted services

Outsource services: Catering

During the preparation of the current annual financial statement the municipality identified that on Contracted services there were item for Outsource services that were reported under Contractors-Catering services. The municipality separated the two to be reported on the item it was transacted on. The amounts for outsource services catering were R211 870 and for Contractors catering were R3 602 868.

Consultants and Professional services: Business and Advisory

During the preparation of the current annual financial statement the municipality identified that in the 2023/24 Business and advisory was reported under Outsource services instead of Consultant and Professional services. The municipality made a reclassified these amounts to the correct item.

Payables from exchange transactions

Since the implementation of GRAP 108, there has been discussions on the correctness of VAT payable/receivable and Output/Input VAT accrual being reported together and treated as either statutory receivables/payables instead of the accrual being treated and reported in terms of GRAP 104. This resulted in the secretariat of the ASB issuing VAT Fact Sheet #11 which gave guidance on how there may be treated and disclosed.

The municipality therefore, analysed its VAT accounts in its records to identify accruals and the statutory portions of the VAT transaction to provide the split in the disclosure. The municipality is on accrual basis of accounting and therefore accounts for VAT on accrual bases, however, the municipality is registered on payment basis with SARS which then results in the VAT payable/receivable once payments have been made/received. This therefore made it necessary for the municipality to split the VAT accounts into the VAT control with its associated accounts and the accrual accounts which now been reported separately on the annual financial statements.

The reclassification resulted in an increase in Payables from exchange transactions of R1 174 656.

Receivables from exchange transactions

Since the implementation of GRAP 108, there has been discussions on the correctness of VAT payable/receivable and Output/Input VAT accrual being reported together and treated as either statutory receivables/payables instead of the accrual being treated and reported in terms of GRAP 104. This resulted in the secretariat of the ASB issuing VAT Fact Sheet #11 which gave guidance on how there may be treated and disclosed.

The municipality therefore, analysed its VAT accounts in its records to identify accruals and the statutory portions of the VAT transaction to provide the split in the disclosure. The municipality is on accrual basis of accounting and therefore accounts for VAT on accrual bases, however, the municipality is registered on payment basis with SARS which then results in the VAT payable/receivable once payments have been made/received. This therefore made it necessary for the municipality to split the VAT accounts into the VAT control with its associated accounts and the accrual accounts which now been reported separately on the annual financial statements.

The reclassification resulted in an increase of R11 401 900

65. Budget differences

Material differences between budget and actual amounts

The municipality give an explanation on material variances that are more than 5% a sper the MFMA Circula 71.

Construction contracts

Winnie Madikizela-Mandela Local Municipality

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65. Budget differences (continued)

The difference between the budget and actual performance is caused by the VAT on INEP revenue recognition which is exclusive of VAT in line with the INEP Accounting guidelines while the budget included VAT on the INEP grant revenue.

Service Charges

The overperformance may be attributable to the high winter consumption and the implementation of the Audit and Token Identifier (TID) on the electricity revenue while a review of consumer categories may have contributed on waste management revenue as well as introduction of new tariffs that did not exist in the prior years.

Rental of facilities

The overperformance on revenue generation is as a result of the lease smoothing transactions processed during the current year and corresponding leases still at the beginning years of their contract term.

Interest received from receivables

The projection was based on the historic performance taking into account anticipated collection levels in the budget year which were actually more than the projected performance and therefore resulting in less interest being generated than the projection.

Agency services

The revenue recognized continues to show a decline as the years progress which may be an indication of either a decrease in the number of customers requiring motor vehicle licensing and registration or a complete decline on the demand for the services as some customers are now using online platforms for some of the services.

Commission received

The overperformance may be attributable to more employees taking the payroll deductions route for their third party payments and therefore resulting in more revenue generated by the municipality.

Recoveries

The amounts include recoveries from insurance contracts as compensation for insurable events as well as the implementation of no work no pay for the municipal workers' strike action in December and January of the current financial year.

Other income

The major contributor on the revenue performance is meter replacements which increased during the TID rollout.

Interest received from current assets

The revenue is from surplus cash that is kept in interest generating call accounts until such cash is required. This includes grants received in advance for spending over a period of time before the next trench. These grew by more than anticipated as a result of improved collections than anticipated as well as higher interest rates offered to the municipality on the current contract of banking services following the procurement processes that was concluded in the previous financial year.

Fines, penalties and forfeits

The budget was adjusted down during the year due to the performance that was recorded from month to month indicating serious under performance on traffic fines which was later found to be due to non-submission of required information to record these. This also includes fines for electricity tempering.

Interest received (non-exchange)

The overperformance is due to an increase on the receivables for property rates which also includes government departments as well as interest earned on the Eskom deposit that the municipality was not aware of which has now been included in both the prior and the current year.

Remuneration of councilors

The municipality's budget over the past years has been more than the actual revision of the remuneration of councilors which results in savings when the approved upper limits are published.

Interest and penalties

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65. Budget differences (continued)

The municipality implements electrification projects through the INEP grant in areas where the infrastructure is then handed over to Eskom for operation. In the 2022/23 financial year, National Treasury issued guidelines that changed the accounting treatment of the grant revenue in such instances which changed the revenue to be recognized exclusive of VAT. This led to the municipality owing SARS VAT for at least the past five financial years. The declaration of this debt resulted in the municipality being charged penalties and interest. There was no way of projecting the interests for inclusion on the budget and there has never been a similar change.

Lease rentals and operating leases

The savings recorded may be attributable to the reduction of the demand for printing and printers due to the implementation of paperless activities which has drastically reduced the demand for printing and the corresponding printers.

Debt impairment

This overspending is due to an increase in the debtors book which has indicated a regression pattern on the settlement of debts for certain classes of debtors.

Contracted services

The savings realised may be due to implementation of the cost containment regulations and stricter budget controls to ensure spending on priority areas and only when it is necessary to do so.

Inventories

The savings are as a result of improved inventory management controls that have reduced inventories kept coupled with the reduction of the demand for paper since the municipality is improving on the paperless environment.

Operating lease asset

The outcome is as a result of the lease smoothing resulting in the revenue recognized being less than the revenue anticipated from the smoothing exercise due to the contracts being at the beginning of their lease term and will continue being so until they reach a breakeven point.

Loss on disposal of assets

The savings are as a result of the disposed assets in the current year being less than the amounts projected in line with the audited actuals coupled with prioritised infrastructure for rehabilitation and reconstruction.

General expenses

The savings realised may be due to implementation of the cost containment regulations and stricter budget controls to ensure spending on priority areas and only when it is necessary to do so.

Receivables from exchange transactions

The budget for these takes into account anticipated growth rate of the receivables taking into account increase in tariffs and a reduction in collection rates especially for debtors with long outstanding debtors as these may now be no longer affordable to their owners. The actual outcome is as a result of both improved collections and an increase of current debt impairment.

Other receivables from exchange transactions

The budget for these takes into account anticipated growth rate of the receivables taking into account increase in tariffs and a reduction in collection rates especially for debtors with long outstanding debtors as these may now be no longer affordable to their owners. The actual outcome is as a result of both improved collections and an increase of current debt impairment.

Receivables from non-exchange transactions

The current budget formats of the municipal budgets do not make a provision for statutory receivables as these are included on the receivables from non-exchange transactions. The major contributor on the performance are traffic fines receivables that have grown more than what was presented due to information not submitted in time to inform budgeting during the budget processes as well as interest generated on receivables from property rates.

VAT Payable

The municipality anticipated the final outcome at the end of the year to be a receivable but delays in the resolution of the INEP historical VAT issue resulted in the outcome being a payable at the end of the financial year.

Winnie Madikizela-Mandela Local Municipality

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65. Budget differences (continued)

Prepayments

The municipality does not plan to make prepayments during its planning stages but they are decided based on the advantages of such payments during the year.

Cash and cash equivalents

The difference may be attributed to a number of factors including, but not limited to, higher interest rates on investments, savings realised on expenditures where such are as a result of cost savings, collections better than expected.

Payable from exchange transactions

Some of the contributors may included improved management of submission of invoices at year-end and an increase less than anticipated on retentions due to projects not implemented that were expected to be implemented during the year.

Payables from non-exchange transactions

This is unspent grants that have resulted in more money not being spent at the end of the year as opposed to what was anticipated. The contributing factor is the Disaster Response grant that was received during the last half of the financial year and meant to be spent within a twelve-month period which falls into the next financial year. A roll-over application process in under way to ensure the funds are available for spending in the next financial year.

Provisions

The difference is caused by the municipal budget formats not making a provision for employee benefits obligation and therefore the budget being included on the provisions instead

Investment properties

Valuation of investment properties is done once at the end of the financial year with the outcome not possible to predict during the budget processes and therefore not being included in the budget.

Property, plant and equipment

The budget considered all projects that were budgeted for and their anticipated stage of completion which unfortunately did not materialise as some of the major projects were not implemented by the end of the year. There was also an error identified on the prior asset balances which were used as the basis for the budget projections.

Intangible assets

The municipality only budgeted for the acquisition of new servers but omitted the required software licenses that come with the new servers which were therefore included with the acquisition of the new servers.

Other financial assets

The municipality's records did not include the type of the financial asset. Information pointing to this kind of a financial asset only came to the attention of the municipality only towards the end of the financial year necessitating a prior year correction on the annual financial statements and therefore not budgeted for.

66. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

- During the month of June municipality lost one ordinary councillor, whose position was not filled by end of the year.
- There will be no financial implication.
- On the 28th of August 2025, the court set for Zwelemfundo Mbonwa and 3 Others vs WMMLM & SAPS case. The matter was then dismissed with no costs and therefore finalised.

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Appropriation Statement

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2025											
Financial Performance											
Property rates	21,531,996	1,889,200	23,421,196	-		23,421,196	22,852,923		(568,273)	98 %	106 %
Service charges	56,844,444	(3,080,500)	53,763,944	-		53,763,944	59,047,701		5,283,757	110 %	104 %
Investment revenue	27,158,868	10,200,000	37,358,868	-		37,358,868	39,421,269		2,062,401	106 %	145 %
Transfers recognised - operational	394,791,584	(26,201,000)	368,590,584	-		368,590,584	368,646,496		55,912	100 %	93 %
Other own revenue	18,549,072	19,155,620	37,704,692	-		37,704,692	43,917,185		6,212,493	116 %	237 %
Total revenue (excluding capital transfers and contributions)	518,875,964	1,963,320	520,839,284	-		520,839,284	533,885,574		13,046,290	103 %	103 %
Employee costs	(148,131,368)	(3,711,500)	(151,842,868)	-	-	(151,842,868)	(146,867,678)	-	4,975,190	97 %	99 %
Remuneration of councillors	(29,876,160)	-	(29,876,160)	-	-	(29,876,160)	(27,795,060)	-	2,081,100	93 %	93 %
Depreciation and asset impairment	(54,370,836)	(3,000,000)	(57,370,836)			(57,370,836)	(52,593,836)	-	4,777,000	92 %	97 %
Finance charges	(100,000)	(2,200,000)	(2,300,000)	-	-	(2,300,000)	(2,180,440)	-	119,560	95 %	2,180 %
Inventory consumed and bulk purchases	(8,083,428)	325,302	(7,758,126)	-	-	(7,758,126)	(6,695,209)	-	1,062,917	86 %	83 %
Transfers and grants	(4,215,552)	(255,600)	(4,471,152)	-	-	(4,471,152)	(4,984,480)	-	(513,328)	111 %	118 %
Other expenditure	(255,052,952)	(20,525,877)	(275,578,829)	-	-	(275,578,829)	(227,090,886)	-	48,487,943	82 %	89 %
Total expenditure	(499,830,296)	(29,367,675)	(529,197,971)	-	-	(529,197,971)	(468,207,589)	-	60,990,382	88 %	94 %
Surplus/(Deficit)	19,045,668	(27,404,355)	(8,358,687)	-		(8,358,687)	65,677,985		74,036,672	(786)%	345 %
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	64,754,412	24,440,805	89,195,217	-		89,195,217	67,745,658		(21,449,559)	76 %	105 %
Surplus (Deficit) after capital transfers and contributions	83,800,080	(2,963,550)	80,836,530	-		80,836,530	133,423,643		52,587,113	165 %	159 %
Surplus/(Deficit) for the year	83,800,080	(2,963,550)	80,836,530	-		80,836,530	133,423,643		52,587,113	165 %	159 %

Winnie Madikizela-Mandela Local Municipality

Audited Annual Financial Statements for the year ended June 30, 2025

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	119,462,736	42,871,536	162,334,272	-		162,334,272	107,263,622		(55,070,650)	66 %	90 %
Sources of capital funds											
Transfers recognised - capital	56,308,296	21,252,876	77,561,172	-		77,561,172	58,989,080		(18,572,092)	76 %	105 %
Internally generated funds	63,154,440	21,618,660	84,773,100	-		84,773,100	48,274,542		(36,498,558)	57 %	76 %
Total sources of capital funds	119,462,736	42,871,536	162,334,272	-		162,334,272	107,263,622		(55,070,650)	66 %	90 %
Financial position											
Total current assets	323,623,446	268,542,880	592,166,326	-		592,166,326	666,081,152		73,914,826	112 %	206 %
Total non current assets	946,806,267	96,096,008	1,042,902,275	-		1,042,902,275	979,692,038		(63,210,237)	94 %	103 %
Total current liabilities	103,342,964	38,802,362	142,145,326	-		142,145,326	(125,532,909)		(267,678,235)	(88)%	(121)%
Total non current liabilities	11,484,800	465,506	11,950,306	-		11,950,306	(13,021,261)		(24,971,567)	(109)%	(113)%
Community wealth/Equity	1,385,257,477	403,906,756	1,789,164,233	-		1,789,164,233	1,507,219,020		(281,945,213)	84 %	109 %
Cash flows											
Net cash from (used) operating	189,424,628	26,516,270	215,940,898	-		215,940,898	186,743,740		(29,197,158)	86 %	99 %
Net cash from (used) investing	161,089,628	53,272,840	214,362,468	-		214,362,468	(107,290,163)		(321,652,631)	(50)%	(67)%
Net increase/(decrease) in cash and cash equivalents	350,514,256	79,789,110	430,303,366	-		430,303,366	79,453,577		(350,849,789)	18 %	23 %
Cash and cash equivalents at the beginning of the year	178,455,575	282,332,708	460,788,283	-		460,788,283	460,788,282		(1)	100 %	258 %
Cash and cash equivalents at year end	528,969,831	362,121,818	891,091,649	-		891,091,649	540,241,859		350,849,790	61 %	102 %

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

Analysis of property, plant and equipment as at 30 June 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	-	(3,489)	-	-	-	3,095,139	-	-	-	-	-	-	3,095,139
Buildings (Separate for AFS purposes)	49,294,200	4,324,800	-	-	-	-	53,619,000	-	-	-	-	-	-	53,619,000
	52,392,828	4,324,800	(3,489)	-	-	-	56,714,139	-	-	-	-	-	-	56,714,139
Infrastructure														
Roads, Pavements & Bridges	762,561,522	69,579,828	(5,825,213)	-	-	-	826,316,137	(296,719,209)	3,939,010	-	(37,097,973)	36,650	(329,841,522)	496,474,615
Transmission & Reticulation	25,215,866	4,832,483	-	-	-	-	30,048,349	(4,797,408)	-	-	(694,378)	-	(5,491,786)	24,556,563
Under construction	152,693,679	-	-	81,431,535	-	-	234,125,214	-	-	-	-	(8,100,549)	(8,100,549)	226,024,665
Waste Management	3,242,860	4,665,330	-	-	-	-	7,908,190	(1,471,910)	-	-	(190,355)	(1,732,429)	(3,394,694)	4,513,496
	943,713,927	79,077,641	(5,825,213)	81,431,535	-	-	1,098,397,890	(302,988,527)	3,939,010	-	(37,982,706)	(9,796,328)	(346,828,551)	751,569,339
Community Assets														
Parks & gardens	4,805,960	-	-	-	-	-	4,805,960	(1,606,352)	-	-	(110,934)	(58,324)	(1,775,610)	3,030,350
Sportsfields and stadium	94,468,662	-	-	-	-	-	94,468,662	(12,355,930)	-	-	(2,429,324)	(4,490,175)	(19,275,429)	75,193,233
Community halls	26,841,961	893,906	-	-	-	-	27,735,867	(3,072,398)	-	-	(732,790)	-	(3,805,188)	23,930,679
Other	101,854,137	515,500	-	-	-	-	102,369,637	(12,930,091)	-	-	(2,642,290)	(1,406,056)	(16,978,437)	85,391,200
Cemeteries	224,224	-	-	-	-	-	224,224	(170,381)	-	-	(5,925)	-	(176,306)	47,918
	228,194,944	1,409,406	-	-	-	-	229,604,350	(30,135,152)	-	-	(5,921,263)	(5,954,555)	(42,010,970)	187,593,380

**Winnie Madikizela-Mandela Local
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Winnie Madikizela-Mandela Local
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Appendix B**

Analysis of property, plant and equipment as at 30 June 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
Heritage assets														
Other	1,260,799	-	-	-	-	-	1,260,799	-	-	-	-	-	-	1,260,799
	1,260,799	-	-	-	-	-	1,260,799	-	-	-	-	-	-	1,260,799
Specialised vehicles														
Other assets														
General vehicles	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
Plant & equipment	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
Computer Equipment	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
Computer Software (part of computer equipment)	2,740,673	-	-	-	-	4,212,789	6,953,462	(2,109,214)	(128,594)	-	-	-	(2,237,808)	4,715,654
Furniture & Fittings	310,845	-	(785)	-	-	-	310,060	(175,266)	(26,294)	782	(1,474)	-	(202,252)	107,808
Office Equipment	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
Markets	720,000	-	-	-	-	1,593,522	2,313,522	(57,600)	-	-	(28,800)	-	(86,400)	2,227,122
Civic land and buildings	39,160,310	-	-	-	-	91,588,617	130,748,927	(1,240,993)	-	-	(1,087,493)	-	(2,328,486)	128,420,441
Other buildings	14,349,881	-	-	-	-	-	14,349,881	(1,431,761)	-	-	(402,255)	-	(1,834,016)	12,515,865
Bins and Containers	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

**Winnie Madikizela-Mandela Local
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Appendix B**

Analysis of property, plant and equipment as at 30 June 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
Total property plant and equipment														
Land and buildings	52,392,828	4,324,800	(3,489)	-	-	-	56,714,139	-	-	-	-	-	-	56,714,139
Infrastructure	943,713,927	79,077,641	(5,825,213)	81,431,535	-	-	1,098,397,890	(302,988,527)	3,939,010	-	(37,982,706)	(9,796,328)	(346,828,551)	751,569,339
Community Assets	228,194,944	1,409,406	-	-	-	-	229,604,350	(30,135,152)	-	-	(5,921,263)	(5,954,555)	(42,010,970)	187,593,380
Heritage assets	1,260,799	-	-	-	-	-	1,260,799	-	-	-	-	-	-	1,260,799
Other assets	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
	1,352,806,712	93,927,880	(8,630,674)	81,431,535	-	97,394,928	1,616,930,381	(384,058,751)	1,523,160	1,657,861	(46,834,315)	(15,750,883)	(443,462,928)	1,173,467,453
Agricultural/Biological assets														
Intangible assets														
Investment properties														
Investment property	42,209,500	7,084,700	-	-	-	-	49,294,200	-	-	-	-	-	-	49,294,200
	42,209,500	7,084,700	-	-	-	-	49,294,200	-	-	-	-	-	-	49,294,200
Total														
Land and buildings	52,392,828	4,324,800	(3,489)	-	-	-	56,714,139	-	-	-	-	-	-	56,714,139
Infrastructure	943,713,927	79,077,641	(5,825,213)	81,431,535	-	-	1,098,397,890	(302,988,527)	3,939,010	-	(37,982,706)	(9,796,328)	(346,828,551)	751,569,339
Community Assets	228,194,944	1,409,406	-	-	-	-	229,604,350	(30,135,152)	-	-	(5,921,263)	(5,954,555)	(42,010,970)	187,593,380
Heritage assets	1,260,799	-	-	-	-	-	1,260,799	-	-	-	-	-	-	1,260,799
Other assets	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
Investment properties	42,209,500	7,084,700	-	-	-	-	49,294,200	-	-	-	-	-	-	49,294,200
	1,395,016,212	101,012,580	(8,630,674)	81,431,535	-	97,394,928	1,666,224,581	(384,058,751)	1,523,160	1,657,861	(46,834,315)	(15,750,883)	(443,462,928)	1,222,761,653

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

Analysis of property, plant and equipment as at 30 June 2025	
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	-	-	3,912,891	-	-	7,011,519	-	-	-	-	-	-	3,098,628
Buildings (Separate for AFS purposes)	42,209,500	7,084,700	-	-	-	-	49,294,200	(4,930,376)	-	-	(645,389)	-	(5,575,765)	49,294,200
	45,308,128	7,084,700	-	3,912,891	-	-	56,305,719	(4,930,376)	-	-	(645,389)	-	(5,575,765)	52,392,828
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	929,484	(21,240,501)	(591,934)	(293,030,586)	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
Waste Management	3,242,860	-	-	-	-	-	3,242,860	(1,463,715)	-	-	(8,195)	(1,732,429)	(3,204,339)	38,521
	741,827,556	84,066,209	(24,362,865)	-	-	43,035,063	844,565,963	(292,991,846)	15,230,888	929,484	(21,876,496)	(2,324,363)	(301,032,333)	542,604,146
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
Civic buildings	39,160,310	-	-	-	-	91,588,617	130,748,927	(1,240,993)	-	-	(1,087,493)	-	(2,328,486)	128,420,441
Community halls	26,841,961	-	-	-	-	-	26,841,961	(2,360,276)	-	-	(678,322)	-	(3,038,598)	23,769,563
Market Place	720,000	-	-	-	-	-	720,000	(57,600)	-	-	(28,800)	-	(86,400)	2,227,122
Sewage and sanitation	554,374	-	-	-	-	-	554,374	(21,156)	-	-	(11,087)	-	(32,243)	522,131
Creche	14,349,881	-	-	-	-	-	14,349,881	(1,431,761)	-	-	(402,255)	-	(1,834,016)	12,515,865
Cemeteries	224,224	-	-	-	-	-	224,224	(164,457)	-	-	(5,925)	-	(170,382)	53,843
Other	40,465,677	6,748,894	(145,000)	-	-	-	47,069,571	(7,641,446)	60,463	-	(1,067,962)	-	(8,648,945)	38,420,626
	210,683,732	17,656,211	(145,000)	-	-	91,588,617	319,783,560	(28,961,992)	60,463	-	(5,640,585)	(107,737)	(34,649,851)	286,693,433

**Winnie Madikizela-Mandela Local
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Winnie Madikizela-Mandela Local
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Appendix B**

Analysis of property, plant and equipment as at 30 June 2025	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	1,230,799	-	-	-	-	-	1,230,799	-	-	-	-	-	-	1,230,799
Mayoral chain	-	30,000	-	-	-	-	30,000	-	-	-	-	-	-	30,000
	1,230,799	30,000	-	-	-	-	1,260,799	-	-	-	-	-	-	1,260,799
Specialised vehicles														
Other assets														
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)	28,788,644

**Winnie Madikizela-Mandela Local
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Appendix B**

Analysis of property, plant and equipment as at 30 June 2025	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	45,308,128	7,084,700	-	3,912,891	-	-	56,305,719	(4,930,376)	-	-	(645,389)	-	(5,575,765)	52,392,828
Infrastructure	741,827,556	84,066,209	(24,362,865)	-	-	43,035,063	844,565,963	(292,991,846)	15,230,888	929,484	(21,876,496)	(2,324,363)	(301,032,333)	542,604,146
Community Assets	210,683,732	17,656,211	(145,000)	-	-	91,588,617	319,783,560	(28,961,992)	60,463	-	(5,640,585)	(107,737)	(34,649,851)	286,693,432
Heritage assets	1,230,799	30,000	-	-	-	-	1,260,799	-	-	-	-	-	-	1,260,799
Other assets	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
	1,062,408,003	116,843,234	(24,597,765)	3,912,891	-	138,836,469	1,297,402,832	(368,423,291)	15,291,351	929,484	(33,264,923)	(2,488,713)	(387,956,092)	911,739,853
Agricultural/Biological assets														
Intangible assets														
Investment properties														
Investment property	40,471,783	-	-	-	-	1,737,717	42,209,500	-	-	-	-	-	-	42,209,500
	40,471,783	-	-	-	-	1,737,717	42,209,500	-	-	-	-	-	-	42,209,500
Total														
Land and buildings	45,308,128	7,084,700	-	3,912,891	-	-	56,305,719	(4,930,376)	-	-	(645,389)	-	(5,575,765)	52,392,828
Infrastructure	741,827,556	84,066,209	(24,362,865)	-	-	43,035,063	844,565,963	(292,991,846)	15,230,888	929,484	(21,876,496)	(2,324,363)	(301,032,333)	542,604,146
Community Assets	210,683,732	17,656,211	(145,000)	-	-	91,588,617	319,783,560	(28,961,992)	60,463	-	(5,640,585)	(107,737)	(34,649,851)	286,693,432
Heritage assets	1,230,799	30,000	-	-	-	-	1,260,799	-	-	-	-	-	-	1,260,799
Other assets	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
Investment properties	40,471,783	-	-	-	-	1,737,717	42,209,500	-	-	-	-	-	-	42,209,500
	1,102,879,786	116,843,234	(24,597,765)	3,912,891	-	140,574,186	1,339,612,332	(368,423,291)	15,291,351	929,484	(33,264,923)	(2,488,713)	(387,956,092)	953,949,353

Winnie Madikizela-Mandela Local Municipality
Appendix D

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	-	60,075,741	(60,075,741)
394,780,104	103,314,814	291,465,290	Finance & Admin/Finance	438,899,504	127,507,586	311,391,918
6,859,161	24,436,413	(17,577,252)	Planning and Development/Economic Development/Plan	3,148,719	32,221,706	(29,072,987)
1,596,647	8,199,430	(6,602,783)	Comm. & Social/Libraries and archives	1,364,511	13,249,079	(11,884,568)
-	1,055,800	(1,055,800)	Housing	-	1,105,446	(1,105,446)
4,665,642	14,133,203	(9,467,561)	Public Safety/Police	4,612,245	17,043,374	(12,431,129)
-	2,015,466	(2,015,466)	Sport and Recreation	157,890	2,251,828	(2,093,938)
-	2,530,794	(2,530,794)	Environmental Protection/Pollution Control	-	2,980,555	(2,980,555)
20,016,968	25,252,610	(5,235,642)	Waste Water Management/Sewerage	7,192,204	38,962,194	(31,769,990)
73,192,331	47,072,693	26,119,638	Road Transport/Roads	61,662,389	62,299,168	(636,779)
57,288,025	71,106,835	(13,818,810)	Electricity /Electricity Distribution	80,148,514	91,384,264	(11,235,750)
-	7,286,228	(7,286,228)	Other/Air Transport	-	4,030,064	(4,030,064)
558,398,878	365,660,933	192,737,945		597,185,976	453,111,005	144,074,971
Municipal Owned Entities						
Other charges						
558,398,878	365,660,933	192,737,945	Municipality	597,185,976	453,111,005	144,074,971
558,398,878	365,660,933	192,737,945	Total	597,185,976	453,111,005	144,074,971

Winnie Madikizela-Mandela Local Municipality
Appendix E(1)

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2025

	Current year 2024 Act. Bal.	Current year 2024 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
Revenue					
Sale of goods	211,969	200,724	11,245	5.6	
Property rates	22,852,923	23,421,196	(568,273)	(2.4)	
Service charges	59,047,702	53,763,944	5,283,758	9.8	
Construction contracts	16,870,892	19,680,500	(2,809,608)	(14.3)	
Rental of facilities and equipment	7,957,952	5,053,888	2,904,064	57.5	
Interest received (trading)	2,194,266	3,592,577	(1,398,311)	(38.9)	
Agency services	1,234,250	1,427,328	(193,078)	(13.5)	
Commissions received	198,240	209,960	(11,720)	(5.6)	
Recoveries	1,494,308	-	1,494,308	-	
Other income - (rollup)	236,567	180,000	56,567	31.4	
Fines, penalties and forfeits	1,285,810	225,000	1,060,810	471.5	
Licences and permit	2,170,631	2,277,024	(106,393)	(4.7)	
Grants and subsidies	436,392,155	457,785,801	(21,393,646)	(4.7)	
Interest received - investment	39,707,632	37,358,868	2,348,764	6.3	
Interest received - non exchange	5,242,681	4,700,003	542,678	11.5	
	<u>597,097,978</u>	<u>609,876,813</u>	<u>(12,778,835)</u>	<u>(2.1)</u>	
Expenses					
Personnel	(134,248,345)	(139,882,883)	5,634,538	(4.0)	
Remuneration of councillors	(27,795,061)	(28,480,421)	685,360	(2.4)	
Depreciation	(51,880,162)	(64,535,824)	12,655,662	(19.6)	
Amortisation	(160,667)	-	(160,667)	-	
Impairments	(6,755,373)	(3,000,000)	(3,755,373)	125.2	
Finance costs	(183,151)	(100,008)	(83,143)	83.1	
Debt Impairment	(6,629,622)	(6,108,780)	(520,842)	8.5	
Inventory	(21,892)	-	(21,892)	-	
Lease rentals on operating lease	(6,923,442)	(7,226,708)	303,266	(4.2)	
Bulk purchases	(53,481,023)	(53,792,448)	311,425	(0.6)	
Contracted Services	(103,682,110)	(136,585,487)	32,903,377	(24.1)	
Transfers and Subsidies	(4,984,480)	(5,263,158)	278,678	(5.3)	
General Expenses	(56,045,261)	75,060,343	(131,105,604)	174.7	
	<u>(452,790,589)</u>	<u>(369,915,374)</u>	<u>(82,875,215)</u>	<u>22.4</u>	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(2,796,917)	5,200,000	(7,996,917)	(153.8)	
Fair value adjustments	4,324,800	-	4,324,800	-	
	<u>1,527,883</u>	<u>5,200,000</u>	<u>(3,672,117)</u>	<u>(70.6)</u>	
Net surplus/ (deficit) for the year	<u>145,835,272</u>	<u>245,161,439</u>	<u>(99,326,167)</u>	<u>(40.5)</u>	

Winnie Madikizela-Mandela Local Municipality
Appendix E(2)

**Budget Analysis of Capital Expenditure as at 30 June
2025**

	Additions	Revised Budget Rand	Variance Rand	Variance %
	Rand			
Municipality				
Executive & Council/Mayor and Council	-	1,304,348	1,304,348	100
Finance & Admin/Finance	97,343,435	8,665,754	(88,677,681)	(1,023)
Planning and Development/Economic Development/Plan	4,168,977	11,043,483	6,874,506	62
Comm. & Social/Libraries and archives	9,168,503	18,386,411	9,217,908	50
Public Safety/Police	120,000	120,000	-	-
Sport and Recreation	234,850	250,668	15,818	6
Waste Management	7,895,099	3,233,407	(4,661,692)	(144)
Road Transport/Roads	90,684,198	81,162,211	(9,521,987)	(12)
Electricity /Electricity Distribution	7,482,929	10,635,258	3,152,329	30
	217,097,991	134,801,540	(82,296,451)	(61)
	18,537	-	(18,537)	-

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

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
EQUITABLE SHARE	National Treasury	149,767,000	119,814,000	89,860,000	-	88,921,779	68,892,396	50,170,327	58,911,612	Yes
		-	-	-	-	-	-	-	-	Yes
MIG	National Treasury	18,605,000	18,732,000	19,175,000	-	17,283,363	13,242,210	17,337,422	8,649,005	Yes
FMG	National Treasury	2,100,000	-	-	-	102,454	386,922	267,310	571,438	Yes
Library Grant	Sports Arts and Recreational	-	1,147,000	-	-	44,390	19,941	46,359	904,806	Yes
EPWP	National	745,000	1,341,000	895,000	-	2,237,675	743,329	-	-	Yes
		-	-	-	-	-	-	-	-	Yes
Disaster Recovery Grant	National Treasury	-	-	21,829,000	-	-	-	-	1,698,424	Yes
Disaster Response Grant	National Treasury	-	-	-	-	-	-	-	5,923,773	Yes
INEP	National Treasury	8,140,870	9,130,435	5,560,062	-	9,470,183	4,572,784	7,257,764	1,530,635	Yes
IDP Grant	Alfred Ndzo DM	-	-	-	-	-	-	102,390	55,500	Yes
		-	-	-	-	-	-	-	-	
		179,357,870	150,164,435	137,319,062	-	118,059,844	87,857,582	75,181,572	78,245,193	

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

Appendix G1
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended June 30, 2025

	2024/2025						2023/24					
	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	420,864,996	11,801,755	432,666,751	440,325,189		7,658,438	102 %	105 %				424,575,068
Executive and council	-	150,000	150,000	-		(150,000)	- %	DIV/0 %				100,000
Finance and administration	420,864,996	11,651,755	432,516,751	440,325,189		7,808,438	102 %	105 %				424,475,068
Internal audit	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Community and public safety	5,829,656	(100,000)	5,729,656	5,970,745		241,089	104 %	102 %				5,368,694
Community and social services	1,383,336	130,000	1,513,336	1,364,510		(148,826)	90 %	99 %				703,053
Sport and recreation	200,000	-	200,000	157,890		(42,110)	79 %	79 %				-
Public safety	4,246,320	(230,000)	4,016,320	4,448,345		432,025	111 %	105 %				4,665,641
Housing	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Economic and environmental services	68,136,432	17,764,305	85,900,737	64,811,108		(21,089,629)	75 %	95 %				74,257,421
Planning and development	2,936,028	125,000	3,061,028	3,148,719		87,691	103 %	107 %				5,382,405
Road transport	65,200,404	17,639,305	82,839,709	61,662,389		(21,177,320)	74 %	95 %				68,875,016
Environmental protection	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Trading services	88,799,292	(3,061,935)	85,737,357	87,340,718		1,603,361	102 %	98 %				71,273,056
Energy sources	79,600,392	(2,100,000)	77,500,392	80,148,514		2,648,122	103 %	101 %				64,121,888
Water management	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Waste water management	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Waste management	9,198,900	(961,935)	8,236,965	7,192,204		(1,044,761)	87 %	78 %				7,151,168
Other	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Functional	583,630,376	26,404,125	610,034,501	598,447,760		(11,586,741)	98 %	103 %				575,474,239

Appendix G1
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended June 30, 2025

	2024/2025						2023/24					
	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	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	220,561,692	3,309,500	223,871,192	195,010,948	-	(28,860,244)	87 %	88 %	-	-	-	183,330,892
Executive and council	63,052,728	4,511,364	67,564,092	60,075,741	-	(7,488,351)	89 %	95 %	-	-	-	69,824,223
Finance and administration	152,028,312	(2,444,000)	149,584,312	128,663,261	-	(20,921,051)	86 %	85 %	-	-	-	108,802,079
Internal audit	5,480,652	1,242,136	6,722,788	6,271,946	-	(450,842)	93 %	114 %	-	-	-	4,704,590
Community and public safety	36,258,648	563,664	36,822,312	33,649,725	-	(3,172,587)	91 %	93 %	-	-	-	29,225,454
Community and social services	14,083,032	1,096,020	15,179,052	13,249,078	-	(1,929,974)	87 %	94 %	-	-	-	8,095,262
Sport and recreation	3,104,364	(448,284)	2,656,080	2,251,828	-	(404,252)	85 %	73 %	-	-	-	2,549,469
Public safety	18,010,704	(115,072)	17,895,632	17,043,374	-	(852,258)	95 %	95 %	-	-	-	17,493,141
Housing	1,060,548	31,000	1,091,548	1,105,445	-	13,897	101 %	104 %	-	-	-	1,087,582
Health	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	114,612,864	7,315,223	121,928,087	97,545,940	-	(24,382,147)	80 %	85 %	-	-	-	97,799,284
Planning and development	33,167,784	2,481,770	35,649,554	32,272,717	-	(3,376,837)	91 %	97 %	-	-	-	32,423,155
Road transport	78,631,056	4,820,453	83,451,509	62,292,668	-	(21,158,841)	75 %	79 %	-	-	-	62,835,735
Environmental protection	2,814,024	13,000	2,827,024	2,980,555	-	153,531	105 %	106 %	-	-	-	2,540,394
Trading services	124,132,716	7,682,288	131,815,004	130,404,458	-	(1,410,546)	99 %	105 %	-	-	-	110,076,419
Energy sources	93,136,464	929,515	94,065,979	91,442,264	-	(2,623,715)	97 %	98 %	-	-	-	81,010,262
Water management	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste water management	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	30,996,252	6,752,773	37,749,025	38,962,194	-	1,213,169	103 %	126 %	-	-	-	29,066,157
Other	4,264,392	297,000	4,561,392	4,030,064	-	(531,328)	88 %	95 %	-	-	-	-
Other	4,264,392	297,000	4,561,392	4,030,064	-	(531,328)	88 %	95 %	-	-	-	3,412,749
Total Expenditure - Functional	499,830,312	19,167,675	518,997,987	460,641,135	-	(58,356,852)	89 %	92 %	-	-	-	423,844,798
Surplus/(Deficit) for the year	83,800,064	7,236,450	91,036,514	137,806,625		46,770,111	151 %	164 %				151,629,441

Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended June 30, 2025

	2024/2025						2023/2024					
	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	-	150,000	150,000	150,000		-	100 %	DIV/0 %				-
Budget and Treasury Office	388,792,272	10,389,997	399,182,269	409,584,664		10,402,395	103 %	105 %				373,262,566
Corporate Services	448,932	50,000	498,932	527,094		28,162	106 %	117 %				575,685
Development Planning	31,734,216	1,336,755	33,070,971	33,897,126		826,155	102 %	107 %				22,795,240
Community and Social Services	15,028,572	(1,061,943)	13,966,629	13,221,296		(745,333)	95 %	88 %				26,169,067
Engineering Services	147,626,400	15,539,301	163,165,701	145,388,167		(17,777,534)	89 %	98 %				135,704,598
Total Revenue by Vote	583,630,392	26,404,110	610,034,502	602,768,347		(7,266,155)	99 %	103 %				558,507,156
Expenditure by Vote to be appropriated												
Mayor and council	48,458,532	828,904	49,287,436	43,012,114	-	(6,275,322)	87 %	89 %	-	-	-	43,248,455
Municipal Manager	39,236,904	4,142,276	43,379,180	39,812,388	-	(3,566,792)	92 %	101 %	-	-	-	35,627,361
Budget and Treasury Office	43,075,140	(306,972)	42,768,168	36,030,537	-	(6,737,631)	84 %	84 %	-	-	-	28,052,365
Corporate Services	68,784,660	(8,415,572)	60,369,088	45,768,519	-	(14,600,569)	76 %	67 %	-	-	-	40,986,173
Development Planning	29,542,524	3,099,770	32,642,294	29,759,103	-	(2,883,191)	91 %	101 %	-	-	-	21,967,413
Community and Social Services	92,455,428	13,990,549	106,445,977	100,058,101	-	(6,387,876)	94 %	108 %	-	-	-	71,784,211
Engineering Services	178,277,124	5,828,400	184,105,524	159,298,021	-	(24,807,503)	87 %	89 %	-	-	-	123,338,967
Total Expenditure by Vote	499,830,312	19,167,355	518,997,667	453,738,783	-	(65,258,884)	87 %	91 %	-	-	-	365,004,945
Surplus/(Deficit) for the year	83,800,080	7,236,755	91,036,835	149,029,564		57,992,729	164 %	178 %				193,502,211