Planning by	Reviewed	Performed by	Final review

Client details

Client name: West Rand District Municipality
Year end: 30 June 2022

West Rand District Municipality

Trading as DC48 (District Municipality)

Annual Financial Statements

for the year ended 30 June 2022

General Information

Legal form of entity	District Municipality (DC48) Municipal Finance Management Act (No. 56 of 2003)
Grading of local authority	Medium Capacity Category C
Nature of business and principal activities	District municipality is a coordinating structure established in terms of Section 155(1)(c) of the Constitution of the Republic of South Africa as a category C municipality which has municipal executive and legislative authority in an area that includes more than one municipality. West Rand District Municipality coordinates its local municipalities in West Rand region, namely Mogale City Local Municipality, Rand West City Local Municipality and Merafong City Local Municipality.
Members of Council	
Speaker of Council	Cllr G Kruger
Executive Mayor	Cllr H.H Hild
Council Whip	Cllr ALME Rowles-Zwart
MPAC Chairperson (Section 79 committee)	Cllr T Molusi
Mayoral Committee	MMC Financial Services: Ald B.D Blake MMC Corporate Services: Ald J.D.W Zwart MMC Public Safety: Cllr B Van Der Berg MMC Health and Social Development: Cllr N.G Mphafudi MMC Re-industrialisation: Cllr O.S.S Moralo MMC Human Settlements: Cllr A.A Moleko MMC Water and Sanitation: Cllr H.H Kruger MMC Environmental Management: Cllr J Kotze
Councillors	Ald D.S Thabe Ald N Tundzi-Hawu Cllr B Mahuma Cllr S.R Dikana Cllr H.O Butler Cllr M.N Ndzilane Cllr R.J Mokoto Cllr T.M Bovhungana Cllr M Myeki Cllr S Boyce Cllr M.F Chohledi Cllr B.A Kubayi Cllr H.B Munyai Cllr L.P Pil Cllr A Saba Cllr F.J.C Steffers Cllr T.M Tlholoe Cllr N.T Xhale

General Information

	Cllr B Molefe Cllr M.J Koboekae Cllr L Legabe Cllr B Makhene Cllr M.B Nkabinde Cllr T Ramaisa Cllr A Shikoane Cllr M.P Teleko Cllr S.A Dabhelia Cllr M.R Lephadi Cllr L.M Mpupu Cllr M Naki Cllr D.C Pannall Cllr T.L.J Schoeman
Regional audit committee	Dr L Konar CA(SA) (Chairperson) Mr B Ahmed CA(SA) (Member) Mr L Mangquku CA(SA) (Member) Mr M Maseko (Member) Mr L Ravhuhali CA(SA) (Member)
Regional performance audit committee	Mr P Mongalo (Chairperson) Mr P Fourie CA(SA) (Member) Mr A Mangokwana (Member) Ms O Senokoane (Member) Mr S.P Khoza (Member)
Risk management committee	Mr L.A Malinga (Chairperson) Mr E.M Koloi (Municipal Manager) Mr L.S Ramaele (Chief Financial Officer) Ms G Magole (EM: Corporate Services) Mr Z Mphaphuli (EM: Regional Planning and Re-industrialisation) Dr M Daka (EM: Health and Social development) Mr N Kahts (Acting EM: Public Safety) Mr T Mathodlana (Chief of Staff) Ms N Seabi (Manager: Internal Audit) Ms M Manyaapelo (Coordinator: Risk Management)
Disciplinary board committee	Mr K Moahloli (Chairperson) Mr L.A Malinga (Member) Ms N Seabi (Manager: Internal Audit)
Accounting Officer	Mr E.M Koloi
Chief Finance Officer (CFO)	Mr L.S Ramaele
Registered office	Corner Sixth & Park Street Randfontein 1760
Business address	Private Bag X033 Randfontein 1760
Bankers	First National Bank

General Information

	Standard Bank of South Africa
Auditors	Auditor-General South Africa Chartered Accountants (S.A.) Registered Auditors Supreme Audit Institution (SAI) of South Africa (Chapter nine Institution)
Attorneys	Thejane Attorneys Lizel Venter Attorneys Madlhopa & Thenga Incorporated Phambane Mokone Incorporated Attorneys Phungo Incorporated MT Matsau Incorporated

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

RMC	Risk Management Committee
DC Board	Disciplinary Committee Board
MPAC	Municipal Public Accounts Committee
AC	Audit Committee
PAC	Performance Audit Committee
GRAP	Generally Recognised Accounting Practice
RSC	Regional Service Council Levy
FMG	Finance Management Grant
LG SETA	Local Government Sector Educational and Training Authority
NDPG	Neighbourhood Development Partnership Grant
EPWP	Expanded Public Works Programme
WCA	Workmen's Compensation Assistance
MFMA	Municipal Finance Management Act 56 of 2003
mSCOA	Municipal Standard Chart of Accounts
MMC	Member of Mayoral Committee
SALGBC	South African Local Government Bargaining Council
WRDM	West Rand District Municipality

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the 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 annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

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

The accounting officer acknowledges that he is 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, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the 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.

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

The accounting officer has reviewed the municipality’s cash flow forecast from 01 July 2022 to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality had or has access to adequate resources to continue in operational existence for the foreseeable future. This also takes into consideration a financial recovery plan implemented on the monthly basis and reporting progress of implementation to National and Provincial Treasury.

The municipality is wholly dependent on grant funding for its continued operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The office of Auditor General-South Africa is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the office of Auditor General-South Africa and their report presented on page 6.

These annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022:

Mr E.M Koloi
Municipal Manager

Accounting Officer's Report

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

1. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated deficit of R (107 659 752) and that the municipality's total liabilities exceed its assets by R (107 659 752). The municipality had a deficit for the year of R (1 200 011).

The 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 factors. The most significant of these is that the accounting officer access continued funding from National and Provincial Government.

Additional details on municipal going concern assessment is fairly disclosed in the notes to the annual financial statements. Please refer to note 50.

2. Subsequent events (Events after the reporting date)

All matters and events that occurred between 30 June 2022 and the date of submission of the annual financial statements have been taken into account and appropriately reported. Please refer to note 48.

3. Accounting Officer's interest in contracts

The accounting officer did not have any interest in any contract of the municipality.

4. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations and guidelines issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr E.M Koloi	South African

6. Bankers

The Municipality primarily banks with First National Bank.

The Municipality also banks with Standard Bank of Southern Africa.

7. Auditors

Auditor-General South Africa. A Supreme Audit Institution (SAI) of South Africa (Chapter nine Institution)

8. Non-compliance with applicable legislation

Any instance of non-compliance to applicable legislation is fairly disclosed in the Notes to the Annual Financial Statements. Please refer to note 56.

Mr E.M Koloi
Municipal Manager

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	401 557	376 274
Receivables from exchange transactions	4	3 654 735	3 819 510
Receivables from non-exchange transactions	5	1 260 078	2 640 032
Cash and cash equivalents	6	2 642 064	1 323 024
		7 958 434	**8 158 840**
Non-Current Assets			
Biological assets that form part of an agricultural activity	7	227 945	90 821
Investment property	8	8 400 000	6 300 000
Property, plant and equipment	9	63 344 738	64 156 873
Long-term receivables	10	-	78 483
		71 972 683	**70 626 177**
Total Assets		**79 931 117**	**78 785 017**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	70 587 667	73 127 818
Transfers payable (non-exchange)	12	30 444 344	30 444 344
VAT payable	13	815 418	869 788
Employee benefit obligation	14	1 848 753	1 840 556
Unspent conditional grants and receipts	15	1 684 923	2 640 032
Provisions	16	13 653 010	12 033 609
		119 034 115	**120 956 147**
Non-Current Liabilities			
Employee benefit obligation	14	49 729 942	46 416 299
Provisions	16	18 826 812	17 872 477
		68 556 754	**64 288 776**
Total Liabilities		**187 590 869**	**185 244 923**
Net Assets		**(107 659 752)**	**(106 459 906)**
Accumulated deficit		(107 659 752)	(106 459 906)

* See Note 47

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	1 443 730	1 196 906
Rental of facilities and equipment	18	1 988 413	1 762 027
Interest on outstanding receivables		278 397	258 445
Licences and permits	19	121 698	104 278
Recoveries	20	4 250	57 843
Operating income	21	506 953	133 181
Interest earned	23	1 490 414	1 021 171
Total revenue from exchange transactions		**5 833 855**	**4 533 851**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	25	249 736 951	244 856 831
Public contributions and donations	26	9 000	-
Total revenue from non-exchange transactions		**249 745 951**	**244 856 831**
Total revenue		**255 579 806**	**249 390 682**
Expenditure			
Employee related costs	27	(196 011 607)	(195 837 834)
Remuneration of councillors	28	(11 117 560)	(12 572 380)
Depreciation and amortisation	29	(4 830 971)	(4 520 305)
Interest costs and penalties	31	(8 943 517)	(8 453 726)
Lease rentals on operating lease	32	(385 384)	(208 149)
Contributions to/ (reversals) of debt impairment provision	33	3 532 953	3 027 983
Assets written off	34	(3 815 259)	(176 433)
Contracted services	35	(11 064 941)	(5 531 548)
Transfers and Subsidies	36	(11 513 691)	(11 188 748)
Operating costs	37	(21 430 657)	(21 079 084)
Total expenditure		**(265 580 634)**	**(256 540 224)**
Operating deficit		**(10 000 828)**	**(7 149 542)**
Loss on foreign exchange transactions	38	-	(319 098)
Fair value adjustments	39	2 237 124	(773 466)
Actuarial gains/ (losses)	24	3 674 999	2 558 881
Impairment of assets	30	(1 199 221)	-
Reversal of impairment on investments	22	5 328 026	-
Loss on investment in controlled entities	40	-	(3 540 026)
Workmen's compensation movement	16	(1 240 111)	(1 236 904)
		8 800 817	**(3 310 613)**
Deficit for the year from continuing operations		**(1 200 011)**	**(10 460 155)**
Loss on transfer of functions	40	-	(5 519 251)
Deficit for the year		**(1 200 011)**	**(15 979 406)**

* See Note 47

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus/ (deficit)	Total net assets/ (liabilities)
Balance at 01 July 2020	**(90 480 500)**	**(90 480 500)**
Changes in net assets/ (liabilities)		
Deficit for the year	(15 979 406)	(15 979 406)
Total changes	(15 979 406)	(15 979 406)
Opening balance as previously reported	(106 384 397)	(106 384 397)
Adjustments		
Prior period restatements (Note 47)	(75 344)	(75 344)
Restated* Balance at 01 July 2021 as restated*	**(106 459 741)**	**(106 459 741)**
Changes in net assets/ (liabilities)		
Deficit for the year	(1 200 011)	(1 200 011)
Total changes	(1 200 011)	(1 200 011)
Balance at 30 June 2022	**(107 659 752)**	**(107 659 752)**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Grants		250 294 346	249 185 388
Interest income		1 490 414	1 021 171
Other receipts		7 877 150	11 944 164
		259 661 910	262 150 723
Payments			
Employee costs		(207 129 167)	(207 977 058)
Suppliers		(51 278 780)	(50 964 007)
		(258 407 947)	(258 941 065)
Net cash flows from operating activities	41	**1 253 963**	**3 209 658**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(5 262 949)	(4 039 634)
Net cash flows from transfer of functions	40	-	1 107 527
Investments recovered	22	5 328 026	-
Net cash flows from investing activities		**65 077**	**(2 932 107)**
Net increase/ (decrease) in cash and cash equivalents		**1 319 040**	**277 551**
Cash and cash equivalents at the beginning of the year		1 323 024	1 045 473
Cash and cash equivalents at the end of the year	6	**2 642 064**	**1 323 024**

* See Note 47

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	2 500 000	(1 511 000)	**989 000**	1 443 730	**454 730**	A
Rental of facilities and equipment	2 067 000	124 000	**2 191 000**	1 988 413	**(202 587)**	B
Interest on outstanding receivables	450 000	(255 000)	**195 000**	278 397	**83 397**	
Licences and permits	400 000	(200 000)	**200 000**	121 698	**(78 302)**	C
Recoveries	-	-	**-**	4 250	**4 250**	
Operating income	4 934 000	(1 108 000)	**3 826 000**	506 953	**(3 319 047)**	F
Interest earned	750 000	553 000	**1 303 000**	1 490 414	**187 414**	E
Total revenue from exchange transactions	**11 101 000**	**(2 397 000)**	**8 704 000**	**5 833 855**	**(2 870 145)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	247 794 000	347 000	**248 141 000**	249 736 951	**1 595 951**	F
Public contributions and donations	-	-	**-**	9 000	**9 000**	
Total revenue from non-exchange transactions	**247 794 000**	**347 000**	**248 141 000**	**249 745 951**	**1 604 951**	
Total revenue	**258 895 000**	**(2 050 000)**	**256 845 000**	**255 579 806**	**(1 265 194)**	
Expenditure						
Employee related costs	(196 249 000)	-	**(196 249 000)**	(196 011 607)	**237 393**	G
Remuneration of councillors	(13 931 000)	-	**(13 931 000)**	(11 117 560)	**2 813 440**	H
Depreciation and amortisation	(4 000 000)	-	**(4 000 000)**	(4 830 971)	**(830 971)**	I
Impairment loss/ Reversal of impairments	-	-	**-**	(1 199 221)	**(1 199 221)**	I
Interest costs and penalties	-	(747 000)	**(747 000)**	(8 943 517)	**(8 196 517)**	J
Lease rentals on operating lease	(386 000)	-	**(386 000)**	(385 384)	**616**	
Reversal of impairment	-	-	**-**	3 532 953	**3 532 953**	K
Assets write - off	-	-	**-**	(3 815 259)	**(3 815 259)**	
Contracted Services	(8 961 000)	(3 295 000)	**(12 256 000)**	(11 064 941)	**1 191 059**	L
Transfers and Subsidies	(11 364 000)	1 163 000	**(10 201 000)**	(11 513 691)	**(1 312 691)**	M
Operating costs	(20 963 000)	(507 000)	**(21 470 000)**	(21 430 657)	**39 343**	N
Total expenditure	**(255 854 000)**	**(3 386 000)**	**(259 240 000)**	**(266 779 855)**	**(7 539 855)**	
Operating surplus/ (deficit)	**3 041 000**	**(5 436 000)**	**(2 395 000)**	**(11 200 049)**	**(8 805 049)**	
Fair value adjustments	-	-	**-**	2 237 124	**2 237 124**	O
Actuarial gains/losses	-	-	**-**	3 674 999	**3 674 999**	U
Reversal on impairment on investment	-	5 328 000	**5 328 000**	5 328 026	**26**	
Workmen's compensation provision	-	-	**-**	(1 240 111)	**(1 240 111)**	W
	-	**5 328 000**	**5 328 000**	**10 000 038**	**4 672 038**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Surplus/(Deficit)	**3 041 000**	**(108 000)**	**2 933 000**	**(1 200 011)**	**(4 133 011)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**3 041 000**	**(108 000)**	**2 933 000**	**(1 200 011)**	**(4 133 011)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	220 000	70 000	**290 000**	401 557	**111 557**	P
Receivables from exchange transactions	10 995 000	(4 000 000)	**6 995 000**	3 654 735	**(3 340 265)**	Q
Receivables from non-exchange transactions	-	-	**-**	1 260 078	**1 260 078**	
Cash and cash equivalents	-	2 739 000	**2 739 000**	2 642 064	**(96 936)**	S
	11 215 000	**(1 191 000)**	**10 024 000**	**7 958 434**	**(2 065 566)**	
Non-Current Assets						
Biological assets that form part of an agricultural activity	264 000	(173 000)	**91 000**	227 945	**136 945**	O
Investment property	7 200 000	(900 000)	**6 300 000**	8 400 000	**2 100 000**	O
Property, plant and equipment	68 378 000	(4 322 000)	**64 056 000**	63 344 738	**(711 262)**	I
Long-term receivables	-	255 000	**255 000**	-	**(255 000)**	
	75 842 000	**(5 140 000)**	**70 702 000**	**71 972 683**	**1 270 683**	
Total Assets	**87 057 000**	**(6 331 000)**	**80 726 000**	**79 931 117**	**(794 883)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	69 741 000	1 329 000	**71 070 000**	70 587 667	**(482 333)**	
Transfers payable (non-exchange)	-	-	**-**	30 444 344	**30 444 344**	
VAT payable	-	-	**-**	815 418	**815 418**	
Employee benefit obligation	-	2 000 000	**2 000 000**	1 848 753	**(151 247)**	U
Unspent conditional grants and receipts	-	-	**-**	1 684 923	**1 684 923**	V
Provisions	14 826 000	928 000	**15 754 000**	13 653 010	**(2 100 990)**	W
	84 567 000	**4 257 000**	**88 824 000**	**119 034 115**	**30 210 115**	
Non-Current Liabilities						
Employee benefit obligation	40 636 102	3 772 000	**44 408 102**	49 729 942	**5 321 840**	U
Provisions	16 000 898	-	**16 000 898**	18 826 812	**2 825 914**	
	56 637 000	**3 772 000**	**60 409 000**	**68 556 754**	**8 147 754**	
Total Liabilities	**141 204 000**	**8 029 000**	**149 233 000**	**187 590 869**	**38 357 869**	
Net Assets	**(54 147 000)**	**(14 360 000)**	**(68 507 000)**	**(107 659 752)**	**(39 152 752)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated deficit	(54 147 000)	(14 360 000)	**(68 507 000)**	(107 659 752)	**(39 152 752)**	T

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	247 794 000	347 000	**248 141 000**	250 294 346	**2 153 346**	V
Interest income	750 000	748 000	**1 498 000**	1 490 414	**(7 586)**	E
Other receipts	14 350 000	(10 099 000)	**4 251 000**	7 877 150	**3 626 150**	A, C
	262 894 000	**(9 004 000)**	**253 890 000**	**259 661 910**	**5 771 910**	
Payments						
Employee costs	(203 587 000)	(200 000)	**(203 787 000)**	(207 528 546)	**(3 741 546)**	G
Suppliers	(52 507 000)	4 492 000	**(48 015 000)**	(50 879 401)	**(2 864 401)**	X
	(256 094 000)	**4 292 000**	**(251 802 000)**	**(258 407 947)**	**(6 605 947)**	
Net cash flows from operating activities	**6 800 000**	**(4 712 000)**	**2 088 000**	**1 253 963**	**(834 037)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(7 600 000)	1 600 000	**(6 000 000)**	(5 262 949)	**737 051**	Z
Proceeds from sale of property, plant and equipment	800 000	(800 000)	**-**	-	**-**	AA
Investments recovered	-	5 328 000	**5 328 000**	5 328 026	**26**	
Net cash flows from investing activities	**(6 800 000)**	**6 128 000**	**(672 000)**	**65 077**	**737 077**	
Net increase/(decrease) in cash and cash equivalents	-	1 416 000	**1 416 000**	1 319 040	**(96 960)**	
Cash and cash equivalents at the beginning of the year	-	1 323 024	**1 323 024**	1 323 024	**-**	
Cash and cash equivalents at the end of the year	**-**	**2 739 024**	**2 739 024**	**2 642 064**	**(96 960)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

A - Service charges over performance is as results of the relaxation of lockdown restrictions that intensified the collections.

B - The decrease is due to the service level agreements of some consumer and rental customers reaching the expiry dates and being in the reviewal process for possible extension.

C - Under-collection was mainly driven by the negative economic effects previously experienced which caused majority of businesses to close down.

D - This is due to over collection of Donaldson Dam revenue based on upliftment of the lockdown restrictions.

E - The over-collection was a result of the interest earned under the FNB call account used for the ring-fencing of grants and statutory obligations. There was also fixed deposits investment made with Standard bank to generate investment revenue.

F - Under-collection is due to the reclassification of LG SETA grant disclosed under grants and no longer under operating income.

G - Over expenditure on employee related costs is due to the current service cost on long service and medical aid liability as non-cash items valued at year-end. The municipality had to settle the outstanding 2.25% increment which was outstanding from the previous financial year.

H - Under-expenditure is due to the concurrence for increasing the councilor's remuneration not being approved by the MEC based on the financial challlenges being faced by the municipality.

I - This is due to depreciation for the year based on the remaining useful life. Management tested the indicators of impairment and assessment was made on the categories of fixed assets.

J - Increase in interest costs and penalties is due to the interest cost accrued for long service award liability, medical aid liability and interest on workman's compensation provision charged.

K - Decrease in impairment is due to commitments shown by consumer debtors and Merafong City Local Municipality in settling their debts.

L - Over expenditure in contracted services relates to expenses incurred on legal fees due to cases currently being defended by the municipality.

M - Variance relates to the computation of pensioners medical aid based on the valuation assessment made at year end for post-retirement benefits on long service award and medical aid liability.

N - Over expenditure is due to an increase in municipal levies and audit fee since the municipality inherited the costs associated with the audit of the agency upon its unwinding process.

O - Fair value gains/ (losses) were not budgeted for because they are valued at year end by qualified experts.

P - Due to cost containment measures in terms of circular 82 and cost containment policy approved by Council limited stock items were procured during the year.

Q - This is due to achieving a better collection rate than it was anticipated and also providing for doubtful debts at year-end.

R - The increase in payable is due to the VAT liability inherited from the transfer of both entity's assets and liabilities in the prior year.

S - The bank had a favourable bank balance at year-end.

T - This is due to the unwinding process of the municipal entity and derecoginition of the investment in controlled entities. The remaining assets and liabilities of the municipal entity were transferred to the District in the prior year.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

U - This results from actuarial valuation performed at year-end and classification of short-term portion of medical aid liability.

V - The unspent of grants is due to the delay in implementing HIV/ Aids programmes due to protective equipment and clothing not procured within the timelines as per the implementation plan.

W - This is due to the increase in workmen's compensation provision and long-service award provision.

X - This is due to the settlement of long outstanding creditors whenever cash is available and it is in terms of the payment arrangements the municipality has with it's suppliers.

Z - This is due to the purchase of the medium pump fire engine and computer equipment for new administration.

AA - The disposal of mayoral house was delayed due to a competitive bidding process timelines which needs to be adhered to in terms of the SCM regulations. Offers received through the competitive bidding process were less than the current market value of the property.

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
2022											
Financial Performance											
Service charges	2 500 000	(1 511 000)	989 000	-		989 000	1 443 730		454 730	146 %	58 %
Investment revenue	750 000	553 000	1 303 000	-		1 303 000	1 490 414		187 414	114 %	199 %
Transfers recognised - operational	238 143 000	347 000	238 490 000	-		238 490 000	240 650 631		2 160 631	101 %	101 %
Other own revenue	7 851 000	(1 439 000)	6 412 000	-		6 412 000	7 084 154		672 154	110 %	90 %
Total revenue (excluding capital transfers and contributions)	**249 244 000**	**(2 050 000)**	**247 194 000**	**-**		**247 194 000**	**250 668 929**		**3 474 929**	**101 %**	**101 %**
Employee costs	(196 249 000)	-	(196 249 000)	-	-	(196 249 000)	(196 011 607)	-	237 393	100 %	100 %
Remuneration of councillors	(13 931 000)	-	(13 931 000)	-	-	(13 931 000)	(11 117 560)	-	2 813 440	80 %	80 %
Debt impairment	-	-	-			-	3 532 953	-	3 532 953	- %	- %
Depreciation and asset impairment	(4 000 000)	-	(4 000 000)			(4 000 000)	(6 030 192)	(2 030 192)	(2 030 192)	151 %	151 %
Interest costs and penalties	-	(747 000)	(747 000)	-	-	(747 000)	(8 943 517)	(8 196 517)	(8 196 517)	1 197 %	- %
Transfers and grants	(11 364 000)	1 163 000	(10 201 000)	-	-	(10 201 000)	(11 513 691)	(1 312 691)	(1 312 691)	113 %	101 %
Other expenditure	(30 310 000)	(3 802 000)	(34 112 000)	-	-	(34 112 000)	(36 696 241)	(2 584 241)	(2 584 241)	108 %	121 %
Total expenditure	**(255 854 000)**	**(3 386 000)**	**(259 240 000)**	**-**	**-**	**(259 240 000)**	**(266 779 855)**	**(14 123 641)**	**(7 539 855)**	**103 %**	**104 %**
Surplus/(Deficit)	**(6 610 000)**	**(5 436 000)**	**(12 046 000)**	**-**		**(12 046 000)**	**(16 110 926)**		**(4 064 926)**	**134 %**	**244 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	9 651 000	-	9 651 000	-		9 651 000	9 651 000		-	100 %	100 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	9 000		9 000	- %	- %
Surplus (Deficit) after capital transfers and contributions	**3 041 000**	**(5 436 000)**	**(2 395 000)**	**-**		**(2 395 000)**	**(6 450 926)**		**(4 055 926)**	**269 %**	**(212)%**
Reversal of impairment on investments	-	(5 328 000)	(5 328 000)	-		(5 328 000)	(5 328 026)		(26)	100 %	DIV/0 %
Workmen's compensation movement	-	-	-	-		-	1 240 111		1 240 111	- %	- %
Surplus/(Deficit) for the year	**3 041 000**	**(108 000)**	**2 933 000**	**-**		**2 933 000**	**(2 363 011)**		**(5 296 011)**	**(81)%**	**(78)%**

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
Cash flows											
Net cash from (used) operating	6 800 000	616 000	7 416 000	-		7 416 000	1 253 963		(6 162 037)	17 %	18 %
Net cash from (used) investing	(6 800 000)	800 000	(6 000 000)	-		(6 000 000)	65 077		6 065 077	(1)%	(1)%
Net increase/(decrease) in cash and cash equivalents	**-**	**1 416 000**	**1 416 000**	**-**		**1 416 000**	**1 319 040**		**(96 960)**	**93 %**	**- %**
Cash and cash equivalents at the beginning of the year	-	1 323 000	1 323 000	-		1 323 000	1 323 024		24	100 %	- %
Cash and cash equivalents at year end	**-**	**2 739 000**	**2 739 000**	**-**		**2 739 000**	**2 642 064**		**96 936**	**96 %**	**- %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2021				
Financial Performance				
Service charges				1 196 906
Investment revenue				1 021 171
Transfers recognised - operational				244 856 831
Other own revenue				5 122 393
Total revenue (excluding capital transfers and contributions)				**252 197 301**
Employee costs	-	-	-	(195 837 834)
Remuneration of councillors	-	-	-	(12 572 380)
Debt impairment	-	-	-	3 027 983
Depreciation and asset impairment	-	-	-	(4 520 305)
Finance charges	-	-	-	(8 453 726)
Transfers and grants	-	-	-	(11 188 748)
Other expenditure	-	-	-	(37 394 793)
Total expenditure	**-**	**-**	**-**	**(266 939 803)**
Surplus/(Deficit)				**(14 742 502)**
Workmen's compensation movement				1 236 904
Surplus/(Deficit) for the year				**(15 979 406)**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				3 209 658
Net cash from (used) investing				(2 932 107)
Net increase/(decrease) in cash and cash equivalents				**277 551**
Cash and cash equivalents at the beginning of the year				1 045 473
Cash and cash equivalents at year end				**1 323 024**

Accounting Policies

Figures in Rand	Note(s)	2022	2021

1. Presentation of Annual Financial Statements

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

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

The municipality have complied with Municipal standard chart of accounts (mSCOA) in terms of mSCOA regulations. The primary objective of mSCOA is to achieve an acceptable level of uniformity and quality from the collection of data. Data is then used to compile both budgets and financial statements. Budget and financial transactions are captured in the system using seven segments code.

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. When any significant judgement and sources of estimation
uncertainty are applicable, they have been disclosed in the relevant notes and policies.

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 16 - Provisions.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for post medical aid retirement obligations are based on current market conditions. Additional information is disclosed in Note 14.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:
- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.6 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.

Accounting Policies

1.6 Investment property (continued)

Fair value

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

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

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

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..

1.7 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	7 - 30 years
Leasehold property	Straight-line	5 - 20 years
Plant and machinery	Straight-line	3 -17 years
Furniture and fixtures	Straight-line	5 - 20 years
Motor vehicles	Straight-line	
Specialised vehicles	Straight-line	5 - 20 years
Other vehicles	Straight-line	3 - 20 years
Office equipment	Straight-line	3 -17 years
Roads and stormwater	Straight-line	20 - 30 years
Water	Straight-line	20 - 30 years
Community facilities	Straight-line	20 - 30 years
Emergency equipment	Straight-line	5 - 15 years
Watercraft	Straight-line	20 - 30 years

Accounting Policies

1.7 Property, plant and equipment (continued)

Security measures	Straight-line	5 - 15 years
Other leased assets	Straight-line	2 - 3 years

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

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.

1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality 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.

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

Accounting Policies

1.8 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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

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

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

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.

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

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

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality’s statement of financial position.

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

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

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

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.

Accounting Policies

1.9 Financial instruments (continued)

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

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.

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Class	Category
Long term receivables	Financial asset measured at cost
Receivables from exchange transactions	Financial asset measured at fair value
Cash and cash equivalents	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Transfers payable (non-exchange)	Financial liability measured at cost
Unspent conditional grants and receipts	Financial liability measured at cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Subsequent measurement

An entity shall measure all financial assets and financial liabilities after initial recognition using the following categories defined in paragraph:
(a) Financial instruments at fair value
(b) Financial instruments at amortised cost
(c) Financial instruments at cost.

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

When financial assets are impaired by credit losses and the entity records the impairment in a separate account (e.g. an allowance account used to record individual impairments or a similar account used to record a collective impairment of assets) rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period for each class of financial assets

The allowance for credit losses arose from consumer debtors which are mainly from rental of facilities as per the lease agreements. The provision factor was based on the type of risk as per risk indicator and payment risk as per the aging bracket.

1.10 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.

Accounting Policies

1.10 Leases (continued)

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.

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

Operating leases - lessee

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

1.11 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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.

1.12 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 and accumulated impairment losses thereon.

Accounting Policies

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

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

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

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

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

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

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

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.

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.

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.

1.13 Employee benefits

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

Accounting Policies

1.13 Employee benefits (continued)

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

- an 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.

A constructive obligation is an obligation that derives from a 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.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Accounting Policies

1.13 Employee benefits (continued)

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

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 (deficit).

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

Accounting Policies

1.14 Provisions and contingencies (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the 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 45.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 Commitments

Items are classified as commitments when an municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Accounting Policies

1.16 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.

Interest, royalties and dividends

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

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

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

1.17 Revenue from non-exchange transactions

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

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

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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

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

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

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.

Measurement

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

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

Transfers

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

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

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

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.

1.17 Revenue from non-exchange transactions (continued)

Grants and subsidies in-kind

Grants and subsidies in kind are recognised as 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.

1.18 Investment income

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

1.19 Comparative figures

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

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.

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

1.21 Fruitless and wasteful expenditure

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

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. All expenditure previously incurred is not classified as fruitless and wasteful expenditure until such expenditure is paid. 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 that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements. All expenditure previously incurred is not classified as irregular expenditure until such expenditure is paid.

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Accounting Policies

1.22 Irregular expenditure (continued)

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

1.23 Budget information

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

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

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

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

1.24 Related parties

A related party is a person or a municipality 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 a municipality 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 municipality 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 a municipality, 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 those family members who may be expected to influence, or be influenced by that person 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 annual financial statements.

Accounting Policies

1.25 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.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 103: Heritage Assets	01 August 2022	Unlikely there will be a material impact
• GRAP 25: Employee Benefits	01 April 2022	Unlikely there will be a material impact
• GRAP 104 (amended): Financial Instruments	01 April 2023	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2023	Unlikely there will be a material impact

3. Inventories

	2022	2021
Consumable stores	102 447	86 153
Fixed assets to be auctioned (1)	299 110	290 121
	401 557	**376 274**

(1) The municipality experienced challenges in disposing non-current assets held for sale during the year due to the delay in procurement processes as a result of Preferential Procurement Regulations of 2017 which were suspended by the constitutional court. The municipality opted to perform the public auction on redundant assets internally and the implementation plan for the public auction has been approved by the senior management team.

4. Receivables from exchange transactions

	2022	2021
Contributions from local municipalities	7 225 800	7 225 800
Other consumer debtors	5 824 230	6 061 178
Fire debtors	-	3 691 891
Prepaid expenses	231 111	-
Impairment of Receivables	(9 626 406)	(13 159 359)
	3 654 735	**3 819 510**
Gross receivables are as follows:		
Contributions from local municipalities	7 225 800	7 225 800
Other consumer debtors	5 824 230	6 061 178
Fire debtors	-	3 691 891
Prepaid expenses	231 111	-
	13 281 141	**16 978 869**
Impairment on receivables above are as follows:		
Contributions from local municipalities	(7 225 800)	(7 225 800)
Other consumer debtors	(2 400 606)	(2 241 668)
Fire debtors	-	(3 691 891)
	(9 626 406)	**(13 159 359)**
Net receivables as per transactions above	**-**	**-**
Total receivables from exchange transactions	3 654 735	3 819 510

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

4. Receivables from exchange transactions (continued)

Trade receivables written off as irrecoverable

Council took a decision to write off fire debtors as irrecoverable during the current financial period.

Fire debtors

Reconciliation of fire debtors is follows:		
Opening balance	3 691 891	3 691 891
Amounts written off as irrecoverable	(3 691 891)	-
	-	**3 691 891**

Trade and other receivables impaired

As of 30 June 2022, trade and other receivables of R 13 050 030 (2021: R 16 978 869) were impaired and provided for.

The amount of the provision was R (9 626 406) as of 30 June 2022 (2021: R (13 159 359)).

The ageing of these debts is as follows:

3 to 6 months	400 149	739 238
Over 6 months	9 226 257	12 420 121

Reconciliation of provision for impairment of trade and other receivables

Opening balance	13 159 359	16 187 342
Reversals of debt impairment provision	(3 532 953)	(3 027 983)
	9 626 406	**13 159 359**

5. Receivables from non-exchange transactions

Government grants and subsidies (HIV/Aids subsidy held by local municipalities)	1 260 078	2 640 032

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 119	16 588
Bank balances	2 268 451	128 372
Short-term deposits	369 494	1 178 064
	2 642 064	**1 323 024**

Ring-fenced conditional grants as concomitant assets

Cash and cash equivalents that are not available for use by the municipality other than conditions intended for. *The funds are ring-fenced for GRAP17 Asset management grant roll-over*.	424 845	-
Cash and cash equivalents that are available for use by the municipality. *The funds are not attached to any conditional grant*.	2 216 349	1 342 572

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

6. Cash and cash equivalents (continued)

The municipality had the following cash and cash equivalents accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	**30 June 2021**	**30 June 2020**	**30 June 2022**	**30 June 2021**	**30 June 2020**
First National Bank - Corporate	2 263 987	51 535	109 039	2 264 818	9 967	124 551
Standard Bank - Corporate	3 596	96 386	69 353	3 633	118 405	69 353
First National Bank - Call Account	366 526	1 175 096	841 486	366 526	1 175 096	841 486
Standard Bank - Call account	2 967	2 967	2 967	2 967	2 967	2 967
Petty Cash	-	-	-	-	23	7 116
First National Bank E-wallet cards	4 118	16 588	-	4 118	16 566	-
Total	**2 641 194**	**1 342 572**	**1 022 845**	**2 642 062**	**1 323 024**	**1 045 473**

7. Biological assets that form part of an agricultural activity

	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Biological assets - Flowers	227 945	-	227 945	90 821	-	90 821

Reconciliation of biological assets that form part of an agricultural activity - 2022

	Opening balance	**Gains or losses arising from changes in fair value**	**Total**
Biological assets - Flowers	90 821	137 124	227 945

Reconciliation of biological assets that form part of an agricultural activity - 2021

	Opening balance	**Gains or losses arising from changes in fair value**	**Total**
Biological assets - Flowers	264 287	(173 466)	90 821

Non-financial information

Quantities of each biological asset		
Biological assets - Flowers	358 440	133 560

The municipality performed a physical verification of all biological assets at 30 June 2022.

A register of all biological assets is available at the Regional planning and Re-industrialisation department of the municipality for inspection. Biological assets are situated at Merafong Flora and Multiflora prices were utilised as a basis of the valuation.

The increase in the value of biological assets is as result of the increase in average unit price of flowers from R5 in the previous financial year to R30.68 in the current financial year. This is as a result of high demand for flowers as potential buyers can now able to attend auction at Multiflora due to the lockdown restrictions being uplifted.

Notes to the Annual Financial Statements

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7. Biological assets that form part of an agricultural activity (continued)

Methods and assumptions used in determining fair value

The fair value of the different varieties of plants (flowers) were determined by the Multiflora Auction Market. Multiflora Auction
Market is the outlet through which the flowers are sold. The increase in fair value is as a result of high demand for flowers as potential buyers can now able to attend auction at Multiflora due to the lockdown restrictions being uplifted.

8. Investment property

	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	8 400 000	-	8 400 000	6 300 000	-	6 300 000

Reconciliation of investment property - 2022

	Opening balance	**Fair value adjustments**	**Total**
Investment property	6 300 000	2 100 000	8 400 000

Reconciliation of investment property - 2021

	Opening balance	**Fair value adjustments**	**Total**
Investment property	6 900 000	(600 000)	6 300 000

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 entity.

Restrictions on the realizability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Amounts recognised in surplus or deficit

From Investment property that generated rental revenue		
Rental revenue	964 072	850 305
Expenses incurred for the year	(166 612)	(184 675)
	797 460	**665 630**

The effective date of the valuation was 30 June 2022. Valuations were performed by an independent valuer, Hangwani Matidza (Professional Valuer-SACPVP Reg no: 4953/7). Hangwani Matidza is not connected to the municipality and has recent
experience in location and category of the investment property being valued.

The valuation was based on rental income payable by BP Southern Africa in terms of the signed rental agreement using the income capitalisation approach.

These assumptions are based on current market conditions

9. Property, plant and equipment

	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	12 118 881	-	12 118 881	12 118 881	-	12 118 881
Buildings	43 456 339	(33 114 316)	10 342 023	43 456 339	(32 445 379)	11 010 960
Plant and machinery	4 396 234	(4 285 455)	110 779	4 610 755	(4 459 244)	151 511
Furniture and fixtures	5 044 535	(4 819 428)	225 107	5 346 445	(4 967 778)	378 667
Motor vehicles	8 044 574	(5 478 061)	2 566 513	8 044 574	(4 592 721)	3 451 853
Infrastructure	10 456 141	(9 865 020)	591 121	10 456 141	(8 570 137)	1 886 004
Security measures	9 034 194	(8 657 750)	376 444	9 034 194	(8 631 502)	402 692
Emergency equipments	3 066 595	(2 903 808)	162 787	3 061 553	(2 957 602)	103 951
Electrical equipment	477 850	(444 153)	33 697	477 850	(371 675)	106 175
Office equipment	12 892 940	(12 014 951)	877 989	12 737 719	(12 103 697)	634 022
Specialised vehicles	54 008 346	(22 128 300)	31 880 046	49 330 806	(19 802 749)	29 528 057
Community Facilities	9 757 656	(5 698 305)	4 059 351	9 757 656	(5 373 556)	4 384 100
Total	**172 754 285**	**(109 409 547)**	**63 344 738**	**168 432 913**	**(104 276 040)**	**64 156 873**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Additions through donations	Write off	Depreciation	Impairment loss	Total
Land	12 118 881	-	-	-	-	-	-	12 118 881
Buildings	11 010 960	-	-	-	-	(655 437)	(13 500)	10 342 023
Plant and machinery	151 511	12 480	(275)	9 000	(2 853)	(59 084)	-	110 779
Furniture and fixtures	378 667	7 982	(2 999)	-	(40 510)	(118 033)	-	225 107
Motor vehicles	3 451 853	-	-	-	-	(885 340)	-	2 566 513
Infrastructure	1 886 004	-	-	-	-	(174 335)	(1 120 548)	591 121
Security measures	402 692	-	-	-	-	(26 248)	-	376 444
Emergency equipment	103 951	79 968	(131)	-	(1 522)	(19 479)	-	162 787
Electrical equipment	106 175	-	-	-	-	(7 305)	(65 173)	33 697
Office equipment	634 022	484 979	(5 584)	-	-	(235 428)	-	877 989
Specialised vehicles	29 528 057	4 677 540	-	-	-	(2 325 551)	-	31 880 046
Community facilities	4 384 100	-	-	-	-	(324 749)	-	4 059 351
	64 156 873	**5 262 949**	**(8 989)**	**9 000**	**(44 885)**	**(4 830 989)**	**(1 199 221)**	**63 344 738**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers	Depreciation	Total
Land	1 425 001	-	10 693 880	-	12 118 881
Buildings	10 891 002	24 116	725 267	(629 425)	11 010 960
Plant and machinery	181 287	-	8 777	(59 943)	151 511
Furniture and fixtures	397 750	-	40 012	(101 853)	378 667
Motor vehicles	289 989	3 889 127	-	(727 263)	3 451 853
Infrastructure	1 786 332	-	258 019	(158 347)	1 886 004
Security measures	173 865	-	250 662	(21 835)	402 692
Emergency equipment	106 191	-	-	(27 308)	103 951
Electrical equipment	75 603	-	36 285	(5 713)	106 175
Office equipment	624 300	126 391	2 863	(228 848)	634 022
Specialised vehicles	31 763 079	-	-	(2 235 022)	29 528 057
Community Facilities	4 708 848	-	-	(324 748)	4 384 100
	52 423 247	**4 039 634**	**12 015 765**	**(4 520 305)**	**64 156 873**

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 entity.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

10. Long-term receivables

Opening balance	78 483	254 916
Expensed	-	(176 433)
Written off	(78 483)	-
Closing balance	**-**	**78 483**

Long term receivables comprises of study assistance that were previously allocated to employees in accordance with Council approved policy. The study assistance has since been abolished on implementation of cost containment measures.

There were movements during the year due to employees meeting the conditions of the study assistance and the remaining amounts owed by employees who are no longer in service of the municipality being written off by Council. Amounts owed by employees who met the requirements of the study loan agreement were written off to profit and loss under the asset written-off line item.

11. Payables from exchange transactions

Trade payables (1)	38 642 711	37 791 398
Unallocated deposits (2)	214 096	-
Debtors with credit balances	40 787	40 787
Third parties outstanding (3)	6 106 300	8 794 200
Leave payable (4)	25 571 248	26 488 908
Other payables	12 525	12 525
	70 587 667	**73 127 818**

(1) A movement in trade payables balance is due to cash flow challenges faced by the municipality. The municipality is presently implementing the financial recovery plan. The municipality negotiated with all its creditors to implement an extended payment plan linked to the dates of receipt of the equitable share. This also includes the trade creditors which has been transferred from the Agency due to the unwinding process.

(2) Unallocated deposits relates to receipts which were not referenced in the bank statements and are presently being investigated.

(3) Third parties outstanding relates to the delayed payments of pension fund contributions and PAYE deductions which were still outstanding as at 30 June 2022.

(4) A decrease in leave payables relates to plans put in place to ensure that employees are encouraged to take leave, failure which may cause them to forfeit their leave days. The municipality does not encash leave days while staff members are still in employment with the municipality. Employees who terminates their services with the municipality are paid up to 48 days.

12. Transfers payable (non-exchange)

Transfers payable	30 444 344	30 444 344

Transfers payable amount relates to amount received from Provincial Human Settlements in terms of implementation protocol and the unspent portion is payable to Gauteng Department of Human Settlements. The funds were withheld with VBS Mutual Bank which was placed under curatorship from 11 March 2018.

13. VAT payable

VAT payables	815 418	869 788

The amount relates to amounts payable to SARS as at 30 June 2022.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

14. Employee benefit obligations

Defined benefit plan

Post-Retirement Medical Plan Obligation (Short-term portion)	1 848 753	1 840 556
Post-Retirement Medical Obligation (Long-term portion)	49 729 942	46 416 299
	51 578 695	**48 256 855**

An actuarial valuation has been performed of the liability in respect of post-employment medical aid benefits to employees and retirees of the WRDM, and to their registered dependents as at 30 June 2022. An independent Actuarial Valuer, which is One Pangaea Financial was appointed by the Municipality to perform these valuations. The company is practicing according to the conditions and requirements of the Actuarial Society of South Africa. D.T. Mureriwa is a qualified member of the Actuarial Society of South Africa.

The valuation considers all employees, retired employees and their dependents who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy. The post-employment medical aid subsidy liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability. The Accounting Standards require that an employer's liability be based on the cost of the benefits provided by the employer.

The Medical Schemes Act 1998 enforces community ratings which means that the contributions payable by retirees are the same as those paid by younger members. The employer's cost can therefore be taken as the expected contributions only, as opposed to the expected cost of actual medical aid benefits.

Post retirement medical aid plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid scheme, most of which offers a range of options pertaining to the levels of cover. Upon retirement a retired employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-on-retirement the surviving dependents may continue membership of the medical scheme.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	48 256 855	45 311 378
Benefits paid	(2 330 411)	(2 315 936)
Net expense recognised in the statement of financial performance	5 652 251	5 261 413
	51 578 695	**48 256 855**

Net expense recognised in the statement of financial performance

Current service cost	2 229 081	2 169 137
Interest cost	5 467 374	5 898 895
Actuarial (gains) losses	(2 044 204)	(2 806 619)
	5 652 251	**5 261 413**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

14. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2022	2021
Discount rate (D)	12,93 %	11,55 %
Consumer price inflation (C)	7,95 %	6,48 %
Health care cost inflation (H)	9,45 %	7,98 %
Net discount rate ((1+D)/(1+H)-1)	3,18 %	3,31 %

Medical Scheme Arrangements

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Contribution Rate Structure

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependents. Some options also differentiate on the basis of income.

Financial Assumptions

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve

Consequently, a discount rate of 12.93% per annum has been used. These rates do not reflect any adjustment for taxation. These rates were reduced from the yield curve obtained from the Bond Exchange of South Africa after the market closed on 30 June 2022.

Key Demographic Assumptions

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

We have assumed continuation of the post-employment health care subsidy would be at 100% of active employees, or their surviving dependents.

It has been assumed that female spouses will be four years younger than their male counterparts. Further, we have assumed that 95% of eligible employees on a health care arrangement at retirement will have an adult dependent. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

14. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	10 601 953	7 596 258
Effect on defined benefit obligation	60 317 900	44 487 302

Amounts for the current and previous four years are as follows:

	2022 R	2021 R	2020 R	2019 R	2018 R
Defined benefit obligation	51 578 695	48 256 855	45 311 378	56 281 496	56 594 036

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2022	2021
Unspent conditional grants and receipts		
GRAP 17 Asset management grant (1)	424 845	-
HIV/AIDS subsidy (2)	1 260 078	2 640 032
	1 684 923	**2 640 032**

(1) This grant was transferred to the municipality to assist with GRAP 17 treatment on asset management. The service provider to perform conditional assessment was appointed late during the year due to further clarification by National Treasury on Preferential Procurement Regulations of 2017 which were suspended by the constitutional court.

(2) Mogale City Local Municipality and Rand West City Local Municipality has unspent funds during the current financial year on HIV/ Aids programmes. The funds are cash-backed by the local municipality.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 25 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment accounts of the local municipalities until utilised.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

16. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Settled during the year	Change in discount factor	Total
Arbitration awards (1)	-	194 272	(194 272)	-	-
Long Service Award provision (2)	17 872 477	954 335	-	-	18 826 812
Performance Bonus (3)	1 058 143	25 033	-	-	1 083 176
Department of labour assessment provision (4)	10 963 606	1 240 111	-	366 117	12 569 834
Interest on pension funds (5)	11 680	-	(11 680)	-	-
	29 905 906	**2 413 751**	**(205 952)**	**366 117**	**32 479 822**

Reconciliation of provisions - 2021

	Opening Balance	Additions	Settled during the year	Change in discount factor	Total
Arbitration awards (1)	1 857 186	-	(1 857 186)	-	-
Long Service Award provision (2)	15 322 106	2 550 371	-	-	17 872 477
Performance Bonus (3)	832 269	225 874	-	-	1 058 143
Department of labour assessment provision (4)	9 511 726	1 236 904	-	214 976	10 963 606
Interest on pension funds (5)	217 314	11 674	(217 308)	-	11 680
	27 740 601	**4 024 823**	**(2 074 494)**	**214 976**	**29 905 906**

	2022	2021
Non-current liabilities	18 826 812	17 872 477
Current liabilities	13 653 010	12 033 609
	32 479 822	**29 906 086**

(1) Arbitration awards relates to the cases awarded to the defendants due to labour disputes.

(2) Long service award provision relates to benefits granted to employees for working with the municipality for 20 years or more.

(3) Performance bonus provision relates to the performance awarded to Section 56 managers calculated at 14% of the total cost to company.

(4) The Department of Labour introduced a new system during the financial year, and correspondence on amounts outstanding sent to municipality. The municipality entered into an arrangement to settle the balance outstanding. At year end, the system could not generate a new assessment due to arrangements in place. The total provision by the municipality is based on 1% of basic earnings.

(5) Interest provision relates to interest charged by pension funds due to late payments.

Arbitration awards

These relates to awards on labour disputes in favour of employees:

	2022	2021
Opening balance	-	1 857 187
Additions during the year	194 272	-
Settled during the year	(194 272)	(1 857 187)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

16. Provisions (continued)

Long service awards

Opening accrued liability	17 872 477	15 322 106
Current service cost	1 147 557	1 037 477
Current interest	1 437 573	1 265 156
Actuarial (gain)/ loss during the year	(1 630 795)	247 738
	18 826 812	**17 872 477**

Performance bonus

This relates to bonuses for section 56 managers:

Opening liability accrued	1 058 143	832 269
Movement based on year-end assessment	25 033	225 874
	1 083 176	**1 058 143**

Department of labour assessment provision

This relates to provision for workmen's compensation:

Opening liability accrued	10 963 606	9 511 726
1% of basic earnings	1 240 111	1 236 904
Interest charged	366 117	214 976
	12 569 834	**10 963 606**

Employee benefit cost provision

This relates to interest on late payments to benefit funds:

Opening liability accrued	11 680	217 314
Interest charged on late payments	-	11 670
Settled during the year	(11 680)	(217 304)
	-	**11 680**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

17. Service charges

Electricity on properties rented out	519 000	231 747
Fire and rescue services	924 730	965 159
	1 443 730	**1 196 906**

18. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities (Shops and BP garage)	1 966 338	1 753 549
Parking spaces	22 075	8 478
	1 988 413	**1 762 027**

19. Licences and permits (exchange)

Atmospheric air quality licensing	30 435	104 278
Health Certificates	91 263	-
	121 698	**104 278**

20. Recoveries

Insurance claims	-	57 843
Recovery - Municipal expenditure	4 250	-
	4 250	**57 843**

21. Operating income

Donaldson Dam revenue (1)	254 965	51 183
Sale of bid documents	15 218	8 568
Commission	78 353	73 430
Sale of plants	25 867	-
Rural asset management implementation fee (3)	132 550	-
	506 953	**133 181**

(1) Donaldson Dam revenue relates to income from the following sources:
- Gate takings
- Fish catch and release

(2) The amount received from LG SETA relates to amounts claimed training of staff members and stipends paid to interns.

(3) Rural asset management implementation fee relates to 5% fee agreement between the municipality and the transferring department on rural asset management implementation as per the business plan.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

22. Reversal of impairment on investments

Refund from VBS Bank	5 328 026	-

The refund relates to payment of a claim that was made with the first distribution account on VBS Bank liquidation process. This relates to a reversal of impairment that was made during 2018/19 financial year when investments were impaired through profit and loss.

23. Interest earned

Interest revenue		
Favourable bank balance	10 099	2 576
Call account	1 297 171	1 018 595
Fixed deposit	183 144	-
	1 490 414	**1 021 171**

The call account and fixed deposit investment were opened with the intention of ring-fencing conditional grants.

Funds in the call account are available on demand.

24. Actuarial gains/ losses

Actuarial gains/ losses is made up of the following;

Long service award	1 630 795	(247 738)
Post Employment Medical Subsidy	2 044 204	2 806 619
	3 674 999	**2 558 881**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

25. Government grants and subsidies

Operating grants		
Equitable share	45 139 000	42 470 000
RSC Replacement grant	177 450 000	181 276 000
Expanded public works programme	1 090 000	1 020 000
Financial management grant	1 000 000	1 000 000
GRAP 17 Asset management grant	575 155	-
HIV/AIDS grant	11 364 000	11 223 000
LG Seta Grant	3 600 346	4 749 695
Rural asset management grant	2 518 450	3 118 136
	242 736 951	**244 856 831**
Capital grants		
Fire brigade service grant	7 000 000	-
	249 736 951	**244 856 831**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	27 147 951	21 110 831
Unconditional grants received	222 589 000	223 746 000
	249 736 951	**244 856 831**

Equitable share

Current-year receipts	45 139 000	42 470 000
Transferred to revenue	(45 139 000)	(42 470 000)
	-	-

The grant used for Labour Intensive programmes as outlined by National Government.

Expanded public works programme

Current-year receipts	1 090 000	1 020 000
Conditions met - transferred to revenue	(1 090 000)	(1 020 000)
	-	-

The grant used for Labour Intensive programmes as outlined by National Government.

Financial management grant

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	-

The grant is used to promote and support reforms in financial management by building capacity in the municipality.

RSC Replacement grant

Current-year receipts	177 450 000	181 276 000
Conditions met - transferred to revenue	(177 450 000)	(181 276 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

25. Government grants and subsidies (continued)

The grant used as revenue adjustment factor as the district does not collect own revenue from service levies.

GRAP 17 Asset management grant

Current-year receipts	1 000 000	-
Transferred to revenue	(575 155)	-
	424 845	**-**

Conditions still to be met - remain liabilities (see note 15).

The grant used for conditional assessment and asset verification on Property, plant and equipment in adherence to GRAP reporting framework.

HIV/AIDS grant

Current-year receipts	11 364 000	11 223 000
Conditions met - transferred to revenue	(11 364 000)	(11 223 000)
Concomitant assets held by local municipalities	1 260 078	2 640 032
Roll-over applications by local municipalities	(1 260 078)	(2 640 032)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Grant is utilised to finance HIV/AIDS project campaigns at the WRDM and its constituent Local Municipalities.

Rural asset management grant

Balance unspent at beginning of year	-	503 196
Current-year receipts	2 651 000	2 615 000
Conditions met - transferred to revenue	(2 518 450)	(3 118 196)
Rural asset management implementation fee (5%)	(132 550)	-
	-	-

This grant is used to improve asset management at rural and farming areas.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

25. Government grants and subsidies (continued)

Fire brigade service grant

Current-year receipts	7 000 000	-
Conditions met - transferred to revenue	(7 000 000)	-
	-	-

This grant is utilised to subsidise fire and rescue service operations since the fire services function is an unfunded mandate. This assisted the municipality in purchasing a medium pumper fire engine, to repair existing emergency vehicles and buying uniform for fire service officials.

LG Seta Grant

Current-year receipts	3 600 346	4 749 695
Conditions met - transferred to revenue	(3 600 346)	(4 749 695)
	-	-

The grant relates to amounts claimed training of staff members and stipends paid to interns.

Neighborhood Development Partnership Grant

The grant is used for the development of Regional capital projects within West Rand region. The neighbourhood development partnership grant was indirectly gazetted to the municipality as a schedule 6B grant. The grant is therefore classified as technical assistance (TA) and not a conditional grant (CG). This means the transferring department makes direct payments of the project being implemented to the service provider.

Water Infrastructure Grant

The Grant is used to facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities Provide basic and intermittent water and sanitation supply that ensures provision of services to identified and prioritised communities, including spring protection and groundwater development. It support municipalities in implementing water conservation and water demand management (WC/WDM) projects. It further support the close-out of the existing Bucket Eradication Programme intervention in formal residential areas and also support drought relief projects in affected municipalities

The Water Infrastructure Grant was indirectly gazetted as a schedule 6B grant. The grant is therefore classified as technical assistance (TA) and not a conditional grant (CG). This means the transferring department makes direct payments of the project being implemented to the service provider.

26. Public contributions and donations

In-kind donations and assistance relates to the following:		
Bush cutters donated	9 000	-

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

27. Employee related costs

Basic	121 123 994	120 184 348
Bonus	9 024 084	9 311 663
Medical aid - company contributions	11 964 672	12 020 000
UIF	695 601	625 374
SDL	1 514 147	1 515 564
Leave pay provision charge	831 747	3 779 837
Pension fund contribution	22 657 013	22 690 451
Group Insurance	2 125 469	2 112 537
Travel, motor car, accommodation, subsistence and other allowances	11 437 740	9 385 680
Overtime payments	127 964	79 419
Acting allowances	1 042 689	844 937
Housing benefits and allowances	1 082 295	1 144 593
Standby and night shift allowance	8 966 302	8 896 307
Bargaining council	41 252	40 510
Current service cost	3 376 638	3 206 614
	196 011 607	**195 837 834**

Remuneration of Municipal Manager (E.M Koloi)

Annual Remuneration	1 158 126	1 125 192
Car Allowance	216 000	216 000
Acting allowance	198 251	246 105
Other	16 543	12 987
	1 588 920	**1 600 284**

Mr. M.E Koloi has been acting as the Municipal Manager from 1 November 2020 to 13 December 2021 and from 12 January 2022 to 30 April 2022. Mr M.E Koloi was appointed as the Municipal Manager by Council and his 5 year term began on 01 May 2022.

Remuneration of Chief Financial Officer (L.S Ramaele)

Annual Remuneration	1 041 894	1 041 894
Car Allowance	216 000	216 000
Other	12 272	10 242
	1 270 166	**1 268 136**

Mr. L.S Ramaele was appointed by Council as the Chief Financial Officer and his 5 year term began on 1 March 2020.

Remuneration of Executive Manager: Corporate Services (G Magole)

Annual Remuneration	567 399	-
Other	5 135	-
	572 534	**-**

Ms. G Magole was appointed by Council as the Executive Manager: Corporate services and her 5 year term began on 1 December 2021.

Figures in Rand	2022	2021

27. Employee related costs (continued)

Remuneration of Acting Executive Manager: Corporate Services (K. Tsoane)

Acting allowance	63 884	-

Ms R Mokebe's resigned from employment on the 30 June 2021. Mr K Tsoane was appointed as Acting EM: Corporate Services from 1 July 2021 to 30 November 2021.

Remuneration of Executive Manager: Corporate Services (R Mokebe)

Annual Remuneration	-	1 065 192
Car Allowance	-	276 000
Other	-	10 836
	-	**1 352 028**

Ms R Mokebe's resigned from employment on the 30 June 2021. Mr K Tsoane was appointed as Acting EM: Corporate Services from 1 July 2021 to 30 November 2021.

Remuneration of Executive Manager: Regional planning and Reindustrialisation (Z. Mphaphuli)

Annual Remuneration	1 041 894	-
Car Allowance	216 000	-
Acting allowance	-	49 131
Other	14 101	-
	1 271 995	**49 131**

Mr. Z Mphaphuli was appointed by Council as the Executive Manager: Regional Planninng and Reindustrialisation and his 5 year term began on 1 July 2021.

Remuneration of Acting Executive Manager: Regional planning and Reindustrialisation (M. Nevhungoni)

Acting allowance	-	20 492

Mr. M. Nevhungoni has been the acting Executive Manager: Regional planning and Reindustrialisation from 1 July 2020 to 31 March 2021.

Remuneration of Executive Manager: Health & Social Services (Dr M Daka)

Annual Remuneration	1 257 894	-
Other	12 704	-
	1 270 598	**-**

Dr. M Daka was appointed by Council as the Executive Manager: Health and Social Development and her 5 year term began on 1 July 2021.

Remuneration of Acting Executive Manager: Health & Social Services (OTN Makhoba)

Acting allowance	-	96 322

Following the demise of Ms MM Mazibuko, Mr. OTN. Makhoba acted as the acting Executive Manager: Health and Social Services from 1 February 2021 to 30 June 2021.

Notes to the Annual Financial Statements

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27. Employee related costs (continued)

Remuneration of Executive Manager: Health & Social Services (MM Mazibuko)

Annual Remuneration	-	656 362
Car Allowance	-	126 000
Other	-	7 576
	-	**789 938**

Ms MM Mazibuko contract ended on mid-January 2021 due to her demise.

Remuneration of Acting Executive Manager: Public Safety (H.N.J Kahts)

Acting allowance	96 388	-

Mr. H.N.J Kahts has been the acting as Executive Manager: Public Safety from 1 November 2019 to date.

28. Remuneration of councillors

Executive Mayor	625 275	909 779
Mayoral Committee Members	3 770 396	5 166 492
Speaker	509 608	823 915
Councillors	6 212 281	5 672 194
	11 117 560	**12 572 380**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor and Speaker have a right of use of municipal vehicle for official duties as per Councilors upper limits gazette.

29. Depreciation and amortisation

Property, plant and equipment	4 830 971	4 520 305

30. Impairment of assets

Impairments		
Property, plant and equipment The impairment loss expense is as a result of infrastructure assets at the Donaldson dam and Cut Foliage Farm being in a poor condition. The condition of the impaired assets has resulted in the municipality not being able to derive any service potential from these assets, deeming the recoverable service amount to be nil.	1 199 221	-

The main classes of assets affected by impairment losses are:

Infrastructure assets at Donaldson Dam

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The impairment loss expense is as a result of infrastructure assets at the Donaldson dam and Cut Foliage Farm being in a poor condition. The condition of the impaired assets has resulted in the municipality not being able to derive any service potential from these assets, deeming the recoverable service amount to be nil.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

31. Interest costs and penalties

Interest charged by creditors	1 672 453	1 063 029
Interest cost - actuarial valuations	6 904 947	7 164 051
Department of Labour	366 117	214 976
Interest on late payments of pension funds	-	11 670
	8 943 517	**8 453 726**

32. Lease rentals on operating lease

Motor vehicles		
Contractual amounts	-	7 456
Equipment		
Contractual amounts	385 384	200 693
	385 384	**208 149**

33. Contributions to/ (reversals) of debt impairment provision

Contributions to debt impairment provision	(3 532 953)	(3 027 983)

The municipality reversed the debt impairment provision due to commitments honoured by consumer debtors.

34. Assets writen off

Study assistance expensed	-	176 433
Study assistance-written off	78 483	-
Fire debtors- written off	3 691 891	-
Property, plant and equipment- written off	44 885	-
	3 815 259	**176 433**

The write off relates to the following:
* study loans assistance were employees completed their studies and the amounts were expensed.
* study loans were employees are no longer in the service of the municipality and amounts are no longer recoverable.
* fire debtors written off were services were offered to indigents in informal settlements.
* property, plant and equipment written off which no longer exists and were scrapped through the asset management policy.

35. Contracted services

Outsourced Services		
Qualification verification	9 293	-
Business and Advisory	18 000	24 744
Training services	-	328 750
Security Services	3 271 608	3 020 596
Consultants and Professional Services		
Business and Advisory	1 453 129	630 687
Infrastructure and Planning	1 677 763	651 980
Legal Cost	3 080 284	759 302
Contractors		
Maintenance of Buildings and Facilities	29 655	-
Maintenance of vehicles	1 525 209	115 489
	11 064 941	**5 531 548**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

36. Transfers and subsidies

Other subsidies		
Roll-over not approved (1)	1 163 000	814 983
Local Municipalities HIV/ Aids Subsidy	10 200 169	10 308 265
Bereavement subsidy	150 522	65 500
	11 513 691	**11 188 748**

(1) Roll over not approved relates to the unspent grant relating to HIV/ Aids subsidy which was surrendered back to Gauteng Revenue Fund.

37. Operating costs

Advertising	222 015	225 142
Auditors remuneration (1)	3 239 734	2 676 645
Bank charges	47 740	57 414
Insurance	2 437 712	2 095 815
Branding	-	1 208
Municipal Levies	3 599 549	3 803 516
Fuel and oil	985 050	777 521
License fees	127 604	112 799
Software expenses	3 525 013	3 380 667
Subscriptions and membership fees (2)	2 238 584	2 933 574
Telephone and fax	928 415	1 189 329
Training (3)	3 377 594	3 564 112
Uniforms and protective clothing (4)	429 560	74 625
Stock and material	267 487	183 717
Traffic Fines	4 600	3 000
	21 430 657	**21 079 084**

(1) Audit fees includes invoices for the audit work performed for West Rand Development Agency for 2020/21 financial period.

(2) A reduction in subscription and membership fees is due to reduction in number of employees during 2021/22 financial period.

(3) Training costs relate to training programmes provided to learners as part of the LG SETA programme.

(4) Protective clothing includes uniform procured for fire services employees.

38. Loss on foreign exchange transactions

Microsoft licenses	-	319 098

The loss on foreign exchange transaction was incurred during the level 5 lockdown period when the municipality settled outstanding Microsoft license to Microsoft Ireland and the Rand dollar exchange was unfavourable at the time

39. Fair value adjustments

Investment property (Fair value model)	2 100 000	(600 000)
Biological assets - (Fair value model)	137 124	(173 466)
	2 237 124	**(773 466)**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

40. Loss on transfer of functions

Transfer of assets and liabilities occurring during the current reporting period

The municipal entity involved in the transfer is West Rand Development Agency

The transfer was due to the Council decision to disestablish the municipal entity through the unwinding process because of financial challenges.

The transfer of assets and liabilities took place during the 2021 financial year.

The transfer was finalised on Wednesday, 31 March 2021.

Value of the assets transferred and liabilities assumed

Assets acquired		
Property, plant and equipment	-	12 015 766
Cash and cash equivalents	-	1 107 527
	-	**13 123 293**
Liabilities assumed		
VAT payable	-	1 582 236
Transfers payable	-	2 000 000
Leave payable	-	199 753
Trade creditors	-	3 822 053
	-	**7 604 042**
Adjustments to the basis of accounting		
Derecognition of the investment in controlled entities to profit or loss	-	3 540 026
Loss on transfer of municipal entity	-	5 519 251
	-	**9 059 277**
Cost of investment in controlled entities	**-**	**14 578 528**
Derecognition of investment in controlled entities	**-**	**14 578 528**

Contingent liabilities and contingent assets attributable to a transfer of functions

Vodacom service provider where services are provided for telephone and mobile. The account has been long outstanding and has been written off per the statement of account however the debt might be handed over to third party for collection.

Aurecon service provider where services are provided for legal issues. The account has been long outstanding and has been written off per the statement of account however the debt might be handed over to third party for collection.

Revenue and expenditure attributable to a transfer of functions

Donaldson dam revenue collected on gate takings and contract with AfriGold for fishing catch and release.

Transfer of functions of the municipal entity occurring after the end of the reporting period but before the financial statements are authorised for issue

All transactions which occurred after the finalisation of the unwinding process were accounted for the Parent municipality's records.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

41. Cash generated from operations

Deficit	(1 200 011)	(15 979 406)
Adjustments for:		
Depreciation and amortisation	4 830 971	4 520 305
Movement on WCA	1 240 111	1 236 904
Fair value adjustments	(2 237 124)	773 466
Impairment loss	1 199 221	-
Reversal of Debt impairment	(3 532 953)	(3 027 983)
Assets written off	3 815 259	176 433
Movements in retirement benefit assets and liabilities	3 321 840	2 945 477
Movements in provisions	2 573 736	2 165 305
Other non-cash items	(6 796 386)	14 710
Additions - donations	(9 000)	-
Changes in working capital:		
Inventories	(25 283)	3 954
Receivables from exchange transactions	164 775	4 647 783
Other receivables from non-exchange transactions	1 379 954	3 202 932
Long-term receivables	78 483	176 433
Payables from exchange transactions	(2 540 151)	(5 353 223)
VAT	(54 370)	6 384 655
Unspent conditional grants and receipts	(955 109)	1 321 913
	1 253 963	**3 209 658**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

42. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At fair value	Total
Receivables from exchange transactions	3 654 735	3 654 735
Receivables from non-exchange transactions	1 260 078	1 260 078
Cash and cash equivalents	2 642 064	2 642 064
	7 556 877	**7 556 877**

Financial liabilities

	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	(38 910 119)	-	(38 910 119)
Transfers payable (non-exchange)	-	(30 444 344)	(30 444 344)
Unspent conditional grants and receipts	-	(1 684 923)	(1 684 923)
	(38 910 119)	**(32 129 267)**	**(71 039 386)**

2021

Financial assets

	At fair value	At cost	Total
Long term receivables	-	78 483	78 483
Receivables from exchange transactions	3 819 510	-	3 819 510
Receivables from non-exchange transactions	2 640 032	-	2 640 032
Cash and cash equivalents	1 323 024	-	1 323 024
	7 782 566	**78 483**	**7 861 049**

Financial liabilities

	At amortised cost	At cost	Total
Trade and other payables from exchange transactions	(37 844 710)	-	(37 844 710)
Transfers payable (non-exchange)	-	(30 444 344)	(30 444 344)
Unspent conditional grants and receipts	-	(2 640 032)	(2 640 032)
	(37 844 710)	**(33 084 376)**	**(70 929 086)**

43. Segment information

43. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Community Service (Public safety)	Community Service (Health)	Economic Development and Regional Planning	Other	Total
Revenue					
Revenue from non-exchange transactions	111 509 734	45 977 717	23 788 040	68 470 460	249 745 951
Revenue from exchange transactions	1 601 726	35 035	396 216	1 147 464	3 180 441
Reversal of impairment on investments	-	-	-	5 328 026	5 328 026
Interest on investment	-	-	-	1 490 414	1 490 414
Fair value adjustment	-	-	-	2 237 124	2 237 124
Actuarial gains/ (losses)	-	-	-	3 674 999	3 674 999
Total segment revenue	**113 111 460**	**46 012 752**	**24 184 256**	**82 348 487**	**265 656 955**
Entity's revenue					**265 656 955**
Expenditure					
Salaries expenses	94 951 575	41 660 166	19 425 603	51 091 823	207 129 167
Depreciation and amortisation	2 430 363	324 749	181 639	1 894 237	4 830 988
Finance costs	-	-	-	8 943 517	8 943 517
Other	12 450 574	8 560 540	7 560 889	14 941 959	43 513 962
Impairment on assets	-	-	-	1 199 221	1 199 221
Workmen's compensation movement	-	-	-	1 240 111	1 240 111
Total segment expenditure	**109 832 512**	**50 545 455**	**27 168 131**	**79 310 868**	**266 856 966**
Total segmental surplus/(deficit)					**(1 200 011)**
Assets					
Segment assets	40 798 050	5 213 614	3 616 431	30 303 022	79 931 117
Total assets as per Statement of financial Position					**79 931 117**

Notes to the Annual Financial Statements

Figures in Rand

43. Segment information (continued)

	Community Service (Public safety)	Community Service (Health)	Economic Development and Regional Planning	Other	Total
Liabilities					
Segment liabilities	62 894 553	23 020 518	31 715 102	69 960 696	187 590 869
Total liabilities as per Statement of financial Position					**187 590 869**

The following factors are used to identify the municipality's reportable segments:
- Municipal vote as per the municipal budget and reporting regulations
- The outcomes as per the service delivery and budget implementation plan

The reporting segments segments are aggregated since the exhibit similar economic characteristics and other operating similarities. This relates to segments that provides supporting services to the service delivery segments.

The types of services delivered by each segment are as follows:
- Public safety segment provides emergency, community and fire fighting services to the community.
- Health segment provides the health and social services to the community.
- Regional planning segment provides integrated planning and infrastructure services to the community.
- Other segments provide support services to public safety, health and regional planning. This includes governance, financial and corporate services.

Notes to the Annual Financial Statements

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43. Segment information (continued)

2021

	Community Service (Public safety)	Community Service (Health)	Economic Development and Regional Planning development	Others	Total
Revenue					
Revenue from non-exchange transactions	110 945 520	41 157 140	21 118 136	66 886 340	240 107 136
Revenue from exchange transactions	1 196 903	104 278	51 183	6 910 011	8 262 375
Interest on investment	-	-	-	1 021 171	1 021 171
Actuarial gains/ (losses)	-	-	-	2 558 881	2 558 881
Total segment revenue	**112 142 423**	**41 261 418**	**21 169 319**	**77 376 403**	**251 949 563**
Entity's revenue					**251 949 563**
Expenditure					
Salaries expenses	91 124 396	20 025 588	17 458 883	79 801 347	208 410 214
Depreciation and amortisation	2 074 108	324 748	164 060	1 957 389	4 520 305
Finance costs	-	-	-	8 453 726	8 453 726
Other	11 345 004	8 056 489	6 121 319	9 633 167	35 155 979
Loss on foreign exchange transactions	-	-	-	319 098	319 098
Fair value adjustments	-	-	-	773 466	773 466
Loss on investment in controlled entities	-	-	3 540 026	-	3 540 026
Workmen's compensation movement	-	-	-	1 236 904	1 236 904
Total segment expenditure	**104 543 508**	**28 406 825**	**27 284 288**	**102 175 097**	**262 409 718**
Total segmental surplus/(deficit)					**(10 460 155)**
Loss on transfer of functions					(5 519 251)
Assets					
Segment assets	39 489 600	5 002 340	3 842 288	30 450 789	78 785 017

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Figures in Rand

	Community Service (Public safety)	Community Service (Health)	Economic Development and Regional Planning development	Others	Total
43. Segment information (continued)					
Total assets as per Statement of financial Position					**78 785 017**
Liabilities					
Segment liabilities	61 340 600	21 345 980	31 990 540	70 567 803	185 244 923
Total liabilities as per Statement of financial Position					**185 244 923**

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

The following factors are used to identify the municipality's reportable segments:
- Municipal vote as per the municipal budget and reporting regulations
- The outcomes as per the service delivery and budget implementation plan

The reporting segments segments are aggregated since the exhibit similar economic characteristics and other operating similarities. This relates to segments that provides supporting services to the service delivery segments.

The types of services delivered by each segment are as follows:
- Public safety segment provides emergency, community and fire fighting services to the community.
- Health segment provides the health and social services to the community.
- Regional planning segment provides integrated planning and infrastructure services to the community.
- Other segments provide support services to public safety, health and regional planning. This includes governance, financial and corporate services.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

44. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	450 000	600 000
• Construction of Multi-purpose centre (on behalf of Rand West City local municipality)	43 000 000	-
	43 450 000	**600 000**
Not yet contracted for and authorised by director		
• Property, plant and equipment	2 200 000	7 000 000
Total capital commitments		
Already contracted for but not provided for	43 450 000	600 000
Not yet contracted for and authorised by director	2 200 000	7 000 000
	45 650 000	**7 600 000**

The municipality committed a capital amount of R45.5 million which relates to the construction of multi-purpose center in Finsbury, outright purchase of emergency veld fire vehicles and ICT equipment.

Authorised operational expenditure

Already contracted for but not provided for		
• Security services	2 763 472	5 759 034
• Insurance Services	2 501 930	1 998 794
• Operationalisation of RRAMS Programme	2 775 000	2 452 287
• Cellphone Services	994 455	1 852 748
• Integrated financial management system	3 781 285	3 520 672
• Vehicle tracking system	62 677	109 004
• Advertising agencies	250 000	300 000
• VAT review services	506 557	322 541
• Maintenance of municipal assets	855 000	1 175 204
• Conditional assessment on fixed assets and investment property valuation	735 845	-
	15 226 221	**17 490 284**
Not yet contracted for and authorised by the accounting officer		
• Supply and Delivering of Photocopy Machines and Digital Office Automation Equipments	-	1 119 795
• Provision of uniform and PPE	-	600 000
• Pauper burials	220 000	211 202
• Conditional assessment on fixed assets and investment property valuation	-	869 565
• Actuarial valuations	20 700	21 304
	240 700	**2 821 866**
Total operational commitments		
Already contracted for but not provided for	15 226 221	17 490 284
Not yet contracted for and authorised by director	240 700	2 821 866
	15 466 921	**20 312 150**

Amounts in operational commitments relates to figures committed to be spend for the next 12 months.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

44. Commitments (continued)

Total commitments

Both contracted and not yet contracted for		
Authorised capital expenditure	45 650 000	7 600 000
Authorised operational expenditure	15 466 921	20 312 150
	61 116 921	**27 912 150**

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	321 321	-
- in second to fifth year inclusive	401 652	-
	722 973	**-**

The operating lease commitment related to the lease of municipal vehicles and printing equipment.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	1 832 512	1 851 745
- in second to fifth year inclusive	461 405	2 094 398
	2 293 917	**3 946 143**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

45. Contingencies

PJ Venter vs WRDM Statement of claim for damages. Responding affidavit filed. The municipality is a defendant in this case.	4 300 000	-
Former municipal manager vs WRDM This follows the Council decision to lapse the contract of the former municipal manager. Exchange of pleadings The municipality is a defendant in this case.	3 881 377	-
Imatu on behalf of employees vs WRDM Plaintiff claiming the reimbursement of locomotion allowance which was unfairly suspended from November 2017. The municipality is a defendant in this case.	10 255 307	10 255 307
Phungo Incorporated Outstanding legal fees- Defendant appointed the Plaintiff to handle legal matters which included litigations, legal opinions and chairing disciplinary hearings. The Defendant owes the Plaintiff and invoices of services rendered were not submitted to the Defendant. The municipality is a defendant in this case.	-	1 097 125
	18 436 684	**11 352 432**

Contingent assets

VBS Mutual Bank was placed under curatorship on 11 March 2018. On the 14 March 2018, the curator informed the municipality that he will consider the interests of all depositors and creditors. The WRDM made investments in terms of Section 13 of the MFMA supported by Council approved policy.

The curator is currently assessing the liquidity position of VBS Mutual Bank and is developing possible remedial strategies. No further notification from the curator was received by the municipality since March 2018. The municipality expects that an inflow of economic benefits (recovery of investments) is probable, however cannot reliably determine the extent of the amounts of the investments that will probably be recovered.

In a meeting of November 2019, the Liquidator allowed for the submission of claims from other creditors (to allow assistance to unrepresented claimants). A Liquidation and Distribution account was due to be filed in terms of the Companies Act and in May 2020, the Liquidator applied for an extension of time from the Master of the High Court.

A claim for the first distribution account was approved by the liquidator and paid to the municipality during 2021/22 financial period. The municipality has lodged another claim against other distribution accounts.

46. Related parties

Relationships

Accounting Officer	Refer to Accounting Officer's report
Members of key management	Mr E.M Koloi: Accounting Officer Mr L.S Ramaele: Chief Financial Officer Mr Z. Mphaphuli: Executive Manager - Regional & Economic Development Ms G. Magole: Executive Manager - Corporate Services Dr M Daka: Executive Manager - Health & Social Development N. Kahts: Acting Executive Manager - Public Safety

Related party balances

Refer to note 27 on remuneration of members of key management.

To the best of the WRDM knowledge and taking into account all disclosures made, no councillor or official has any direct or indirect personal or private business in any matter before the council, or acquired or stand to acquire any direct benefit from contract concluded with the municipality.

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46. Related parties (continued)

Remuneration of those charged with governance

Members of Council

2022 (prior to 2021 Local Government Elections)	Fee as a member of council	Other Short term benefits	Other Benefits received	Total
D.S Thabe (Executive Mayor)	239 442	79 783	2 543	321 768
Ald. N Tundzi-Hawu (Speaker)	205 125	84 056	2 198	291 379
Ald. F.O Bhayat (MMC: Financial Services)	111 927	38 581	1 430	151 938
D.D Moreotsenye (MMC: Corporate and Shared Services)	192 305	79 783	2 071	274 159
S. Konopi (MMC: Transport and Human Settlements)	192 305	79 783	2 071	274 159
M.J Selibo (MMC: Infrastructure)	95 252	40 227	1 291	136 770
B. Xulu (MMC: Health and Social Services)	192 305	79 783	2 281	274 369
P. Chabane (MMC: Regional Industrialisation)	123 684	42 500	1 579	167 763
Ald. T.P Matuwane (MMC: Environmental Management)	192 305	79 783	2 071	274 159
H.O Butler (MMC: Public Safety)	192 305	79 783	2 593	274 681
S.P Monoane (Council Whip)	192 305	79 783	2 071	274 159
V.B Khumalo (MPAC Chairperson)	118 044	47 824	1 580	167 448
Ald. J Zwart	15 676	8 476	242	24 394
Ald. D.H Pretorius	80 378	42 473	1 175	124 026
G.S Isherwood	80 378	42 473	1 175	124 026
Ald. B.D Blake	80 378	42 473	1 175	124 026
M.N Ndzilane	80 378	42 473	957	123 808
A.L Rowles-Zwart	80 378	42 473	1 175	124 026
R.T Molusi	80 378	42 473	1 175	124 026
K Mandyu	80 378	42 473	957	123 808
J.D.H Du Bruyn	37 931	20 044	445	58 420
B.A Mpeke	15 676	8 476	242	24 394
M Ndamase	-	18 676	187	18 863
A.J Van Tonder	15 676	8 476	242	24 394
P.C Orpen	-	12 556	126	12 682
M. Nkoe	15 676	8 476	242	24 394
B. Van Der Berg	15 676	8 476	242	24 394
K.E Lekagane	-	15 616	156	15 772

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Figures in Rand	2022	2021

46. Related parties (continued)

J.N Kotze	-	17 656	177	17 833
W. Segolodi	-	14 596	146	14 742
X.L Mkruquli	-	14 596	146	14 742
L Modise	-	18 676	187	18 863
M.M Sello	-	21 736	217	21 953
B.R Mafika	15 676	8 476	242	24 394
W.S Njani	15 676	8 476	242	24 394
M. Myeki	72 045	30 267	-	102 312
M.P Teleko	15 676	8 476	242	24 394
J.L Pannall	-	15 616	156	15 772
M. Naki	15 676	8 476	242	24 394
H.H Hild	15 676	8 476	242	24 394
I.M Merabe	15 676	8 476	242	24 394
H.B Munyai	15 676	8 476	242	24 394
M.L Agondo	-	18 676	187	18 863
I.M Rebelo	80 378	42 473	1 175	124 026
A Steyn	23 481	20 690	422	44 593
	3 011 897	**1 492 566**	**38 199**	**4 542 662**

2022 (subsequent to 2021 Local Government Elections)

Name	Fee as a member of council	Other short-term benefits	Other benefits received	Total
Cllr H.H Hild (Executive Mayor)	280 033	20 486	2 988	303 507
Cllr G Kruger (Speaker)	189 091	27 007	2 131	218 229
Ald B.D Blake (MMC: Financial Services)	244 855	129 835	3 575	378 265
Ald J.D.W Zwart (MMC: Corporate and Shared Services)	121 099	56 111	1 691	178 901
Cllr B Van Der Berg (MMC: Public Safety)	121 099	57 214	1 702	180 015
Cllr N.G Mphafudi (MMC: Health and Social Development)	244 855	129 835	3 575	378 265
Cllr O.S.S Moralo (MMC: Reindustrialisation)	105 954	51 973	1 509	159 436
Cllr A.A Moleko (MMC: Human Settlements)	244 855	129 835	3 575	378 265
Cllr H.H Kruger (MMC: Water and Sanitation)	105 954	51 973	1 509	159 436
Cllr J Kotze (MMC: Enviroment)	84 763	43 818	1 226	129 807

Notes to the Annual Financial Statements

Figures in Rand			2022	2021

46. Related parties (continued)

Cllr ALME Rowles-Zwart (Council Whip)	261 001	133 679	3 764	398 444
Cllr T Molusi (MPAC Chairperson)	254 036	131 358	3 676	389 070
Ald D.S Thabe	123 756	87 931	2 025	213 712
Ald N Tundzi-Hawu	123 756	87 931	2 025	213 712
Cllr B Mahuma	-	23 032	230	23 262
Cllr S.R Dikana	147 328	64 358	2 073	213 759
Cllr H.O Butler	123 756	87 931	2 025	213 712
Cllr M.N Ndzilane	123 756	87 931	2 025	213 712
Cllr T.M Tlholoe	-	24 342	243	24 585
Cllr A Saba	-	23 239	243	23 482
Cllr M.R Lephadi	-	21 239	212	21 451
Cllr S.A Dabhelia	-	24 548	245	24 793
Cllr R.J Mokoto	-	28 548	285	28 833
Cllr T.M Bovhungana	147 328	64 358	2 073	213 759
Cllr F.J.C Steffers	-	45 097	451	45 548
Cllr L Legabe	-	26 342	263	26 605
Cllr BV Molefe	-	24 136	241	24 377
Cllr N.T Xhale	-	27 445	274	27 719
Cllr L.P PII	-	24 136	241	24 377
Cllr S.L.A Cochrane	-	4 262	46	4 308
Cllr B.A Kubai	-	45 096	451	45 547
Cllr G.S Isherwood	38 895	41 884	773	81 552
Cllr M.J Koboekae	-	32 961	330	33 291
Cllr T Ramaisa	-	31 858	319	32 177
Cllr X.L Mkruquli	-	5 310	53	5 363
Cllr A Shikoane	147 328	64 358	2 073	213 759
Cllr T.L.J Schoeman	123 756	87 931	2 025	213 712
Cllr M.F Chohledi	123 756	87 931	2 025	213 712
Cllr B Makhene	-	27 445	274	27 719
Cllr M. Myeki	123 756	87 931	-	211 687
Cllr M.P Teleko	123 756	87 931	2 025	213 712
Cllr J.L Pannall	53 038	78 047	1 236	132 321
Cllr M. Naki	-	24 136	241	24 377
Cllr M.B Nkabinde	-	24 136	241	24 377
Cllr L.M Mpupu	-	23 239	232	23 471
Cllr H.B Munyai	-	30 755	308	31 063

Notes to the Annual Financial Statements

Figures in Rand			2022	2021

46. Related parties (continued)

Cllr S Boyce	123 756	87 931	2 025	213 712
	3 905 316	**2 608 810**	**60 772**	**6 574 898**

Figures in Rand	2022	2021

46. Related parties (continued)

2021

Name	Fee as a member of council	Other short-term benefits	Other benefits received	Total
D.S Thabe (Executive Mayor)	677 970	44 400	187 409	909 779
Ald. N. Tundzi-Hawu (Speaker)	580 804	44 400	198 711	823 915
Ald. F.O Bhayat (MMC: Financial Services)	316 917	3 600	109 014	429 531
D.D Moreotsenye (MMC: Corporate & Shared Services)	544 503	44 400	186 314	775 217
H.O Butler (MMC: Public Safety)	544 503	44 400	186 314	775 217
S. Konopi (MMC: Transport and Human Settlements)	544 503	44 400	186 314	775 217
M.J Selibo (MMC: Infrastructure	269 703	24 000	91 167	384 870
P. Chabane (MMC: Regional Industrialisation)	350 208	3 600	120 462	474 270
B. Xulu (MMC: Health & Social Services)	544 503	44 400	186 742	775 645
Ald. T.P Matuwane (MMC: Environmental Management)	544 503	44 400	187 619	776 522
S.P Monoane (Council Whip)	544 503	44 400	186 314	775 217
V.B Khumalo (MPAC Chairperson)	334 236	24 000	114 851	473 087
Ald. D.H Pretorius	227 586	44 400	78 634	350 620
G.S Isherwood	227 586	44 400	78 634	350 620
Ald. D.B Blake	227 586	44 400	78 634	350 620
M.N Ndzilane	227 586	44 400	78 089	350 075
A.L Rowles-Zwart	227 586	44 400	78 634	350 620
R.T Molusi	227 586	44 400	78 634	350 620
K. Mandyu	227 586	44 400	78 089	350 075
J.D.H Du Bruyn	227 586	44 400	78 089	350 075
B.A Mpeke	44 387	24 000	569	68 956
M. Ndamase	-	24 000	17 683	41 683
H.H Hild	44 387	24 000	570	68 957
Ald. J Zwart	44 387	24 000	570	68 957
A.J Van Tonder	44 387	24 000	570	68 957
P.C Orpen	-	24 000	8 431	32 431
M. Nkoe	44 387	24 000	570	68 957
B. Van der Berg	44 387	24 000	570	68 957
K.E Lekagane	-	24 000	15 612	39 612

46. Related parties (continued)

J.N Kotze	-	24 000	17 693	41 693
W. Segolodi	-	24 000	14 592	38 592
X.L Mkruquli	-	24 000	12 542	36 542
B.R Mafika	44 387	24 000	570	68 957
W. Njani	44 387	24 000	570	68 957
M. Sello	-	24 000	29 005	53 005
M.P Teleko	44 387	24 000	570	68 957
J.L Pannall	-	24 000	19 733	43 733
M. Naki	44 387	24 000	570	68 957
H.B Munyai	44 387	24 000	570	68 957
I.M Merabe	44 387	24 000	570	68 957
L. Modise	-	24 000	24 925	48 925
M. Myeki	203 992	24 000	67 998	295 990
M.L Agondo	-	20 000	24 925	44 925
I.M Rebelo	37 931	7 400	30 621	75 952
	8 392 111	**1 321 000**	**2 859 267**	**12 572 378**

2022 (Other governance committees) **Members of the committee**	Audit committee	Performance Audit committee	Risk management committee	Disciplinary Board	Total
L Konar (AC Chairperson)	8 632	-	-	-	8 632
B Ahmed (Former AC Chairperson)	25 896	20 952	-	-	46 848
L Mangquku (AC Member)	15 714	-	-	-	15 714
M Maseko (AC Member)	5 238	-	-	-	5 238
L Ravhuhali (AC Member)	5 238	-	-	-	5 238
P Mongalo (PAC Chairperson)	20 952	43 160	-	-	64 112
P Fourie (PAC Member)	-	20 952	-	-	20 952
A Mangokwana (PAC Member)	-	20 952	-	-	20 952
S.P Khoza (PAC Member)	-	5 238	-	-	5 238
L.A Malinga (RMC Chairperson, DC Board and Former AC Member)	20 952	-	17 264	76 596	114 812
K Moahloli (DC Board Chairperson)	-	-	-	135 996	135 996
K.P Governder (Former PAC Member)	-	20 952	-	-	20 952
	102 622	**132 206**	**17 264**	**212 592**	**464 684**

46. Related parties (continued)

2021 (Other governance committees)

Members of the committee	Audit committee	Performance Audit committee	Risk management committee	Total
B Ahmed (AC Chairperson)	34 528	10 476	-	45 004
L Mangquku (AC Member)	16 368	-	-	16 368
L.A Malinga (RMC Chairperson and AC Member)	21 606	-	8 632	30 238
T Nemadzhilili (AC Member)	10 476	-	-	10 476
P Mongalo (PAC Chairperson)	15 714	17 264	-	32 978
P Fourie (PAC Member)	-	10 476	-	10 476
A Mangokwana (PAC Member)	-	10 476	-	10 476
K.P Govender (PAC Member)	-	10 476	-	10 476
	98 692	**59 168**	**8 632**	**166 492**

47. Prior period restatements

Property, Plant and Equipment
Conditional assessment on fixed assets were undertaken during the year with assistance of the management expert. It was identified that the were assets of which their uselife was supposed to have been revised in the prior year. The municipality corrected its financial statements to comply with the requirement of GRAP 17 on Property, plant and equipment regarding the review of useful life. The error has been corrected retrospectively from the beginning of the 2021/22 financial period against the opening balance of accumulated surplus/ (deficit). The adjustment relates to the revision of such assets useful life.

Non-current assets held for sale
There is no longer a GRAP standard which covers assets which are held for sale as the Accounting Standard Board (ASB) decided to repeal the principles in GRAP 100 that dealt with non-current assets held for sale in 2013. There is currently an exposure draft - ED 79. It was therefore decided that the fixed assets which are to be auctioned be classified under inventories.

Long term receivables
Study assistance was issued to employees and councilors as part of capacity building. In the instance where studies are not completed by the beneficiary, the study assistance becomes a loan to an individual. The balance of the long term receivable is therefore adjusted as there were employees who submitted results in the prior year and did not owe the municipality. This also affects assets written-off.

Provisions
The restatement on provisions relates to the audit adjustment due to GRAP 19 not permitting provisions to be split between current and non-current liabilities.

Actuarial gains/ (losses)
No payments were made to employees on long service award in the prior year, therefore the expected benefit payments are reclassified under transfers and subsidies. This also affects actuarial gains/(losses) in the prior year.

Grants and subsidies
This relates to the LG SETA grant which was previously classified as exchange transaction under operating income and it is now reclassified as a non-exchange transaction.

Disclosure
The restatements on disclosure relates to changes made based on supporting evidence provided and incidents which took place based on the prevailing circumstances. The restated amounts were reconciled to schedules, reports and agreements presently in place. The adjustment on irregular and fruitless & wasteful expenditure is based on VAT implications which were erroneously included in the prior year as part of the reported expenditure.

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

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

47. Prior period restatements (continued)

Statement of Financial Position	As previously reported	Reclassification	Restatement	Restated balance
Inventories	86 153	290 121	-	376 274
Non-current assets held for sale	290 121	(290 121)	-	-
Property plant and equipment	64 055 784	-	101 089	64 156 873
Long term receivables	254 916	-	(176 433)	78 483
Short-term provisions	(13 913 470)	1 879 861	-	(12 033 609)
Long-term provisions	(15 992 616)	(1 879 861)	-	(17 872 477)
Accumulated (surplus)/ deficit	106 384 562	-	75 344	106 459 906
	141 165 450	**-**	**-**	**141 165 450**

Statement of Financial Performance	As previously reported	Reclassification	Restatement	Restated amounts
Government grants and subsidies	240 107 136	4 749 695	-	244 856 831
Operating income	4 882 876	(4 749 695)	-	133 181
Transfers and subsidies	(9 561 878)	(1 626 870)	-	(11 188 748)
Depreciation and amortisation	(4 488 619)	-	(31 686)	(4 520 305)
Assets write-offs	-	-	(176 433)	(176 433)
Actuarial gains/(losses)	932 011	1 626 870	-	2 558 881
	231 871 526	**-**	**(208 119)**	**231 663 407**

Categories (Sub-line items) of Property, plant and equipment	As previously reported	Reclassification	Restatement	Restated balance
Land	12 118 881	-	-	12 118 881
Buildings	11 010 960	-	-	11 010 960
Plant and machinery	141 202	(1 397)	11 706	151 511
Furniture and fixtures	352 967	8 582	17 118	378 667
Motor vehicles	4 178 768	(728 925)	2 010	3 451 853
Infrastructure	1 886 004	-	-	1 886 004
Security measures	402 692	-	-	402 692
Emergency equipments	91 417	-	12 534	103 951
Other property, plant and equipment	1 731	(1 731)	-	-
Electrical equipment	106 175	-	-	106 175
Office equipment	581 755	(5 454)	57 721	634 022
Specialised vehicles	28 799 132	728 925	-	29 528 057
Community Facilities	4 384 100	-	-	4 384 100
	64 055 784	**-**	**101 089**	**64 156 873**

Disclosure	As previously reported	Reclassification	Restatement	Restated amounts
Irregular expenditure	76 262 440	-	(5 158 847)	71 103 593
Fruitless and wasteful expenditure	4 080 070	-	(2 052 177)	2 027 893
Unauthorised expenditure	69 456 653	-	2 934 285	72 390 938
Financial instruments disclosure (Financial liabilities)	106 212 194	-	(35 283 108)	70 929 086
Commitments	27 594 730	-	317 420	27 912 150
Contingencies	3 057 211	-	7 198 096	10 255 307
	286 663 298	**-**	**(32 044 331)**	**254 618 967**

48. Subsequent events (Events after the reporting date)

Adjusting events
The following are adjusting events which provided evidence of conditions that existed at the reporting date:
- During the Council meeting held on 31 August 2022, the council took a decision to write off study loans with the cost amount of R78 483. Please refer to note 10 for more information.
- During the Council meeting held on 31 August 2022, the council took a decision to write off fire debtors with the fair value amount of R3 691 891. Please refer to note 4 for more information.
- During the Council meeting held on 31 August 2022, the council took a decision to write off property, plant and equipment with carrying amount of R44 885. Please refer to note 9 for more information.

Under note 44 there is a disclosure of capital commitments for a construction of Multipurpose centre funded by the NDPG grant. Previously the grant was offered as a technical assistance through schedule 6B of DoRA and a decision was made by National Treasury to offer the grant as a direct transfer to the municipality as per schedule 6A of DoRA when the Minister of Finance presented a National Budget speech.

The details of the above events are further disclosed under note 34.

Non-adjusting events
Any events or transactions which occurred after 30 June 2022 and that require a disclosure or adjustment in the annual financial statements of West Rand District Municipality were duly accounted for. This relates to obligations which the municipality has in the 2022/2023 financial year disclosed under commitments note 44. Furthermore the municipality brings to the attention of the users of financial statements the expiry of the current integrated financial management system contract.

49. Risk management

Financial risk management

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

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.

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.

The municipality cannot be granted overdraft or any credit facility by the financial institution due to its high credit risk. The primary bank conditionally allows the credit facility only when the Council approves the facility and Gauteng Provincial Treasury provides concurrence to the transaction.

Other risks

Risk arising from injury on duty

The entity is exposed to financial risks arising from non-payment of provision for workmen's compensation. The entity failed to receive annual assessments from the Department of labour. The effect of non-payment may negatively affect injury on duty incidents that may arise from time to time. An item was tabled to Council which permits the cover for employees that may be exposed to injury on duty incidents, using municipality's internal resources. The entity has a payment arrangement with Department of Labour in settling outstanding workmen's compensation.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

50. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated deficit of R (107 659 752) and that the municipality's total liabilities exceed its assets by R (107 659 752).

The municipality had a deficit for the year of R (1 200 011).

The 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 municipality is presently implementing a financial recovery plan with seven (7) strategies and reports on progress to National Treasury, National CoGTA , Gauteng Provincial Treasury and Gauteng Provincial CoGTA on monthly basis. The municipality annually reviews its financial turnaround strategy as part of budget related policies and reports to Gauteng Provincial Treasury on challenges and improvements.

With the implementation of the District Development Model, the District will be playing its coordinating function to ensure that service delivery is not compromised. A detailed funding assessment will have to be undertaken prior to the implementation of the District Development Model. The District Development Model is a new integrated planning model for Cooperative Governance which seeks to be a new integrated, district-based, service delivery approach aimed at fast-tracking service delivery and ensure that municipalities are adequately supported and resourced to carry out their mandate.

The municipality manages its working capital management by continuous engagements with their major creditors and payments are made upon the receipt of equitable share tranche. The municipality entered into settlement agreement with its consumer debtors and local municipalities to collect amounts outstanding to them. Cash flow forecast is reviewed and analysed regularly to manage monthly unavoidable obligations.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

51. Unauthorised expenditure

Opening balance as previously reported	72 390 938	58 732 685
Correction of prior period error	-	2 934 285
Opening balance as restated	**72 390 938**	**61 666 970**
Add: Expenditure identified - current	14 123 641	-
Add: Expenditure identified - prior period	-	21 253 313
Less: Authorised for write-off - prior period	-	(10 529 345)
Closing balance	**86 514 579**	**72 390 938**

(1) Unauthorised expenditure relates to over-expenditure of actual expenditure when compared to the budgeted expenditure due to VBS investments impaired during 2017/2018 financial period. The matter was referred to MPAC for investigation and recommended that a criminal case be lodged with SAPS. A national office case number has been issued.

(2) Unauthorised expenditure relates to unspent conditional grants disclosed during 2018/2019 financial period and not cash-backed by sufficient liquid asset. The matter was referred to MPAC for investigation and recommended that the expenditure be written off since the conditions of the grants were met during 2019/2020 financial period.

(3) Unauthorised expenditure related to spending of operating cost of fire service functions which were removed from the 2019/2020 special adjustment budget approved by Council on 30 September 2019 in line with the recommendations of the financial recovery plan. These functions were not accepted by the local municipality and expenses were still incurred by the District municipality. The matter was referred to MPAC for investigation and recommended that the expenditure be written off since the special adjustment budget was deemed unrealistic. The fire services function was returned into the municipality's budget during the 2019/2020 ordinary adjustment budget stage.

(4) Unauthorised expenditure relates to over-expenditure of actual expenditure when compared to the budgeted expenditure due to losses incurred in derecognition of the investment in controlled entities and movement in actuarial valuation performed at year-end. This was identified during preparation of annual financial statements for 2020/2021 and will be submitted to Council.

(5) Unauthorised expenditure relates to over-expenditure of actual expenditure when compared to the budgeted expenditure due to assets written off which were approved by Council and expenditure on pauper burials which is beyond the control of the municipality. This was identified during preparation of annual financial statements for 2021/2022 and will be submitted to Council.

Analysed as follows: non-cash

Employee related cost	-	5 981 834
Depreciation and asset impairment	2 030 192	448 619
Interest costs and penalties	8 196 517	8 453 726
Other expenditure	2 584 241	6 369 134
	12 810 950	**21 253 313**

Analysed as follows: cash

Interest costs and penalties	-	11 670
Transfers and grants paid- pauper burials	149 691	-
Transfers and grants paid- roll over surrendered to Revenue funds	1 163 000	-
	1 312 691	**11 670**

The over expenditure incurred by municipal vote during the year is attributable to the following categories:

Non-cash	12 810 950	21 241 643
Cash	1 312 691	11 670
	14 123 641	**21 253 313**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

51. Unauthorised expenditure (continued)

Unauthorised expenditure: Budget overspending – per municipal vote

Corporate governance	925 453	-
Corporate services	1 375 117	226 646
Budget and Treasury office	7 735 918	13 594 504
Health and social development	1 312 691	-
Public safety	1 575 241	-
Regional planning and economic development	1 199 221	7 432 163
	14 123 641	**21 253 313**

Disciplinary steps taken/criminal proceedings

Following the implementation of Council resolution on a VBS matter, the municipality became aware that a criminal case has already been lodged with SAPS.

52. Irregular expenditure

Opening balance as previously reported	71 103 593	73 286 653
Less: Irregular Expenditure - prior year correction	-	(4 770 701)
Opening balance as restated	**71 103 593**	**68 515 952**
Add: Irregular Expenditure - current	-	2 587 641
Closing balance	**71 103 593**	**71 103 593**

Irregular expenditure written off for the prior and current year relates to expenditure incurred on contracts awarded during 2016/2017 financial period as a result of contravention with Preferential Procurement Policy Framework Act, 2000 and Preferential Procurement Regulations, 2011. The contracts lapsed on 30 June 2020 and were not renewed or extended.

53. Fruitless and wasteful expenditure

Opening balance as previously reported	2 027 893	4 068 400
Correction of prior period error	-	(74 342)
Opening balance as restated	**2 027 893**	**3 994 058**
Add: Expenditure identified - current	366 117	11 670
Less: Amount written off - prior period	-	(1 977 835)
Closing balance	**2 394 010**	**2 027 893**

(1) Fruitless and wasteful expenditure for the previous years includes amounts charged for interest and penalties based on long outstanding amounts. These relates to interest and penalties charged by SARS, benefit funds, Department of Labour and other creditors

(2) Fruitless and wasteful expenditure for the previous years includes amounts for arbitration awards on labour disputes. MPAC referred the matter to the Disciplinary Board committee.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

53. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Interest levied by Department of Labour	No steps taken as West Rand District Municipality has requested the Department of Labour to write off the interest charged and a payment arrangment is in the process of being finalised.	366 117	-

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	6 425 374	4 996 080
Current year subscription / fee	2 211 556	2 929 294
Amount paid - current year	(1 500 000)	(1 500 000)
	7 136 930	**6 425 374**

Material losses

Opening balance	2 219 775	2 219 775

During 2011/12 financial year the accounting Officer opened a criminal case with the South African Police Services (SAPS) in terms of Section 52 of the MFMA. The alleged incumbent resigned and has pleaded guilty and the judgement will be passed by Court. Further civil matters has already been pursued to recover the municipality losses. The internal personnel have already underwent disciplinary procedures and the employee have been dismissed. The municipality recovered R1.7 million through the MGF Pension fund.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

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

Audit fees

	2022	2021
Opening balance	2 730 107	2 417 982
Current year subscription / fee	3 239 734	2 676 645
Transfer from the unwinded entity	-	113 816
Amount paid - current year	(4 252 935)	(2 478 336)
	1 716 906	**2 730 107**

PAYE and UIF

	2022	2021
Opening balance	3 398 041	4 805 769
Current year subscription / fee	32 436 965	33 478 745
Amount paid - current year	(33 178 088)	(34 886 473)
	2 656 918	**3 398 041**

Pension and Medical Aid Deductions

	2022	2021
Opening balance	5 318 842	2 789 389
Current year subscription / fee	35 420 845	34 780 639
Amount paid - current year	(37 786 834)	(32 251 186)
	2 952 853	**5 318 842**

VAT

	2022	2021
VAT receivable/ (payable)	(815 418)	(869 788)

VAT output payables and VAT input receivables are shown in note .

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations (MSCMR) any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and must be reported to Council. The expenses incurred as listed hereunder have been approved in compliance with Section 36 of the MSCMR.

Incident	2022	2021
Sole provider	1 236 303	-
Impractical to follow SCM procedures	-	500 620
	1 236 303	**500 620**

55. 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 annual financial statements.

Notes to the Annual Financial Statements

56. Non-compliance with Laws and Regulations

The municipality did not always comply with the provisions of Section 65(2)(e) of the MFMA which requires that all payments be reasonably made within 30 days. The non-compliance is directly attributable to the financial challenges experienced by the municipality. The accounting officer has taken all reasonable step to ensure payments are made by negotiating with its creditors to implement the extended payment plan linked with the dates of receipt of equitable share.